

This document constitutes the second supplement to the previously published base prospectus dated 27 June 2006 as supplemented by the first supplement dated 23 August 2006 pursuant to section 16 paragraph 1 of the German Securities Prospectus Act (*Wertpapierprospektgesetz*).

**Second Supplement**  
**to the Prospectus dated 27 June 2006**  
**as supplemented by the First Supplement dated 23 August 2006**

**Bayerische Hypo- und Vereinsbank AG**

Munich, Federal Republic of Germany

**Euro 50,000,000,000 Debt Issuance Programme** for  
the issuance of Notes (including Pfandbriefe), Certifi-  
cates and Warrants (the "Programme")



**Arranger and Dealer**

**UniCredit Group (HVB)**

**22 March 2007**

This supplement is to be read and construed in conjunction with the prospectus dated 27 June 2006 (the "Base Prospectus") as supplemented by the First Supplement dated 23 August 2006 (the "Prospectus") and, in connection with any issue of Instruments, with the relevant Final Terms. Therefore, with respect to future issues under the Programme references in the Final Terms to the Prospectus are to be read as references to the Prospectus as amended and supplemented by this Supplement.

**Amendments to the Prospectus**

Due to the publication of results for Annual Report of 2006 and further developments in the context of the restructuring of HVB Group in connection with the business combination of the Issuer and UniCredit Group S.p.A., the sections "Form of Instruments", "Summary of the Prospectus", "Summary Description of Bayerische Hypo- und Vereinsbank AG", "Responsibility Statement", "Form der Wertpapiere", " German Translation of Summary of the Prospectus Zusammenfassung des Prospekts", "Zusammenfassende Beschreibung der Risikofaktoren", " Risk relating to Bayerische Hypo- und Vereinsbank AG", "Operational Information", " Operative Informationen", "Bayerische Hypo- und Vereinsbank AG", "Litigation and Other Proceedings" and "General Information – Documents incorporated by reference" have been amended in various places.

**The Issuer accepts responsibility for the information contained in this Supplement and declares that, having taken all reasonable care to ensure that this is the case, the information contained in this Supplement is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.**

**Investors who have already agreed to purchase or subscribe for the Instruments before the supplement is published shall have the right, exercisable within two working days after the publication of the supplement, to withdraw their acceptances, pursuant to section 16 paragraph 3 of the German Securities Prospectus Act.**

**Bayerische Hypo- und Vereinsbank AG, MCD2 Debt Capital Markets Documentation, Arabellastrasse 12, D- 81925 Munich, fax no.: +49-89-378 33 15964, as been appointed as recipient for the revocation notices according to Section 16 Paragraph 3 in connection with section 8 paragraph 1 sentence 4 of the German Securities Prospectus Act.**

**This Supplement will be available during usual business hours on any weekday (except Saturdays and public holidays) at the office of Bayerische Hypo- und Vereinsbank AG, MCD 2, Arabellastr. 12, 81925 Munich.**

Bayerische Hypo- und Vereinsbank AG (the "Issuer") announces the following changes with regard to the previously published Prospectus, which is available during usual business hours on any weekday (except Saturdays and public holidays) at the office of Bayerische Hypo- und Vereinsbank AG, MCD 2, Arabellastr. 12, 81925 Munich:

- The third paragraph of the section "**Form of Instruments**" on page 6 of the Base Prospectus:

"Notes to which U.S. Treas. Reg. § 1.163-5 (c) (2) (i) (D) (the "TEFRA D Rules") applies ("TEFRA D Notes") will always be represented initially by a temporary global Note, which will be exchanged for Notes represented by one or more Permanent Global Note(s), not earlier than 40 days and not later than 180 days after the completion of distribution of the Notes comprising the relevant Tranche upon certification of non U.S.-beneficial ownership in the form available from time to time at the specified office of the Issuing and Principal Paying Agent."

is replaced as follows:

"Notes to which U.S. Treas. Reg. § 1.163-5 (c) (2) (i) (D) (the "TEFRA D Rules") applies ("TEFRA D Notes") will always be represented initially by a temporary global Note ("Temporary Global Note"), which will be exchanged for Notes represented by one or more Permanent Global Note(s), not earlier than 40 days and not later than 180 days after the completion of distribution of the Notes comprising the relevant Tranche upon certification of non U.S.-beneficial ownership in the form available from time to time at the specified office of the Issuing and Principal Paying Agent."

- The following section is inserted after the section "**Form of Instruments**" on page 6 of the Base Prospectus:

**ECB-eligible Security:**

If so required by European Central Bank guidelines relating to the eligibility as security by the European Central Bank ("ECB") the Temporary Global Note and the Permanent Global Note may, as stated in the applicable Final Terms, be delivered on or prior to the issue date of the Tranche to a common safekeeper (the "Common Safekeeper") for Clearstream Banking société anonyme and Euroclear Bank S.A./N.V., as operator of the Euroclear system. The Terms and Conditions (Notes) may be amended if necessary to comply with such requirements. Such requirements are not applicable for clearing by Clearstream Banking AG, Frankfurt am Main.

- The section "**Rating**" on page 11 of the Base Prospectus will be replaced by the following section:

**"Rating:**

Unless otherwise specified in the relevant Final Terms, and other than in respect of Credit Linked Notes, Instruments to be issued under the Programme have been rated as follows by Fitch Ratings Ltd. ("Fitch"), Moody's Investors Service Ltd. ("Moody's") and Standard & Poor's Ratings Services ("S&P"):

<i>Type of Instruments</i>			<i>Fitch</i>	<i>Moody's</i>	<i>S&amp;P</i>
Public Sector	Pfand-	briefe	AAA	Aa1	AAA
	Mortgage	Pfandbriefe	AAA	Aa1	not rated

Long-term Senior Notes	A	A2	A
Subordinated Notes	A-	A3	A-
Short-term Notes	F1	P-1	A-1

Instruments to be issued under the Programme may be rated or unrated. Where an issue of Instruments is rated, its rating may not be the same as the rating applicable to the Programme.

A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency."

- The sections "**Risks relating to Bayerische Hypo- und Vereinsbank AG**" and "**Summary Description of Bayerische Hypo- und Vereinsbank AG**" from page 12 to page 14 of the Base Prospectus will be replaced by the following section:

#### **"Risks relating to Bayerische Hypo- und Vereinsbank AG**

An investment in the Instruments involves certain risks relating to the Issuer and the relevant Tranche of Instruments. While all of these risk factors involve contingencies which may or may not occur, potential investors should be aware that the risks involved with investing in the Instruments may, among other things, (i) affect the ability of the Issuer to fulfill its obligations under the Instruments issued under the Programme and/or (ii) lead to a volatility and/or decrease in the market value of the relevant Tranche of Instruments whereby the market value falls short of the expectations (financial or otherwise) of an investor upon making an investment in such Instruments.

Prospective investors should consider, among other things, the factors described under "Risk Factors" below which identify certain risks inherent in investing in Instruments issued under the Programme and in regards to the Issuer.

However, each prospective investor of Instruments must determine, based on its own independent review and such professional advice as it deems appropriate under the circumstances, that its acquisition of the Instruments is fully consistent with its (or if it is acquiring the Instruments in a fiduciary capacity, the beneficiary's) financial needs, objectives and condition, complies and is fully consistent with all investment policies, guidelines and restrictions applicable to it (whether acquiring the Instruments as principal or in a fiduciary capacity) and is a fit, proper and suitable investment for it (or if it is acquiring the Instruments in a fiduciary capacity, for the beneficiary), notwithstanding all of the risks inherent in investing in or holding the Instruments.

#### **Risks Related to the Business Combination of the UniCredit Group and the HVB Group**

*Unforeseen difficulties in connection with the Business Combination of UniCredit Group and HVB Group may have a material adverse effect on UniCredit Group's and HVB Group's business, financial condition and results of operations.*

The Business Combination will result in the integration of two large banking groups that were previously managed and operated independently and as competitors. This complex integration poses specific challenges that will expose the newly formed combined group and HVB Group to certain risks, including the following:

*Uncertainties of achieving synergies.* Although HypoVereinsbank expects the business combination to create synergies, the integration of two large banking groups based in different countries, with differing cultural backgrounds, business cultures, operating languages and compensation structures as well as legal framework, which are active throughout a large geographical area, presents significant managerial challenges. There can be no assurance that this integration, and the synergies expected to result from the integration, will be achieved as rapidly or to the extent currently anticipated.

*Complex harmonization of UniCredit Group's and HVB Group's IT systems.* Harmonizing UniCredit Group's and HVB Group's IT systems to create a consistent IT architecture across the combined group poses specific challenges and risks to HVB Group.

*Complex integration of UniCredit Group's and HVB Group's risk management systems.* UniCredit Group and HVB Group currently use different methodologies to measure and manage risks. The integration of the two risk management systems following the business combination will likely aggravate the risk of a potential failure or inadequacy of the combined group's risk management systems, in particular during the initial integration phase.

*Diversion of management resources to address integration issues.* The integration of UniCredit Group and HVB Group will require significant time and attention of the combined group's management. To the extent that integration issues divert attention from management's other responsibilities, HVB Group's business may be adversely affected.

*Need to communicate effectively with partners and customers.* The combined group will need to communicate effectively with its partners and customers so that they understand the expanded range of products and services offered by the combined group and the relative strengths of such product and services range. The failure to communicate effectively may result in a failure to exploit opportunities and the loss of existing business and customers on the side of HVB Group.

*Potential loss of key personnel.* The combined group will rely on the senior management of UniCredit Group and HVB Group to successfully integrate the two groups and implement the combined strategy. If the combined group loses key personnel, it may have more difficulty completing the integration quickly and in a manner that takes advantages of the respective strengths of UniCredit Group and HVB Group.

UniCredit Group is supervised by the Bank of Italy and their guidelines may affect the results of HVB Group in future.

#### ***Risks from the restructuring of the corporate group / integration risks***

The transfer at the beginning of 2007 of the investments in Bank Austria Creditanstalt and other units in central and eastern Europe resulted in substantial sales proceeds. With the proceeds from these transactions the bank has the maneuvering space to push ahead with both organic and acquisition-driven growth in the German banking market, gain access in northern European regions to markets similar to those in western Europe, expand its core competencies in specialised niche areas, optimise its regulatory capital and repurchase hybrid financing when it makes economic sense to do so; however, as usual the search for equivalent re-investments entails risks.

#### ***Tax Implications***

*Tax Loss Carry Forwards.* The use of the substantial tax loss carry forwards (in particular in HypoVereinsbank) depends on certain conditions, which have to be fulfilled after the transfer of shares in HypoVereinsbank to UniCredit S.p.A. took place.

*German Thin Capitalization Rules.* Following the acquisition of HypoVereinsbank shares by UniCredit S.p.A. HypoVereinsbank has a significant shareholder (according to the Thin Capitalization Rules) and comes therefore within the scope of these rules.

*Real Estate Transfer Tax Liability.* The transfer of shares in HypoVereinsbank to UniCredit S.p.A. (especially the increase of the participation of Unicredit in HypoVereinsbank to 95%) will cause real estate transfer tax liabilities with respect to German real estate owned by HypoVereinsbank or its subsidiaries. However, for a part of the real estate the exact amount of Real Estate Transfer Tax cannot be determined at this stage.

Each of the factors discussed above may have a material adverse effect on HVB Group's business, financial condition and results of operations. There can be no assurance that the integration process will be successful and that the combined group will be operated and managed as efficiently as UniCredit Group and HVB Group, respectively, have been operated and managed in the past.

#### **Summary Description of Bayerische Hypo- und Vereinsbank AG**

Bayerische Hypo- und Vereinsbank Aktiengesellschaft ("HVB") was formed in 1998 through the merger of Bayerische Vereinsbank Aktiengesellschaft and Bayerische Hypotheken- und Wechsel-Bank Aktiengesellschaft.

It is the parent company of HVB Group, which is head-quartered in Munich. Since November 2005, HVB Group is majority owned by UniCredito Italiano S.p.A. ("UniCredit").

On 23 January 2007, the Board of Directors of UniCredit has adopted a resolution in favor of starting a squeeze-out procedure in HVB. To initiate the relevant procedures UniCredit has addressed a formal request to HVB's management board. UniCredit currently owns 95 per cent. of the share capital of HVB, allowing this move according to German law.

On 9 January 2007, HVB transferred its shareholding in Bank Austria Creditanstalt AG to UniCredit for a total cash consideration of approximately EUR 12.5 billion. On 10 January 2007 HVB transferred its shareholding in HVB Latvia to Bank Austria Creditanstalt AG for a cash consideration of EUR 35 million plus the capital increase of HVB Bank Latvia of around €40 million subscribed by HVB in August 2006. HVB's shareholding in International Moscow Bank amounting to 70.26% plus the options on a further 4.81% were subsequently transferred to Bank Austria Creditanstalt AG on 11 January 2007 for a cash consideration of altogether EUR 1,015 million.

In support of HVB's further developments, UniCredit's Board of Directors agreed beside others to use the profit realised by HVB on the sale of the HVB business in Austria and Central and Eastern Europe to significantly strengthen HVB's capital position in order to further develop HVB's business through organic growth or acquisitions both in HVB's key market Germany as well as in other European countries where the UniCredit Group is not yet adequately represented (in particular Scandinavia and Benelux).

HVB Group offers a comprehensive range of banking and financial products and services to a broad range of customer groups in the retail, corporate and public sectors.

As a result of the integration into the UniCredit Group, the activities of HVB Group have been restructured in the following global divisions:

Retail, Wealth Management, Corporates & Commercial Real Estate Financing and Markets & Investment Banking."

- The following section is inserted after the section "**Form der Wertpapiere**" on page 16 of the Base Prospectus:

**EZB-fähige Sicherheit:** Falls die Richtlinien der Europäischen Zentralbank für die Eignung als Sicherheit für die Europäische Zentralbank ("EZB") es erfordern, können am oder vor dem Begebungstag der Tranche die vorläufige Global-Inhaberschuldverschreibung und die Dauer-Global-Inhaberschuldverschreibung einem common safekeeper (der "Common Safekeeper") für Clearstream Banking, société anonyme, Luxemburg und Euroclear Bank S.A./N.V. Brüssel, als Betreiberin des Euroclear Systems, entsprechend den geltenden Endgültigen Bedingungen übergeben werden. Die Anleihebedingungen können angepasst werden, wenn dies für die Einhaltung dieser Anforderungen erforderlich ist. Diese Anforderungen gelten nicht für Clearing durch Clearstream Banking AG, Frankfurt am Main.

- The section "**Bonitätseinstufung (Rating)**" on page 22 of the Base Prospectus will be replaced by the following section:

**"Bonitätseinstufung (Rating):** Soweit in den Endgültigen Bedingungen nicht anders angegeben, haben die Wertpapiere die unter dem Programm begeben werden, mit Ausnahme der Credit Linked Notes, die folgende Bonitätseinstufung von Fitch Ratings Ltd. ("Fitch"), Moody's Investors Service Limited ("Moody's") und Standard & Poor's Ratings Services ("S&P") erhalten:

<i>Art von Wertpapieren</i>	<i>Fitch</i>	<i>Moody's</i>	<i>S&amp;P</i>
Öffentliche Pfandbriefe	AAA	Aa1	AAA
Hypothekendarlehen	AAA	Aa1	not rated

Wertpapiere mit langer Laufzeit	A	A2	A
Nachrangige Wertpapiere	A-	A3	A-
Wertpapiere mit kurzer Laufzeit	F1	P-1	A-1

Wertpapiere können im Rahmen des Programms mit oder ohne eine Bonitätseinstufung begeben werden. Soweit eine Ausgabe von Wertpapieren eine spezielle Bonitätseinstufung erhalten hat, kann es sein, dass sie nicht dieselbe Bonitätseinstufung erhalten hat, welche auf das Programm anwendbar ist. Eine Bonitätseinstufung ist keine Empfehlung zum Kauf, Verkauf oder Halten von Wertpapieren und kann von der Agentur, die diese Bonitätseinstufung vergeben hat, jederzeit aufgehoben, nach unten korrigiert oder zurückgezogen werden."

- The sections "**Mit Bayerische Hypo- und Vereinsbank AG verbundene Risiken**" and "**Kurzbeschreibung der Bayerische Hypo- und Vereinsbank AG**" from page 23 to page 26 of the Base Prospectus will be replaced by the following section:

#### **"Mit Bayerische Hypo- und Vereinsbank AG verbundene Risiken**

Jede Investition in die Instrumente unterliegt gewissen Risiken hinsichtlich des Emittenten und der jeweiligen Tranche der Instrumente. Diese Risiken werden durch Faktoren bedingt, deren Eintreten nicht sicher ist. Potenzielle Investoren sollten daher bedenken, dass die mit einer Investition in die Instrumente verbundenen Risiken unter anderem (i) die Fähigkeit des Emittenten, seine Verpflichtungen aus den im Rahmen des Programms begebenen Instrumenten zu erfüllen, beeinflussen und/oder (ii) eine Volatilität und/oder Minderung des Marktwerts der maßgeblichen Tranche der Instrumente nach sich ziehen können, so dass der Marktwert die (finanziellen oder sonstigen) zum Zeitpunkt der Investitionsentscheidung gehegten Erwartungen des Investors nicht erfüllt.

Potenzielle Investoren sollten unter anderem die nachstehend im Abschnitt „Risikofaktoren“ beschriebenen Faktoren bedenken, die bestimmte Risiken in Hinblick auf die Investition in die im Rahmen des Programms emittierten Instrumente und den Emittenten betreffen.

Jeder potenzielle Investor in die Instrumente muss auf Grundlage seiner eigenen unabhängigen Prüfung und der von ihm als angemessen erachteten professionellen Beratung bestimmen, ob der Kauf der Instrumente trotz der mit der Investition in diese und mit ihrem Besitz verbundenen Risiken seinen finanziellen Bedürfnissen, Zielen und Umständen (oder im Falle des Kaufs in treuhänderischer Funktion denen des Begünstigten) in vollem Umfang entspricht und allen für ihn geltenden Anlagegrundsätzen, -richtlinien und -beschränkungen genügt (im Falle des Erwerbs auf eigene Rechnung oder in treuhänderischer Funktion) und dass die Investition eine geeignete, gute und ordnungsgemäße Anlage für ihn (oder, soweit der Kauf in treuhänderischer Funktion erfolgt, für den Begünstigten) ist.

#### **Risiken im Zusammenhang mit dem Zusammenschluss der UniCredit Group und der HVB Group**

*Unvorhergesehene Schwierigkeiten im Rahmen des Zusammenschlusses der UniCredit Group und der HVB Group könnten erhebliche nachteilige Auswirkungen auf die Geschäftstätigkeit der UniCredit Group und der HVB Group und ihre Vermögens-, Finanz- und Ertragslage haben.*

Der Zusammenschluss wird zur Integration zweier großer Bankengruppen führen, die zuvor als unabhängige Wettbewerber geleitet und betrieben wurden. Diese komplexe Integration stellt die Beteiligten vor eine Reihe spezifischer Herausforderungen, infolge derer die neu entstehende gemeinsame Gruppe und die HVB Group Risiken ausgesetzt sind, die sich u.a. aus den folgenden Umständen ergeben können:

*Unsicherheit über die Erzielung von Synergieeffekten.* Obgleich die HypoVereinsbank davon ausgeht, infolge des Zusammenschlusses bestimmte Synergieeffekte zu erzielen, stellt die Integration zweier großer, in unterschiedlichen Ländern ansässiger Bankengruppen mit geografisch breit gefächerten Aktivitäten, unterschiedlichem kulturellem Hintergrund, unterschiedlichen Unternehmenskulturen, Arbeitssprachen und Vergütungsstrukturen sowie rechtlichen Rahmenbedingungen eine erhebliche Herausforderung dar. Es besteht daher keine Gewähr, dass sich diese Integration und die daraus erwarteten Synergien im gegenwärtig erwarteten Zeitraum und Ausmaß werden realisieren lassen.

*Komplexität der Harmonisierung der Datenverarbeitungssysteme der UniCredit Group und der HVB Group.* Die Harmonisierung der Datenverarbeitungssysteme der UniCredit Group und der HVB Group zur Schaffung einer einheitlichen IT-Architektur in der gesamten gemeinsamen Gruppe birgt spezifische Herausforderungen und Risiken für die HVB Group.

*Komplexität der Integration der Risikomanagement-Systeme der UniCredit Group und der HVB Group.* Die UniCredit Group und die HVB Group setzen derzeit unterschiedliche Methoden zur Risikomessung und -steuerung ein. Die Integration der beiden Risikomanagement-Systeme nach dem Zusammenschluss dürfte das Risiko erhöhen, dass die Risikomanagement-Systeme der gemeinsamen Gruppe – insbesondere während des Beginns der Integrationsphase – versagen oder sich als unzureichend erweisen.

*Bindung von Managementkapazitäten durch Integrationsfragen.* Die Integration der UniCredit Group und der HVB Group wird in großem Umfang Zeit und Konzentration des Managements der gemeinsamen Gruppe in Anspruch nehmen. Soweit Integrationsfragen das Management von anderen Aufgaben ablenken, könnte das Geschäft der HVB Group davon beeinträchtigt werden.

*Notwendigkeit der effektiven Kommunikation mit Partnern und Kunden.* Die gemeinsame Gruppe muss die effektive Kommunikation mit ihren Partnern und Kunden sicherstellen, um diese mit dem erweiterten Produkt- und Dienstleistungsportfolio der gemeinsamen Gruppe und den relativen Stärken der Produkt- und Dienstleistungspalette vertraut zu machen. Sollte dies nicht gelingen, könnten der HVB Group Geschäftschancen entgehen, bestehendes Geschäft verloren gehen oder Kunden abwandern.

*Möglicher Verlust wichtiger Mitarbeiter.* Die gemeinsame Gruppe ist für die erfolgreiche Integration der beiden Gruppen und die Umsetzung der gemeinsamen Strategie auf die Führungskräfte der UniCredit Group und der HVB Group angewiesen. Sollte die gemeinsame Gruppe wichtige Mitarbeiter verlieren, könnte die zügige Integration sowie die Umsetzung der jeweiligen Stärken der UniCredit Group und der HVB Group erschwert werden.

Die UniCredit Group wird von der Banca d'Italia beaufsichtigt. Deren Vorgaben könnten sich auch auf die HVB Group auswirken und unter Umständen deren Ergebnis beeinflussen.

### ***Risiken aus der Umstrukturierung des Konzerns / Integrationsrisiken***

Anfang 2007 konnten durch die Übertragung der Beteiligungen an der Bank Austria Creditanstalt sowie an weiteren Einheiten in Zentral- und Osteuropa erhebliche Verkaufserlöse generiert werden. Mit den Erlösen aus den genannten Transaktionen verfügt die Bank zwar über den notwendigen Spielraum, sowohl organisches als auch akquisitionsgetriebenes Wachstum auf dem deutschen Bankenmarkt zu forcieren, in andere Märkte westeuropäisch geprägter Regionen Nordeuropas einzutreten, ihre Kernkompetenzen in spezialisierten Nischenbereichen auszubauen, ihre aufsichtsrechtliche Kapitalausstattung zu optimieren sowie im Rahmen des wirtschaftlich Sinnvollen ausstehende Hybridfinanzierungen zurückzukaufen, gewöhnlich birgt die Suche nach gleichwertigen Reinvestitionen jedoch auch Risiken.

### ***Steuerliche Auswirkungen***

*Steuerliche Verlustvorträge.* Die künftige Nutzung der erheblichen steuerlichen Verlustvorträge (insbesondere der HypoVereinsbank) ist von einer Reihe von Bedingungen, die nach dem Erwerb der HVB-Aktien durch die UniCredit S.p.A. zu erfüllen sind, abhängig.

*Deutsche Regelungen zur Gesellschafterfremdfinanzierung.* Nach dem Erwerb von HypoVereinsbank-Aktien durch die UniCredit S.p.A. verfügt die HypoVereinsbank über einen wesentlich beteiligten Gesellschafter im Sinne dieser Vorschriften und fällt damit in den Anwendungsbereich der Regelungen zur Gesellschafterfremdfinanzierung.

*Grunderwerbsteuer.* Die Übertragung von HypoVereinsbank-Aktien an die UniCredit S.p.A (insbesondere die Erhöhung der Beteiligung der UniCredit an der HypoVereinsbank auf 95%) wird in Bezug auf deutsche

Immobilien im Besitz der HypoVereinsbank oder ihrer Tochtergesellschaften zu einer Grunderwerbsteuerbelastung führen. Für einen Teil der Immobilien kann zum derzeitigen Zeitpunkt die genaue Höhe der Grunderwerbsteuer nicht ermittelt werden.

Jeder der oben genannten Umstände könnte erhebliche nachteilige Auswirkungen auf die Geschäftstätigkeit der HVB Group sowie auf ihre Vermögens-, Finanz- und Ertragslage haben. Es besteht keine Gewähr, dass der Integrationsprozess erfolgreich verläuft, und dass die gemeinsame Gruppe genau so effizient geleitet und betrieben wird, wie dies bei der UniCredit Group und der HVB Group jeweils bislang der Fall war.

### **Kurzbeschreibung der Bayerische Hypo- und Vereinsbank AG**

Die Bayerische Hypo- und Vereinsbank Aktiengesellschaft ("HVB") entstand 1998 aus der Fusion der Bayerischen Vereinsbank Aktiengesellschaft und der Bayerischen Hypotheken- und Wechsel-Bank Aktiengesellschaft. Sie ist die Muttergesellschaft der HVB Group, die ihren Unternehmenssitz in München unterhält. Seit November 2005 gehört die HVB Group mehrheitlich dem UniCredito Italiano S.p.A. ("UniCredit").

Der Verwaltungsrat der UniCredit hat am 23. Januar 2007 beschlossen, ein Squeeze-out-Verfahren bei der HVB einzuleiten. Um die entsprechenden Verfahren einzuleiten, hat UniCredit ein förmliches Verlangen an den Vorstand der HVB gerichtet. UniCredit hält derzeit 95% des Grundkapitals der HVB und ist damit zur Einleitung eines entsprechenden Verfahrens nach deutschem Recht berechtigt.

Am 9. Januar 2007 übertrug die HVB ihren Anteil an ihrer österreichischen Tochter Bank Austria Creditanstalt AG gegen Zahlung von insgesamt rund EUR 12,5 Mrd. in bar an die UniCredit. Am 10. Januar 2007 übertrug die HVB ihre Beteiligung an der HVB Bank Latvia an die Bank Austria Creditanstalt AG zu einem Kaufpreis von EUR 35 Mio in bar zuzüglich der im August 2006 von der HVB gezeichneten Kapitalerhöhung der HVB Bank Latvia von rund EUR 40 Mio. Anschließend übertrug die HVB ihre Beteiligung an der International Moscow Bank in Höhe von 70,26% zuzüglich der Option auf weitere 4,81% am 11. Januar 2007 an die Bank Austria Creditanstalt AG zu einem Kaufpreis von insgesamt EUR 1.015 Millionen in bar.

Zur Unterstützung der Weiterentwicklung der HVB hat der Verwaltungsrat der UniCredit u.a. beschlossen, die von der HVB aus dem Verkauf der HVB Unternehmen in Österreich und in Zentral- und Osteuropa vereinnahmten Gewinne zur deutlichen Stärkung der Kapitalausstattung der HVB zu verwenden. Das soll der HVB ermöglichen, sich durch organisches Wachstum bzw. über Akquisitionen im Schlüsselmarkt der HVB – in Deutschland – sowie in anderen europäischen Ländern, in denen die UniCredit Group noch nicht angemessen vertreten ist (insbesondere in Skandinavien und in den Beneluxstaaten), weiterzuentwickeln.

Die HVB Group bietet ein umfassendes Portfolio an Bank- und Finanzprodukten und -dienstleistungen für ein breites Kundenspektrum im Privatkunden- und Firmenkundenbereich sowie im Bereich der öffentlichen Hand.

Infolge der Integration in die UniCredit Group wurde die HVB Group in folgende globale Divisionen restrukturiert:

Privat- und Geschäftskunden, Wealth Management, Firmen- & Kommerzielle Immobilienkunden und Markets & Investment Banking

- The sections "**Risk relating to Bayerische Hypo- und Vereinsbank AG - Risks related to the Business Combination of the UniCredit Group and the HVB Group**" from page 36 to page 37 of the Base Prospectus will be replaced by the following section:

#### **"Risk Factors**

#### **Risks relating to Bayerische Hypo- und Vereinsbank AG**

#### **Risks Related to the Business Combination of the UniCredit Group and the HVB Group**

The implementation of the business model and the reaching of the targets aimed for are subject to the risks and uncertainties that generally apply to such transactions. Higher uncertainty until complete and successful implementation of a new business model and, in turn, the performance and financial position of HVB Group may diverge substantially from the targets set. Should HVB Group not achieve its financial goals, this could impact adversely on the future earnings of HypoVereinsbank and cast general doubt on the ability of HVB Group to achieve its strategic objectives and may also result in a deterioration of HVB Group ratings. See "A Deterioration of HVB Group's Ratings Would Pose Significant Risks for HVB Group's Business".

***Unforeseen difficulties in connection with the Business Combination of UniCredit Group and HVB Group may have a material adverse effect on UniCredit Group's and HVB Group's business, financial condition and results of operations.***

The Business Combination will result in the integration of two large banking groups that were previously managed and operated independently and as competitors. This complex integration poses specific challenges that will expose the newly formed Group and HVB Group to certain risks, including the following:

*Uncertainties of achieving synergies.* Although HypoVereinsbank expects the Business Combination to create synergies, the integration of two large banking groups based in different countries, with differing cultural backgrounds, business cultures, operating languages and compensation structures as well as legal framework, which are active throughout a large geographical area, presents significant managerial challenges. There can be no assurance that this integration, and the synergies expected to result from the integration, will be achieved as rapidly or to the extent currently anticipated.

*Complex harmonization of UniCredit Group's and HVB Group's IT systems.* Harmonizing UniCredit Group's and HVB Group's IT systems to create a consistent IT architecture across the combined group poses specific challenges and risks to HVB Group.

*Complex integration of UniCredit Group's and HVB Group's risk management systems.* UniCredit Group and HVB Group currently use different methodologies to measure and manage risks. The integration of the two risk management systems following the Business Combination will likely aggravate the risk of a potential failure or inadequacy of the combined group's risk management systems, in particular during the initial integration phase.

*Diversion of management resources to address integration issues.* The integration of UniCredit Group and HVB Group will require significant time and attention of the combined group's management. To the extent that integration issues divert attention from management's other responsibilities, HVB Group's business may be adversely affected.

*Need to communicate effectively with partners and customers.* The combined group will need to communicate effectively with its partners and customers so that they understand the expanded range of products and services offered by the combined group and the relative strengths of such product and services range. The failure to communicate effectively may result in a failure to exploit opportunities and the loss of existing business and customers on the side of HVB Group.

*Potential loss of key personnel.* The combined group will rely on the senior management of UniCredit Group and HVB Group to successfully integrate the two groups and implement the combined strategy. If the combined group loses key personnel, it may have more difficulty completing the integration quickly and in a manner that takes advantages of the respective strengths of UniCredit Group and HVB Group.

UniCredit Group is supervised by the Bank of Italy and their guidelines may affect the results of HVB Group in future.

#### ***Risks from the restructuring of the corporate group / integration risks***

The transfer at the beginning of 2007 of the investments in Bank Austria Creditanstalt and other units in central and eastern Europe resulted in substantial sales proceeds. With the proceeds from these transactions the bank has the maneuvering space to push ahead with both organic and acquisition-driven growth in the German banking market, gain access in northern European regions to markets similar to those in western Europe, expand its core competencies in specialised niche areas, optimise its regulatory capital and repurchase hybrid financing when it makes economic sense to do so; however, as usual the search for equivalent re-investments entails risks.

#### ***Tax Implications***

*Tax Loss Carry Forwards.* The use of the substantial tax loss carry forwards (in particular in HypoVereinsbank) depends on certain conditions, which have to be fulfilled after the transfer of shares in HypoVereinsbank to UniCredit S.p.A. took place.

*German Thin Capitalization Rules.* Following the acquisition of HypoVereinsbank shares by UniCredit S.p.A., HypoVereinsbank has a significant shareholder (according to the Thin Capitalization Rules) and comes therefore within the scope of these rules.

*Real Estate Transfer Tax Liability.* The transfer of shares in HypoVereinsbank to UniCredit S.p.A. (especially the increase of the participation of Unicredit in HypoVereinsbank to 95%) will cause real estate transfer tax liabilities with respect to German real estate owned by HypoVereinsbank or its subsidiaries. However, for a part of the real estate the exact amount of Real Estate Transfer Tax cannot be determined at this stage.

Each of the factors discussed above may have a material adverse effect on HVB Group's business, financial condition and results of operations. There can be no assurance that the integration process will be successful and that the combined group will be operated and managed as efficiently as UniCredit Group and HVB Group, respectively, have been operated and managed in the past.

#### **Risks Relating to HVB Group's Business**

*HVB Group Had Net Losses in 2002, 2003 and 2004 and a Loss from Operating Activities in 2002; Although HVB Group Reported a Net Profit in 2005 (also the annual report of the financial statements as of 31 December 2006 shows a net profit); This does not Necessarily Indicate Profitability in Future Periods*

In 2002, HVB Group operated at a loss, incurring an operating loss of €638 million, a net loss before taxes of €821 million and a consolidated net loss of €858 million. In 2003, HVB Group's operating result was positive, showing an operating profit of €1,432 million. HVB Group recorded a net loss before taxes in the amount of €2,146 million and a net loss in the amount of €2,442 million for fiscal year 2003. HVB Group's net loss adjusted for minority interests was €2,639 million in 2003. HVB Group's operating profit in 2003 was primarily due to a decline of provisions for losses on loans and advances by 29.7%, an increase of the net commission income by 4.6%, an increase of other operating income by more than 100% and a decline of general administrative expenses by 7.6%, in each case compared to the corresponding HVB Group (pro forma) financial information for fiscal year 2002 ("HVB Group (pro forma) 2002"). HVB Group's net loss before and after taxes was primarily due to the impairment charges resulting from the difference between the recoverable amounts and the book values of HVB Group's shareholdings in listed companies and, in addition thereto, of non-scheduled amortization of goodwill (in particular with respect to Bank Austria Creditanstalt) and the risk shield provided for Hypo Real Estate Bank AG. The total amount of these effects was €3,351 million.

*A Deterioration of HVB Group's Ratings Would Pose Significant Risks for HVB Group's Business*

HypoVereinsbank experienced a couple of downgrades of its ratings by Moody's, Standard & Poor's and Fitch in recent years. Without a sustained improvement of HVB Group's operating profitability, there is a significant risk of further downgrades of HypoVereinsbank's long-term credit ratings by Moody's, Standard & Poor's and Fitch. Although HVB Group's operating performance has improved in the course of 2006 and 2005 compared to 2004 and it was recently upgraded by the Rating Agencies after the successful tender offer of UniCredit S.p.A. in October 2005, there can be no assurance that these improvements will be sustainable. The recognition of impairment losses, unforeseen defaults of large borrowers and a deterioration of the macro-economic environment in HVB Group's core markets may also result in a lowering of HVB Group's credit ratings. Moreover any deterioration of the credit ratings of UniCredit Group and their subsidiaries, e. g. BA-CA Group which was recently sold to UniCredit might as well lead to a lowering of HVB Group's credit ratings.

Any further deterioration of the credit ratings of HypoVereinsbank and related subsidiaries that are rated, for any reason, will result not only in increased funding costs, but will also severely limit HVB Group's funding sources and impact its liquidity. Furthermore, in connection with certain transactions, such as liquidity facilities related to commercial paper programs, under which HypoVereinsbank acts as liquidity provider, deposit facilities or derivative transactions, a downgrading may result in a right of termination of the counterparty or trigger obligations of HVB Group to provide collateral with respect to previously uncollateralized obligations or additional collateral with respect to already collateralized obligations. In addition, rating downgrades may limit HVB Group's ability to conduct certain businesses, including strategically productive ones, and will have a significant negative impact on the Group's results of operations, financial condition and liquidity.

*HVB Group's Operating Environment is Challenging*

Operating conditions for HVB Group remain difficult, especially in Germany. Economic growth in Germany has been slow, unemployment is high and the number of insolvencies is stagnating at a high level. The ex-

pected decline will only be moderate. In particular in real estate, the market developed very poorly in recent years. The decline in real estate markets in Germany appears to have stopped, but over the short term no positive trend seems likely. While another recession here is not expected, it is not entirely out of the question either.

In recent years, HVB Group has considerably reduced its real estate financing portfolio, particularly commercial real estate financing, and adjusted its valuation method for collateral. Another sharp decline in real estate markets could have a negative impact on the financial position and profitability of HVB Group. HVB Group is one of the largest lenders to small- to mid-sized corporate customers (Mittelstand) in Germany. If economic conditions in its most important markets - Germany - remains difficult or deteriorate, respectively, HVB Group's provisions for losses on loans and advances and allowances will likely remain high and may increase. In recent years, HVB Group reduced its exposures to segments of industry in Europe and the United States that have experienced difficult operating conditions in the past two to three years, such as the telecommunications sector, the energy sector in the United States. A continuation of the difficult operating environment in Europe in general and with respect to these industry sectors worldwide may impair the Group's ability to generate profits and have a negative impact on HVB Group's financial condition. Changes in financial and foreign exchange markets could have a negative influence on the financial position and profitability of HVB Group.

#### *Loan Losses may Exceed Anticipated Levels*

HVB Group is a major lender to several large corporate customers in particular in Germany that have filed for the initiation of insolvency proceedings in the past years or are undergoing restructuring. In these cases, as well as in the case of non-performing loans and potential problem loans in general, HVB Group's budgeting process makes certain assumptions regarding the realization value of the collateral in the case of secured loans and the amount of provisions for losses on loans and advances and allowances for loans or portions thereof not covered by adequate collateral. Although HypoVereinsbank continually updates its valuation rates and therefore believes that its assumptions underlying the realization value of collateral and the amount of the provisions for losses on loans and advances have a reasonable basis, including (in the case of a sale of operations) advanced discussions with potential buyers and (in the case of reliance on collateral) independent legal opinions and valuation reports, these assumptions may nevertheless prove to be inaccurate, in which case the Group may require additional provisions for some of these exposures. Also, the number of insolvencies to be expected in the future among HVB Group customers is unpredictable. If such number exceeds the anticipated levels, the Group may require provisions for losses on loans and advances or incur loan losses in excess of the budgeted amounts.

#### *Competition in European Commercial Banking is Intense*

Competition in commercial banking in the Group's core market Germany is intense, in particular in the retail sector as a result of fragmented and closed/overregulated markets. In this market, HVB Group is competing against public sector banks and co-operative banks as well as other private sector German and international banks, some of which are larger and are better capitalized than HVB Group. As a result of fierce competition in the past, interest margins have been under pressure and credit pricing in the industry, in many instances, has not fully reflected credit default risk associated with individual loans. HVB Group may not be able to further successfully implement its pricing strategy and improve interest margins in the current competitive environment. Failure to improve interest margins or maintain them at current level may have a significant negative impact on the Group's results of operations and financial condition.

#### *HVB Group's Transactions in Currencies Other than the Euro and its Operations Outside the Euro Zone Give Rise to Foreign Currency Translation Risks*

HVB Group generates a significant amount of its income and incurs a significant amount of its expenses outside the Euro zone, most importantly in U.S. dollars. Should, as a result of currency movements, income expressed in a currency other than Euro be understated when translated into Euro and expenses expressed in a currency other than Euro be overstated when translated into Euro, this could have an adverse effect on HVB group's financial condition and results of operations.

#### *HVB Group's Trading Income Can Be Volatile*

HVB Group's trading income can be volatile and is dependent on numerous factors beyond the Group's control, such as the general market environment, overall trading activity, equity prices, interest rate and credit spread levels, fluctuations in exchange rates and general market volatility. Therefore, there is no guarantee that the level of trading income achieved in last fiscal years is sustainable or can even be improved. A significant decline in HVB Group's trading income could adversely affect the Group's ability to operate profitably.

#### *Non-Traditional Banking Activities Add to Credit Risks*

Like other banks, HVB Group is exposed to the risk that third parties who owe the Group money, securities and other assets will not perform their obligations. Many of HVB Group's businesses activities beyond the traditional banking business of lending and deposit-taking also expose it to credit risk.

Non-traditional credit risk can, for example, arise from:

- holding securities of third parties;
- entering into derivative contracts under which counterparties have obligations to make payments to Group entities;
- executing securities, futures, currency or commodity trades that fail to settle at the required time due to non-delivery by the counterparty or systems failure by clearing agents, exchanges, clearing houses or other financial intermediaries; and
- extending credit through other arrangements.

Parties to these transactions, such as trading counterparties, may default on their obligations to HVB Group due to insolvency, political and economic events, lack of market liquidity, operational failure or other reasons. This risk may potentially increase if HVB Group focuses – with the aim of sustainably improving its profitability – more than in the past on capital markets-oriented business rather than on traditional lending business. Defaults with respect to a significant number of transactions or one or more transactions that involve significant volumes could adversely affect HVB Group's results of operations and financial condition.

*HVB Group's Risk Management Strategies and Techniques May Leave HVB Group Exposed to Unidentified or Unanticipated Risks*

Although HVB Group invests substantial time and effort in its risk management strategies and techniques, they may nonetheless fail under some circumstances, particularly if HVB Group is confronted with risks that it has not identified or anticipated. Some of the Group's methods for managing risk are based upon observations of historical market behavior. Statistical techniques are applied to these observations to arrive at quantifications of HVB Group's risk exposures. If circumstances arise that HVB Group did not identify, anticipate or correctly evaluate in developing its statistical models, the Group's losses could be greater than expected. Furthermore, the quantifications do not take all risks or market conditions into account. If the measures used to assess and mitigate risk prove insufficient, HVB Group may experience material unexpected losses. Many of the Group's more sophisticated trading and investment transactions are designed to profit from price movements and differences between prices. If prices move in a way that the Group's risk modeling has not anticipated, HVB Group may experience significant losses. Assets that are not traded on public markets, such as derivatives contracts between banks, may be assigned values that are calculated using mathematical models. Monitoring the deterioration of assets like these can be difficult and may lead to unanticipated losses.

*Risk from overall economic trends*

A particular risk that could impede the strategic reorientation of HVB Group stems from the overall economic trend. The regional focus on the German core market results in a greater dependency on the dynamics of the German economy than in the past. However, the differing trends in the markets served by the global Markets & Investment Banking division affect the net asset, financial and earnings position of HypoVereinsbank.

*HypoVereinsbank and Other HVB Group Companies Face Litigation Risks*

For a description of certain litigation and investigations a prospective investor should carefully consider before making a decision to invest in the shares of HypoVereinsbank, see "Business of HVB Group—Legal Proceedings."

## **Regulatory Risks**

*The Regulatory Environment for HVB Group May Change; Non-compliance With Regulatory Requirements May Result in Enforcement Measures*

HVB Group's operations are regulated and supervised by the central banks and regulatory authorities in each of the jurisdictions where it conducts business. In each of these countries, HVB Group's operations require a banking license or at least a notification to the national regulator. The bank regulatory regimes in the various local jurisdictions are subject to change. Changes in the regulatory requirements in a relevant jurisdiction may impose additional obligations on HVB Group companies. In addition, compliance with the revised regulatory requirements may result in a significant increase in administrative expenses which may have an adverse impact on HVB Group's financial condition and results of operations.

There is a risk that in the case of a repeated violation of the regulatory requirements in any relevant jurisdiction, the banking license granted to a company of the HVB Group in such jurisdiction will be revoked or limited. In Germany, HVB Group is regulated by the BaFin. The BaFin has a wide range of enforcement powers in the event it discovers any irregularities. Among other things, if HypoVereinsbank's or HVB Group's

own funds or liquidity requirements do not meet the statutory minimum requirements, the BaFin may prohibit HVB Group from extending further credits. Should there be a risk that a bank may not be able to perform its obligations vis-à-vis its creditors, the BaFin may, for the purpose of avoiding such risk, impose a "section 46a moratorium" on the German banking subsidiaries of HVB Group, i.e., prohibit the disposal of assets and the making of payments, impose the closing down of a bank's business with customers and prohibit the acceptance of payments not intended for the discharge of debts owed to the bank.

*The Effects of the Basel II Rules on HVB Group Are Still Unclear*

Based on preliminary analyses and its participation in the Quantitative Impact Study QIS 3 in 2002, QIS 4 in 2005 and QIS V in 2006, HypoVereinsbank expects that HVB Group's risk-weighted assets will be reduced slightly once the Basel II rules have entered into effect and an IRB Advanced Approach (IRB=Internal Ratings Based) has been implemented, thus reducing HVB Group's need for bank regulatory capital. But as the IRB-approach is under examination during 2007 it is too soon to predict with certainty the impact on HVB Group's needs for bank regulatory capital."

- The section "**Responsibility Statement**" on page 42 of the Base Prospectus will be replaced by the following section:

**"Responsibility Statement**

Bayerische Hypo- und Vereinsbank AG having its registered office at Kardinal-Faulhaber-Strasse 1, 80333 Munich ("HVB" or the "Issuer", acting through its head office or one of its foreign branches) accepts responsibility for the information contained in this Prospectus (consisting of (i) the base prospectus of Bayerische Hypo- und Vereinsbank AG in respect of non-equity securities within the meaning of Art. 22 (6) no. 4 of the Commission Regulation (EC) No. 809/2004 of 29 April 2004 (the "Regulation") and (ii) the base prospectus of Bayerische Hypo- und Vereinsbank AG in respect of non-equity securities within the meaning of Art. 22 (6) no. 3 of the Regulation). The Issuer declares that, having taken all reasonable care to ensure that this is the case, the information contained in this Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import."

- § 1 (2) of the German version of the Terms and Conditions (Notes) on page 76 of the Base Prospectus

**[Im Falle einer vorläufigen Global-Inhaberschuldverschreibung, die gegen Dauer-Global- Inhaberschuldverschreibung ausgetauscht wird, einfügen:** Die Teilschuldverschreibungen sind anfänglich in einer vorläufigen Global-Inhaberschuldverschreibung ohne Zinsschein verbrieft, die die eigenhändigen oder faksimilierten Unterschriften von zwei vertretungsberechtigten Repräsentanten der Anleiheschuldnerin sowie die eigenhändige Unterschrift eines Kontrollbeauftragten der [Bayerische Hypo- und Vereinsbank AG] [Citibank N.A.] trägt und bei [der Clearstream Banking AG, Frankfurt] / [der Citibank N.A. als gemeinsamer Verwahrstelle für Clearstream Banking société anonyme, Luxembourg ("CBL") und Euroclear Bank S.A. / N.V. als Betreiberin des Euroclear Systems ("Euroclear")] / **[anderes Clearing System einfügen]** ([Euroclear und CBL werden gemeinschaftlich als] das "Clearing System" [bezeichnet]) hinterlegt wird. Die vorläufige Global- Inhaberschuldverschreibung wird am oder nach dem 40. Tag (der "Austauschtag") nach dem **[Datum des Valutierungstages einfügen]** (der "Valutierungstag") nur nach Vorlage von Bescheinigungen (im wesentlichen in der Form von Certificate A und B, wie in Anlage 1 hierzu enthalten), wonach der oder die wirtschaftlichen Eigentümer der durch die vorläufige Global-Inhaberschuldverschreibung verbrieften Teilschuldverschreibungen keine U.S. Personen sind (ausgenommen bestimmte Finanzinstitute oder bestimmte Personen, die Teilschuldverschreibungen über solche Finanzinstitute halten) (die "Nicht-U.S.-Bescheinigungen"), gegen eine Dauer-Global- Inhaberschuldverschreibung ausgetauscht. Die Inhaber der Teilschuldverschreibungen (die "Anleihegläubiger") haben keinen Anspruch auf Ausgabe von Einzelurkunden.

Die Teilschuldverschreibungen sind als Miteigentumsanteile an der vorläufigen bzw. Dauer-Global- Inhaberschuldverschreibung nach den einschlägigen Bestimmungen des Clearing Systems übertragbar. Die Zinsansprüche ergeben sich aus der Dauer-Global-Inhaberschuldverschreibung.] **[Im Falle von Dauer-Global-Inhaberschuldverschreibung ab dem Valutierungstag einfügen:** Die Teilschuldverschreibungen sind in einer auf den Inhaber lautenden Dauer-Global-Inhaberschuldverschreibung ohne Zinsscheine verbrieft (die "Global-Inhaberschuldverschreibung"), die die eigenhändigen oder faksimilierten Unterschriften von zwei vertretungsberechtigten Repräsentanten der Anleiheschuldnerin sowie die eigenhändige Unterschrift eines Kontrollbeauftragten der [Bayerische Hypo- und Vereinsbank AG] [Citibank N.A.] trägt und bei [der Clearstream Banking AG, Frankfurt] / [der Citibank N.A. als gemeinsamer Verwahrstelle für Clearstream Banking société anonyme, Luxembourg ("CBL") und Euroclear Bank S.A. / N.V. als Betreiberin des Euroclear Systems ("Euroclear")] / **[anderes Clearing System einfügen]** ([Euroclear und CBL werden gemeinschaftlich als] das "Clearing System" [bezeichnet]) hinterlegt wird. Die Inhaber der Teilschuldverschrei-

bungen (die ‘‘Anleihegläubiger’’) haben keinen Anspruch auf Ausgabe von Einzelurkunden. Die Teilschuldverschreibungen sind als Miteigentumsanteile an der Global-Inhaberschuldverschreibung nach den einschlägigen Bestimmungen des Clearing Systems übertragbar. Die Zinsansprüche ergeben sich aus der Global-Inhaberschuldverschreibung.]

is replaced as follows:

**[Im Falle einer vorläufigen Global-Inhaberschuldverschreibung, die gegen Dauer-Global-Inhaberschuldverschreibung ausgetauscht wird, einfügen:** Die Teilschuldverschreibungen sind anfänglich in einer vorläufigen Global-Inhaberschuldverschreibung (die ‘‘vorläufige Global-Inhaberschuldverschreibung’’) ohne Zinsschein verbrieft, die die eigenhändigen oder faksimilierten Unterschriften von zwei vertretungsberechtigten Repräsentanten der Anleiheschuldnerin sowie die eigenhändige Unterschrift eines Kontrollbeauftragten der [Bayerische Hypo- und Vereinsbank AG] [Citibank N.A.] trägt und bei [der Clearstream Banking AG, Frankfurt] / [der Citibank N.A. als gemeinsamer Verwahrstelle für Clearstream Banking société anonyme, Luxembourg (‘‘CBL’’) und Euroclear Bank S.A. / N.V. als Betreiberin des Euroclear Systems (‘‘Euroclear’’)] / **[anderes Clearing System einfügen]** ([Euroclear und CBL werden gemeinschaftlich als] das ‘‘Clearing System’’ [bezeichnet]) hinterlegt wird. [CBL and Euroclear werden jeweils als ‘‘International Central Securities Depository’’ oder ‘‘ICSD’’ und zusammen als ‘‘ICSDs’’ bezeichnet]. Die vorläufige Global-Inhaberschuldverschreibung wird am oder nach dem 40. Tag (der ‘‘Austauschtag’’) nach dem **[Datum des Valutierungstages einfügen]** (der ‘‘Valutierungstag’’) nur nach Vorlage von Bescheinigungen (im wesentlichen in der Form von Certificate A und B, wie in Anlage 1 hierzu enthalten), wonach der oder die wirtschaftlichen Eigentümer der durch die vorläufige Global-Inhaberschuldverschreibung verbrieften Teilschuldverschreibungen keine U.S. Personen sind (ausgenommen bestimmte Finanzinstitute oder bestimmte Personen, die Teilschuldverschreibungen über solche Finanzinstitute halten) (die ‘‘Nicht-U.S.-Bescheinigungen’’), gegen eine Dauer-Global-Inhaberschuldverschreibung (die ‘‘Dauer-Global-Inhaberschuldverschreibung’’) ausgetauscht. [Die Einzelheiten eines solchen Austausches werden in die Aufzeichnungen der ICSD aufgenommen.] Die Inhaber der Teilschuldverschreibungen (die ‘‘Anleihegläubiger’’) haben keinen Anspruch auf Ausgabe von Einzelurkunden.

Die Teilschuldverschreibungen sind als Miteigentumsanteile an der vorläufigen bzw. Dauer-Global-Inhaberschuldverschreibung nach den einschlägigen Bestimmungen des Clearing Systems übertragbar. Die Zinsansprüche ergeben sich aus der Dauer-Global-Inhaberschuldverschreibung.]

**[Im Falle von Dauer-Global-Inhaberschuldverschreibung ab dem Valutierungstag einfügen:** Die Teilschuldverschreibungen sind in einer auf den Inhaber lautenden Dauer-Global-Inhaberschuldverschreibung (die ‘‘Dauer-Global-Inhaberschuldverschreibung’’) ohne Zinsscheine verbrieft, die die eigenhändigen oder faksimilierten Unterschriften von zwei vertretungsberechtigten Repräsentanten der Anleiheschuldnerin sowie die eigenhändige Unterschrift eines Kontrollbeauftragten der [Bayerische Hypo- und Vereinsbank AG] [Citibank N.A.] trägt und bei [der Clearstream Banking AG, Frankfurt] / [der Citibank N.A. als gemeinsamer Verwahrstelle für Clearstream Banking société anonyme, Luxembourg (‘‘CBL’’) und Euroclear Bank S.A. / N.V. als Betreiberin des Euroclear Systems (‘‘Euroclear’’)] / **[anderes Clearing System einfügen]** ([Euroclear und CBL werden gemeinschaftlich als] das ‘‘Clearing System’’ [bezeichnet]) hinterlegt wird. [CBL and Euroclear werden jeweils als ‘‘International Central Securities Depository’’ oder ‘‘ICSD’’ und zusammen als ‘‘ICSDs’’ bezeichnet]. Die Inhaber der Teilschuldverschreibungen (die ‘‘Anleihegläubiger’’) haben keinen Anspruch auf Ausgabe von Einzelurkunden. Die Teilschuldverschreibungen sind als Miteigentumsanteile an der Global-Inhaberschuldverschreibung nach den einschlägigen Bestimmungen des Clearing Systems übertragbar. Die Zinsansprüche ergeben sich aus der Dauer-Global-Inhaberschuldverschreibung.]

**[Im Fall von Euroclear und CBL und wenn die Globalurkunde eine NGN ist, einfügen:** Die Teilschuldverschreibungen werden in Form einer New Global Note ‘‘NGN’’ ausgegeben und von einem Common Safekeeper im Namen beider ICSDs verwahrt. Der Nennbetrag der durch die [vorläufige Global-Inhaberschuldverschreibung bzw. die] Dauer-Global-Inhaberschuldverschreibung verbrieften Teilschuldverschreibungen entspricht dem jeweils in den Registern beider ICSDs eingetragenen Gesamtbetrag. Die Register der ICSDs (unter denen man die Register versteht, die jeder ICSD für seine Kunden über den Betrag ihres Anteils an den Schuldverschreibungen führt) sind schlüssiger Nachweis über den Nennbetrag der durch die [vorläufige Global-Inhaberschuldverschreibung bzw. die] Dauer-Global-Inhaberschuldverschreibung verbrieften Schuldverschreibungen und eine zu diesen Zwecken von einem ICSD jeweils ausgestellte Bestätigung mit dem Nennbetrag der so verbrieften Schuldverschreibungen ist in jedem Zeitpunkt ein schlüssiger Nachweis über den Inhalt des Registers des jeweiligen ICSD.

Bei Rückzahlung oder einer Zinszahlung bezüglich der durch die [vorläufige Global-Inhaberschuldverschreibung bzw. die] Dauer-Global-Inhaberschuldverschreibung verbrieften Teilschuldverschreibungen bzw. bei Kauf und Entwertung der durch die [vorläufige Global-Inhaberschuldverschreibung

bzw. die] Dauer-Global-Inhaberschuldverschreibung verbrieften Teilschuldverschreibungen werden die Einzelheiten über Rückzahlung und Zahlung bzw. Kauf und Löschung bezüglich der Globalurkunden pro rata in die Unterlagen der ICSDs eingetragen und nach dieser Eintragung vom Nennbetrag der in die Register der ICSDs aufgenommenen und durch die Globalurkunde verbrieften Schuldschreibungen der Gesamtnennbetrag der zurückgekauften bzw. gekauften und entwerteten Schuldverschreibungen abgezogen. Für das technische Verfahren der ICSDs im Falle der Ausübung einer Call Option hinsichtlich einer teilweisen Rückzahlung wird der ausstehende Rückzahlungsbetrag entweder als reduzierter Nennbetrag oder als Poolfaktor nach Ermessen der ICSDs in das Register der ICSDs aufgenommen.]

- § 1 (2) of the English version of the Terms and Conditions (Notes) on pages 93 and 94 of the Base Prospectus

**[In the case of Temporary Global Notes, which are exchanged for Permanent Global Notes, enter:** The Notes are initially represented by a Temporary Global Bearer Note without interest coupon, which bears the personal or facsimile signatures of two authorised representatives of the Issuer as well as the personal signature of a control officer of [Bayerische Hypo- und Vereinsbank AG] [Citibank N.A.] and which is deposited at [Clearstream Banking AG, Frankfurt] / [Citibank N.A. as common depository for Clearstream Banking société anonyme, Luxembourg (“CBL”) and Euroclear Bank S.A. / N.V. as operator of the Euroclear System (“Euroclear”)] / **[specify different clearing system]** ([CBL and Euroclear are collectively referred to as] the “Clearing System”). The Temporary Global Note will be exchanged for a Permanent Global Note in bearer form on or after the 40th day (the “Exchange Date”) after the **[enter the Issue Date]** (the “Issue Date”) only upon delivery of certifications (essentially in form of Certificate A and B as attached in Appendix 1 hereto), to the effect that the beneficial owner or owners of the Notes represented by the Temporary Global Note is not a U.S. person or are not U.S. persons (other than certain financial institutions or certain persons holding Notes through such financial institutions) (the “Non-U.S. Ownership Certificates”). The holders of the Notes (the “Noteholders”) are not entitled to receive individual Certificates.

The Notes as co-ownership interests of the Temporary or Permanent Global Bearer Note may be transferred pursuant to the relevant regulations of the Clearing System. The right to receive interest is represented by the Permanent Global Bearer Note.] **[In the case of a Permanent Global Bearer Note from the Issue Date insert:** The Notes are represented by a Permanent Global Bearer Note in bearer form without interest coupons (the “Global Note”), which bears the manual or facsimile signatures of two authorised signatories of the Issuer as well as the manual signature of a control officer of [Bayerische Hypo- und Vereinsbank AG] [Citibank N.A.] and which is deposited at [Clearstream Banking AG, Frankfurt] / [Citibank N.A. as common depository for Clearstream Banking société anonyme, Luxembourg (“CBL”) and Euroclear Bank S.A. / N.V. as operator of the Euroclear System (“Euroclear”)] / **[specify different clearing system]** ([CBL and Euroclear are collectively referred to as] the “Clearing System”). The Holders of the Notes (the “Noteholders”) are not entitled to receive individual Certificates. The Notes as co-ownership Shares of the Global Bearer Note may be transferred pursuant to the relevant regulations of the Clearing System. The right to receive interest is represented by the Global Bearer Note.]

is replaced as follows:

**[In the case of Temporary Global Notes, which are exchanged for Permanent Global Notes, enter:** The Notes are initially represented by a temporary global note (the “Temporary Global Note”) without interest coupon, which bears the personal or facsimile signatures of two authorised representatives of the Issuer as well as the personal signature of a control officer of [Bayerische Hypo- und Vereinsbank AG] [Citibank N.A.] and which is deposited at [Clearstream Banking AG, Frankfurt] / [Citibank N.A. as common depository for Clearstream Banking société anonyme, Luxembourg (“CBL”) and Euroclear Bank S.A. / N.V. as operator of the Euroclear System (“Euroclear”)] [CBL and Euroclear each shall mean “International Central Securities Depository” or “ICDS” and together “ICSDs”)] / **[specify different clearing system]** ([CBL and Euroclear are collectively referred to as] the “Clearing System”). The Temporary Global Note will be exchanged for a permanent global note in bearer form (the “Permanent Global Note”) on or after the 40th day (the “Exchange Date”) after the **[enter the Issue Date]** (the “Issue Date”) only upon delivery of certifications (essentially in form of Certificate A and B as attached in Appendix 1 hereto), to the effect that the beneficial owner or owners of the Notes represented by the Temporary Global Note is not a U.S. person or are not U.S. persons (other than certain financial institutions or certain persons holding Notes through such financial institutions) (the “Non-U.S. Ownership Certificates”). [The details of such exchange shall be entered in the

records of the ICSD.] The holders of the Notes (the “Noteholders”) are not entitled to receive definitive Notes.

The Notes as co-ownership interests of the Temporary or Permanent Global Note may be transferred pursuant to the relevant regulations of the Clearing System. The right to receive interest is represented by the Permanent Global Note.]

**[In the case of a Permanent Global Note from the Issue Date insert:** The Notes are represented by a Permanent Global Note in bearer form (the “Permanent Global Note”) without interest coupons, which bears the manual or facsimile signatures of two authorised signatories of the Issuer as well as the manual signature of a control officer of [Bayerische Hypo- und Vereinsbank AG] [Citibank N.A.] and which is deposited at [Clearstream Banking AG, Frankfurt] /[Citibank N.A. as common depositary for Clearstream Banking société anonyme, Luxembourg (“CBL”) and Euroclear Bank S.A. / N.V. as operator of the Euroclear System (“Euroclear”)] / [specify different clearing system] ([CBL and Euroclear are collectively referred to as] the “Clearing System”). The holders of the Notes (the “Noteholders”) are not entitled to receive definitive Notes. The Notes as co-ownership shares of the Global Note may be transferred pursuant to the relevant regulations of the Clearing System. The right to receive interest is represented by the Permanent Global Note.]

**[In the case of Euroclear and CBL and if the Temporary Global Note or the Permanent Global Note is an NGN insert:** The Notes are issued in new global note “NGN” form and are kept in custody by a common safekeeper on behalf of both ICSDs. The nominal amount of Notes represented by the [Temporary Global Note or the] Permanent Global Note[, as the case may be,] shall be the aggregate amount from time to time entered in the records of both ICSDs. The records of the ICSDs (which expression means the records that each ICSD holds for its customers which reflects the amount of such customer's interest in the Notes) shall be conclusive evidence of the nominal amount Notes represented by the [Temporary Global Note or the] Permanent Global Note[, as the case may be] and, for these purposes, a statement issued by a ICSD stating the nominal amount of Notes so represented at any time shall be conclusive evidence of the records of the relevant ICSD at that time.

On any redemption or interest being made in respect of or purchase and cancellation of any of the Notes represented by the [Temporary Global Note or the] Permanent Global Note[, as the case may be,] details of such redemption, payment or purchase, and cancellation (as the case may be) in respect of the [Temporary Global Note or the] Permanent Global Note[, as the case may be,] shall be entered pro rata in the records of the ICSDs and, upon any such entry being made, the principal amount of the Notes recorded in the records of the ICSDs and represented by the [Temporary Global Note or the] Permanent Global Note[, as the case may be,] shall be reduced by the aggregate nominal amount of the Notes so redeemed or purchased and cancelled. For technical procedure of the ICSDs, in the case of the exercise of a Call Option relating to a partial redemption the outstanding redemption amount will be reflected in the records of the ICSDs as either a nominal reduction or as a pool factor, at the discretion of the ICSDs.]

- The following section is inserted after the section "**Form of Instruments**" on page 204 of the Base Prospectus:

“ 28. New Global Note Form: [Applicable/Not Applicable]

- The numbering of the items 28 to 49 on pages 204 to 207 of the Base Prospectus is amended into 29 to 50.
- The following section is inserted after the section "**Operational Information** (iv) Other relevant security codes." on page 205 of the Base Prospectus:

“(v) New Global Note intended to be held in a manner which would allow Eurosystem eligibility: [Not Applicable/Yes/No]

Note that the designation “Yes” simply means that the Notes are intended upon issue to be deposited with Euroclear or Clearstream, Luxembourg as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria. [Include this text if “Yes” selected in which case the Notes must be issued in NGN form]”

- The numbering (v) to (ix) of the item 40 on page 205 of the Base Prospectus is amended into (vi) to (x).
- The following section is inserted after the section "**Form der Wertpapiere**" on page 221 of the Base Prospectus:

“ 28. New Global Note Form

[Anwendbar/Nicht Anwendbar]

- The numbering of the items 28 to 49 on pages 221 to 225 of the Base Prospectus is amended into 29 to 50.
- The following section is inserted after the section "**Operative Informationen** (iv) Andere relevante Wertpapier-Kennnummern:" on page 222 of the Base Prospectus:

“(v) Es ist beabsichtigt, die New Global Note in einer Art zu halten, die Eurosystemfähigkeit zulassen würde: Nicht Anwendbar [Ja/Nein]

[Zu beachten, dass die Bezeichnung “Ja” lediglich bedeutet, dass die Teilschuldverschreibungen nach Begebung bei Euroclear oder Clearstream, Luxembourg als Common Safekeeper hinterlegt werden sollen. Es bedeutet nicht unbedingt, dass die Teilschuldverschreibungen nach Begebung oder während ihrer Existenz als geeignete Sicherheit im Sinne der Währungspolitik des Eurosystems und der taggleichen Überziehungen (intra-day credit operations) des Eurosystems anerkannt werden. Eine solche Anerkennung wird von der Erfüllung der Kriterien für die Eurosystemfähigkeit abhängen.] [Diesen Text einfügen, wenn “Ja” gewählt wird. Dann müssen die Teilschuldverschreibungen als NGN begeben werden.]

- The numbering (v) to (ix) of the item 40 on pages 222 of the Base Prospectus is amended into (vi) to (x).

- The section "**Bayerische Hypo- und Vereinsbank AG**" from page 226 to page 234 (but excluding section "Selected Consolidated Financial Information) of the Base Prospectus will be replaced by the following section:

## **"Bayerische Hypo- und Vereinsbank AG**

### **Responsibility Statement**

See page 42 for the Responsibility Statement

### **Auditors**

KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft ("KPMG"), Ganghoferstrasse 29, 80339 Munich, the independent auditors (*Wirtschaftsprüfer*) of HVB have audited the consolidated financial statements of HVB Group and the unconsolidated financial statements of HVB as of and for the years ended December 31, 2006 and 2005 and have issued an unqualified audit opinion thereon. KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft is a member of the Chamber of German Public Accountants, an institution incorporated under public law (*Wirtschaftsprüferkammer, Anstalt des Öffentlichen Rechts*), Rauchstrasse 26, 10787 Berlin.

### **Risk Factors**

See pages 36 et seqq. for Risk Factors regarding the Issuer

## **Information about HVB, the parent company of HVB Group**

Bayerische Hypo- und Vereinsbank Aktiengesellschaft ("HVB") was formed by the merger of Bayerische Vereinsbank AG and Bayerische Hypotheken- und Wechsel-Bank AG on 31 August 1998, with retroactive effect to 1 January, 1998 and is the parent company of HVB Group. For a detailed list of the companies consolidated in HVB Group we refer to the annual report 2006 incorporated herein by reference (see pages 117 et seqq. thereof) as well as the details set out hereinafter in section "Recent Developments" as regards the sale of some of such consolidated companies in 2006.

On 12 June 2005, HVB and UniCredito Italiano S.p.A. ("UniCredit") announced that the Board of Directors of UniCredit and the management board (*Vorstand*) of HVB, with the consent of HVB's supervisory board (*Aufsichtsrat*) resolved to enter into a Business Combination Agreement which was signed on the same date. On 26 August 2005, UniCredit published the documents for the previously announced public tender offer to all shareholders of HVB. Since the business combination via such public tender offer became effective on 17 November 2005, HVB Group is a sub-group and thus a major part of the UniCredit Group since then.

HVB Group is one of the important providers of banking and financial services in Germany and offers a comprehensive range of banking and financial products and services to private and corporate customers as well as public-sector customers.

HVB has its registered office at Kardinal-Faulhaber-Strasse 1, 80333 Munich and is registered with the Commercial Register at the Lower Court (Amtsgericht) in Munich under number HRB 42148, incorporated as a stock corporation under the laws of the Federal Republic of Germany. It can be reached via telephone under +49-89-378-0 or via [www.hvb.de](http://www.hvb.de).

HVB's ordinary shares are admitted to trading on the official market at every German stock exchange, the stock exchange in Vienna, EURONEXT in Paris and the swx Swiss Exchange.

### **Recent Developments**

#### *Squeeze-out in HVB*

On 23 January 2007, the Board of Directors of UniCredit has adopted a resolution in favor of starting a squeeze-out procedure in HVB. To initiate the relevant procedures UniCredit has addressed a formal request to HVB's management board. UniCredit currently owns 95 per cent of the share capital of HVB, allowing this move according to German law.

#### *Sale and transfer of HVB's business in Austria and CEE to UniCredit or its subsidiaries respectively*

On 12 September 2006 HVB as seller entered into sale and purchase agreements as to

- its 77.53% shareholding in its Austrian subsidiary Bank Austria Creditanstalt AG ("BA-CA") to UniCredit as purchaser;
- its 100.00% shareholding in its Ukraine subsidiary Joint Stock Commercial Bank HVB Bank Ukraine ("HVB Ukraine") to UniCredit as purchaser (meanwhile, UniCredit has exercised its contractual right to assign the sale and purchase agreement to Bank Pekao);
- a shareholding of up to 70.3% as well as options to purchase further shares in its Russian subsidiary Closed Joint Stock Company "International Moscow Bank" ("IMB") to BA-CA as purchaser;
- its 100.00% shareholding in its Latvian subsidiary HVB Bank Latvia AS ("HVB Latvia") to BA-CA as purchaser;
- the assets and liabilities pertaining to HVB's branches in Vilnius and in Tallinn to HVB Latvia as purchaser.

On 25 October 2006 HVB's Extraordinary Shareholders' Meeting resolved to grant consent to such sale and purchase agreements.

On 9 January 2007, the Management Board of HVB resolved that the actions served on HVB to set aside the above mentioned shareholders' resolutions do not militate against the execution of the sale and purchase agreements. Thus, HVB transferred its shareholding in BA-CA to UniCredit for a total cash consideration of approximately EUR 12.5 billion on the same date. On 10 January 2007 HVB transferred its shareholding in HVB Latvia to BA-CA for a cash consideration of EUR 35 million plus the capital increase of HVB Bank Latvia of around €40 million subscribed by HVB in August 2006. HVB's shareholding in IMB amounting to 70.26% plus the options on a further 4.81% were subsequently transferred to BA-CA on 11 January 2007 for a cash consideration of altogether EUR 1,015 million.

The transfer of HVB's shareholding in HVB Ukraine against payment of EUR 83 million as well as the assets and liabilities pertaining to HVB branches in Tallinn and Vilnius are still outstanding since certain conditions precedents are not yet fulfilled but, however, expected to be fulfilled in the near future.

In support of HVB's further development, UniCredit's Board of Directors agreed on the following key principles with respect to HVB:

- (1) Use of the profit realised by HVB on the sale of the HVB business in Austria and CEE to significantly strengthen HVB's capital position in order to further develop HVB's business through organic growth or acquisitions both in HVB's key market Germany as well as in other European countries where the UCI Group is not yet adequately represented (in particular Scandinavia and Benelux).
- (2) The establishment of a competence centre for all investment banking activities of UniCredit Group at HVB level; such activities which are currently already combined in a virtual structure (as set out further below) shall be integrated within HVB which will then direct all of UniCredit Group's investment banking operations for at least the next 7 years; and
- (3) The agreement that a four fifth majority of HVB's Supervisory Board members is required to adopt resolutions regarding the split of HVB into separate legal entities, for the term of the Business Combination Agreement signed by UniCredit and HVB on 12 June 2005 (i.e.5 years).

#### *Further Recent Developments*

As already contemplated in the course of the business combination of HVB and UniCredit most parts of the investment management business shall be combined within Pioneer Global Asset Management S.p.A. ("PGAM"), a subsidiary of UniCredit Group. As part of this streamlining process, HVB sold and transferred the three Activest companies (Activest Investmentgesellschaft mbH, Activest Investmentgesellschaft Schweiz AG and Activest Investmentgesellschaft Luxembourg S.A.) to Pioneer for a total of €600 million in July 2007.

On November 7, 2006, HVB reached an agreement with Barclays Bank PLC (Barclays) on the sale of Indexchange AG (INDEXCHANGE) for €240 million. The transaction was closed on 8 February 2007.

Further to the combination of the investment management business in January 2007, HVB and PGAM agreed on the sale and transfer of NORDINVEST, Norddeutsche Investment-Gesellschaft mbH.

Already in November 2006, HVB and Deutsche Postbank AG ("Postbank") agreed upon Postbank taking over HVB's payment processing. Thus, since 1 January 2007, Postbank is responsible for handling all payment transactions on behalf of HVB. In the course of such agreement HVB's subsidiary HVB Payment & Services GmbH was transferred to a subsidiary of Postbank as of January 1, 2007.

In July 2006 UniCredit Group announced the identification and separation of a Special Credit Portfolio consisting primarily out of roughly 125,000 customers and a total volume of EUR 20.5 bln. HVB has identified a portfolio of existing credits with homogeneous characteristics, to transfer the day to day management of such portfolio to a fully dedicated organizational unit reporting to the Chief Risk Officer and tasked with the responsibility of both improving in the short term the profitability of such portfolio and / or accelerate the repayment of the credits through a range of different strategies.

In January 2005, HypoVereinsbank announced that the workout portfolios of the entire German real estate finance business of HVB Group would be transferred to the new Real Estate Restructuring segment together with the remaining portfolios of the Real Estate Workout segment. The aim is to completely eliminate the portfolios allocated to this segment without disrupting the market by exploiting various options and the opportunities arising from the development of the real estate markets. To facilitate the rapid reduction of these portfolios, it was necessary to change the valuation method for the real estate collaterals associated with these portfolios. In contrast to the previous approach, which in many instances aimed to restructure the individual commitments – sometimes over the long run – before returning them to regular treatment, the valuation of the real estate collateral is now made at liquidation value. As per 31 December 2006 this portfolio could be reduced by €1.40 bln to a total claim of €3.96 bln. This reduction is due to portfolio transactions to be concluded within the first and the second quarter of 2007 respectively and own workout.

### **Business Overview**

As a result of the integration into the UniCredit Group the activities of HVB Group have been restructured in the following global divisions:

Retail, Wealth Management, Corporates & Commercial Real Estate Financing and Markets & Investment Banking .

#### **Retail division**

The customers are divided into three groups within the Retail division: private customers, affluents and business customers. HVB is implementing its growth strategy differently for each of the customer groups. For private customers, HVB is concentrating on attractive market segments, maintaining a clear range of products tailored to cater for specific customer needs and (re-)activating the single-product users among our customers. With regard to affluent customers, HVB is intensifying systematic customer contact, refining both its need-based approach and its products and maximising the risk/return for each customer. Finally, for the business customers, HVB is reinforcing its cross-selling (particularly asset gathering), adjusting its pricing and its service model and harmonising its distribution channels.

The Retail division serves around three million customers. Major subsidiaries allocated to this division include Bankhaus Neelmeyer and Vereinsbank Victoria Bauspar AG.

#### **Wealth Management division**

Wealth Management handles marketing for wealthy customers in Germany, private banking operations in Luxembourg, the activities of the DAB banking group and the production and marketing of real assets.

During the divisionalisation of HVB AG, more than 34,000 wealthy customers with an investment volume of almost €30 billion were transferred from retail and corporate banking operations.

This division serves customers with liquid assets of more than €500,000 under a relationship approach tailored to the requirements of high net worth customers. This is expanded to include specific family office services for customers with investments exceeding €30 million.

The following customer groups form the basis of the relationship model geared to providing comprehensive wealth management: family office customers, for whom the key element is providing comprehensive advice on very large and complex estates; private customers, where the focus is placed on individual asset strategies; professionals and business customers, for whom asset accumulation and corporate finance is the main element; and foundations and companies focussing on the professional management of large-scale assets. In addition, we attend to the private affairs of company owners and perform professional asset management for certain securities accounts, such as public-sector customers and professionals.

#### **Corporates & Commercial Real Estate Financing division**

In corporate banking operations HVB concentrates on the needs of its around 70,000 mid-sized customers: supporting their cross-border expansion; helping them with new forms of finance and financial risk manage-

ment; and opening them up to the capital market. To implement its growth strategy, HVB needs to systematically exploit the business potential. The ambitious goal is to become the leading corporate bank in Germany.

The corporate banking business involves various relationship models based on different customer requirements. In particular, HVB has relationship models for large caps, mid caps, small caps and the public sector. HVB combines these models with regional proximity, sector know-how and competent sales support.

Lending operations will continue to be the core business into the future. This involves making innovative solutions, such as mezzanine products involving our PREPSTM product which incorporate the capital market, accessible to our mid-sized corporate customers. These are offered in addition or as an alternative to the traditional loan. Besides providing sophisticated advisory services and the analysis and funding of current and non-current assets (working capital), HVB is offering structured loans to a broader array of mid-sized enterprises. HVB is also continuing to expand operations involving subordinated finance, small and medium-sized financing for corporate transactions and project finance.

HVB leverages its leading position in central and eastern Europe to support its customers through its European network.

Major subsidiaries allocated to this division include HVB Banque Luxembourg, which is assigned to several divisions, and HVB Leasing GmbH.

Organisationally, commercial real estate financing belongs to the Corporates division. It forms part of the UniCredit Group's growth strategy for Germany and Europe, aiming to significantly improve the risk/return profile of portfolios and sustainably boost the profitability of the business. The consistent implementation of our strict lending policies based on the current market conditions and the sustained reduction of unprofitable portions of portfolios are playing an important role in this process. The target customers have access to tailored products from HVB's full range, extending from classic real estate finance and interest rate hedging through to the structuring, syndication and, where appropriate, securitisation of portfolios. The customers are served by regional account management teams based at six locations in Germany (Berlin, Düsseldorf, Frankfurt, Hamburg, Munich and Nuremberg) and the structured loan specialists concentrated in Munich.

### **Markets & Investment Banking division**

The global Markets & Investment Banking (MIB) division of the UniCredit Group started out as a virtual organisation in mid-2006. Headquartered in Munich, it has offices at all the major financial centres worldwide, including London, New York, Hong Kong and Singapore. Around 2,000 employees at 40 locations serve some 1,100 institutional customers and 270 multinationals. HVB has been defined as UniCredit Group's competence centre for investment banking. All related activities will be pooled at HVB for at least the next seven years, due in part to the expertise and know-how HVB possesses in this area. Some 60% of the business volume and revenues of the investment banking activities of the UniCredit Group are already generated by HVB and thus flow into the balance sheet and income statement of HVB. As already set out above it is envisaged to integrate the investment banking activities of other units of the UniCredit Group within HVB. The goal is to increase this business volume and boosting the market share. At the same time all activities will focus on selected products and customer segments where HVB can provide differentiated expertise. The ambitious growth targets of this new player in the European investment banking marketplace are of direct importance to HVB.

Markets & Investment Banking will receive a uniform structure with global responsibility within the UniCredit Group so that it can address global customers accordingly. Thus, in terms of its organisation and in other ways, the division differs from other operating units that have a regional branding tailored to suit the respective market and are part of a separate legal unit responsible for the entire regional market.

By combining complementary product competencies in the areas of structured finance, structured derivatives, structured loans and currency and interest hedging operations, a broad, competitive product portfolio has been created which provides an excellent basis for winning new customers and for offering additional services to existing customers in all markets. Flagship products and market positions notably include:

- takeover finance: 20% share of the German market, one of the leading arrangers of leveraged buy-outs in Europe
- project finance: one of the leading arrangers in Europe
- structured foreign trade finance
- issuing operations for covered bonds (*Pfandbriefe*): market leader in Germany with a share of 13%, number 6 in Europe
- structured derivatives: leading provider in Germany

Relationship management and customer retention is based on a direct approach. Senior bankers foster the primary relationships with customers and communicate their needs to appropriate specialists.

Moreover, Markets & Investment Banking sees itself as a supplier of innovative and specialized products for all regional sales units of the remaining divisions who are thus also important individual customers and primary sales partners (structured investment products or exchange-traded funds (ETFs) for Retail and Wealth Management customers, or derivatives to hedge commodity and currency risk for corporates).

Major subsidiaries allocated to this division include HVB Banque Luxembourg, which is assigned to several divisions, HVB Global Assets, HVB Capital Asia Ltd. and HVB Capital Partners AG.

## Principal Markets

HVB Group is one of the major banks in Germany with its core competence in its home market Germany. Through its Markets & Investment Banking division, as UniCredit Group's competence centre for investment banking, HVB Group has offices at all major financial centres worldwide, including London, New York, HongKong and Singapore.

## Administrative, Management and Supervisory Bodies

### General

Like all German stock corporations, HypoVereinsbank has a two-tier board system. The Management Board (*Vorstand*) is responsible for management and the representation of HypoVereinsbank with respect to third parties. The Supervisory Board (*Aufsichtsrat*) appoints and removes the members of the Management Board and supervises the Management Board's activities.

The members of the Management Board and the Supervisory Board of HypoVereinsbank may be reached at the Bank's business address (Bayerische Hypo- und Vereinsbank Aktiengesellschaft, Kardinal-Faulhaber-Strasse 1, 80333 Munich, Germany).

The composition of the Management Board and the Supervisory Board of HypoVereinsbank and the functions and major activities performed by members of the Management Board outside HypoVereinsbank and the principal occupations of the members of its Supervisory Board are as follows:

### Management Board

<i>Name</i>	<i>Areas of Responsibility</i>	<i>Membership of Statutory Supervisory Boards in Germany outside HVB Group</i>
Willibald Cernko	Private Customers and Professionals	-
Stefan Ermisch (since 21 March 2007)	Markets & Investment Banking: Internal Organisation, Integration of Global Investment Banking	-
Rolf Friedhofen	Chief Financial Officer	-
Heinz Laber	Human Resources Management	-
Dr. Stefan Schmittmann	Corporates and Commercial Real Estate	Deutsche Schiffsbank AG, Schaltbau Holding AG and Verlagsgruppe Weltbild GmbH
Ronald Seilheimer	Markets & Investment Banking: Markets side	-
Matthias Sohler	Chief Operating Officer	-
Dr. Wolfgang Sprißler	Board Spokesman	Member of the supervisory boards of Thyssen-Krupp Services AG

Andrea Umberto Varese	Chief Risk Officer	-
Andreas Wölfer	Wealth Management	-

### ***Supervisory Board***

<b><i>Name</i></b>	<b><i>Principal Occupation</i></b>
Alessandro Profumo, Milan, Chairman	Chief Executive Officer of UniCredito Italiano S.p.A., Genoa
Peter König, Munich, Deputy Chairman <sup>(1)</sup>	Employee of HypoVereinsbank
Dr. Lothar Meyer, Bergisch-Gladbach, Deputy Chairman	Chairman of the management board of ERGO Versicherungsgruppe AG
Aldo Bulgarelli, Verona	Lawyer
Beate Dura-Kempf, Litzendorf (1)	Employee of HypoVereinsbank
Sergio Ermotti	Head of Markets & Investment Banking, Member of the Management Committee of UniCredito Italiano S.p.A., Genoa
Paolo Fiorentino, Milan	Head of Global Banking Services Division, Member of Management Committee of UniCredito Italiano S.p.A., Genoa
Dario Frigerio, Milan	Head of Private Banking and Asset Management Division, Member of Management Committee of UniCredito Italiano S.p.A., Genoa
Klaus Grünewald, Gröbenzell, <sup>(1)</sup>	FB 1 unit manager in the Bavarian division of Vereinte Dienstleistungsgewerkschaft
Günter Guderley, <sup>(1)</sup>	Employee of HypoVereinsbank
Friedrich Koch, Kirchheim, <sup>(1)</sup>	Employee of HypoVereinsbank
Hanns-Peter Kreuser, Munich, <sup>(1)</sup>	Employee of HypoVereinsbank
Ranieri de Marchis, Milan	Chief Financial Officer, Member of the Management Committee of UniCredito Italiano S.p.A., Genoa
Roberto Nicastro, Milan	Head of Retail Division, Member of the Management Committee of UniCredito Italiano S.p.A., Genoa
Vittorio Ogliengo, Parma	Head of Corporates Division, Member of the Management Committee of UniCredito Italiano S.p.A., Genoa
Prof. Dr. Dr. h.c. Hans-Werner Sinn, Gauting	President of the ifo-Institute for Economic Research
Maria-Magdalena Stadler, Pullach <sup>(1)</sup>	Employee of HypoVereinsbank
Ursula Titze, Neusäss, <sup>(1)</sup>	Employee of HypoVereinsbank
Jens-Uwe Wächter, Himmelforten <sup>(1)</sup>	Employee of HypoVereinsbank
Helmut Wunder, Waischenfeld <sup>(1)</sup>	Employee of HypoVereinsbank

<sup>(1)</sup> Representative of employees.

As at the date of this Base Prospectus, the above-mentioned members of the Board of Directors and members of the Supervisory Board of HypoVereinsbank do not have potential conflicts of interests between any duties to HypoVereinsbank and their private interests or other duties.

## Major Shareholders

The German Securities Trading Act (*Wertpapierhandelsgesetz*) requires each investor whose investment in a German stock corporation listed on the official market of a German or European Economic Area stock exchange (including HypoVereinsbank) reaches, exceeds or falls below any of the thresholds of 5%, 10%, 25%, 50% or 75% of the voting rights of such stock corporation to notify such stock corporation and the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht) promptly, but in any event within seven calendar days. HypoVereinsbank has been informed of the following shareholdings exceeding the relevant thresholds pursuant to the Security Trading Act:

<i>Shareholder</i>	<i>Shareholdings</i>
	(as a percentage of HypoVereinsbank's share capital)
UniCredito Italiano S.p.A., Via Dante 1, Genoa	95.00 <sup>(1)</sup>

<sup>(1)</sup> Pursuant to the ad hoc release dated 23 January 2007 ("UniCredit resolves on Squeeze-out in HVB and BA-CA") by UniCredito Italiano S.p.A.."

- The section "**Litigation and Other Proceedings**" from page 241 to page 247 of the Base Prospectus will be replaced by the following section:

### "Litigation and Other Proceedings

#### *Strukturvertrieb Transactions*

HVB is involved in civil proceedings with numerous retail customers in Germany relating to financings of tax-driven real estate investments that were originated through external agents (*Strukturvertrieb*) primarily during the years 1989 through 1994. One of the main legal issues in dispute concerns the interpretation of German consumer protection laws, in particular, the provisions of the German Doorstep Transactions Rescission Act (*Haustürwiderrufs-Gesetz*, the "Act"), which implemented into German law the EU Council Directive 85/577 EEC of December 20, 1985 (the "Directive"). The Act grants a unilateral right of withdrawal at any time to a consumer who is party to a transaction that was initiated or concluded in a "doorstep situation", i.e., at the consumer's place of work or private residence or at a public place (other than at the specific request of the consumer), if the consumer was not notified in writing of his statutory right of withdrawal at the time of the transaction. Based on a decision of the European Court of Justice ("ECJ") of December 13, 2001, German courts apply the provisions of the Act also to real estate financing agreements. In so applying the Act, the Eleventh Senate of the German Supreme Court (*Bundesgerichtshof*, "BGH") which, among other things, is in charge of proceedings involving consumer loan agreements, has repeatedly confirmed its long-held view that the rescission of a real estate financing agreement pursuant to the Act will generally not affect the validity of the underlying real estate purchase agreement. Rather, the real estate financing agreement and the real estate purchase agreement have in general to be considered as distinct and separate contracts. Therefore, pursuant to the view of the BGH, a customer of HVB who is able to prove that he entered into the financing agreement in a "doorstep situation" and did not receive the required written notice regarding his statutory right of withdrawal may rescind only the financing agreement and not the underlying real estate purchase agreement. The BGH has held repeatedly that as a result of such withdrawal, the customer will not be relieved from his obligations under the financing agreement in exchange for a transfer of title to the relevant real estate but will be obligated to repay the outstanding principal of the loan plus interest at customary market rates to the lender. Several other German courts referred questions to the ECJ on the interpretation of the Directive in light of the BGH decisions.

On October 25, 2005, the ECJ rendered its decisions on whether the decisions of the BGH are in line with European law. According to the ECJ, a customer may withdraw from a financing agreement if the "doorstep situation" has been created by a person that acted in the name or for the account of the bank, whether the bank was actually aware thereof or not. The ECJ decisions do not specify the meaning of "a person acting in the name or for account of the bank". The ECJ decisions in essence confirm the view of the BGH to the effect that the customer's withdrawal from the financing agreement does not have an impact on the validity of the purchase agreement and that the customer continues to be the owner of the property purchased. If the customer exercises his withdrawal right, he is obliged to repay the loan in full. Pursuant to current German laws, the customer is also obliged to pay to the bank interest at a market rate on the loan granted. These provisions

are not contrary to the Directive. However, where the customer has not been notified about its withdrawal right, the member state has to ensure, pursuant to the ECJ decisions, that the risk of the investment which the customer would have avoided if correct information about its withdrawal right had been provided, should not be borne by the customer but by the bank. Accordingly, the national courts should take this into account in their decisions and interpret the provisions of national law in a way that helps achieve this aim.

In a decision of May 16, 2006 the BGH held that the need for such interpretation required by the ECJ only applies with respect to situations where the customer has entered into the financing agreement during a doorstep situation as defined in the Act. In all proceedings involving HVB, the customers did not enter into the financing transactions during such a doorstep situation but only some time after such doorstep situation. As a result, the requirements stipulated by the ECJ do not apply.

In addition, the BGH held that in cases where the purchase agreement has been concluded before the financing agreement, the information about the withdrawal right would not have had the effect that a customer could have avoided the investment risk. In other cases the customer must prove that he would not have concluded the purchase agreement and in turn avoided the investment risk if he would have known his right to withdraw. Consequently, in these cases, customers exercising their withdrawal right will be obliged to immediately repay their loan in one amount, together with interest thereon at customary market rates.

In cases where the purchase agreement has been concluded after the financing agreement, the BGH, in an *obiter dictum* to its May 16, 2006 decision, recognized that the ECJ-requirements do not apply since the bank that concluded the financing agreement may not have been in default for not having instructed customers of their statutory right to rescind the financing agreement. Accordingly, based on the May 16, 2006 decision of the BGH, it is HVB's position that in situations where the customer may have a right to rescind the financing agreement, the customer in any event will be under an obligation to repay the loan to the bank as well as to pay customary interest thereon.

In addition to its prior decisions, the BGH in its judgment of May 16, 2006 held that a customer may be entitled to damage claims against the bank arising from the bank's failure to hold the customer harmless from and against any liability which would not have arisen if the customer had not acquired the property financed by the bank provided that (i) the bank has co-operated with the seller or agent in an "institutionalized" manner (meaning the bank maintained a permanent business relationship with the agent or seller offering the sale of the property and the related financing) and (ii) the seller or agent has fraudulently deceived the customer in such an evident way that it was impossible for the bank not to have knowledge thereof (such elements to be established and proven by the customer), and (iii) the bank in turn is unsuccessful in proving that it had no knowledge of the customer having been deceived. The new term of "institutionalized co-operation" will be filled in by the courts in future decisions.

The lawsuits pending against HVB involve, inter alia, financing agreements which were signed by third parties (fiduciaries) authorised by the customers to act in their name and on their behalf, rather than by the customers themselves. Several Senates of the BGH have recently held that third parties (fiduciaries) which engage exclusively or mainly in the handling of real estate purchase transactions without the necessary authorization to provide legal advice violate the German Act on Legal Advice (*Rechtsberatungsgesetz*). In those cases, the power of attorney underlying a fiduciary's authorization is invalid. In accordance with the BGH's established decision practice, the contracts signed by such fiduciaries are nonetheless valid if it can be demonstrated that at the time of the conclusion of the agreement concerned the original or a notarized copy of the deed containing the power of attorney was presented to the bank. In the past, HVB has been successful in providing such evidence in the majority of the relevant cases.

If HVB fails to provide such evidence, it may, according to the BGH's established decision practice, still be entitled to a repayment of the loan in question, if HVB can successfully invoke the doctrine of authorization by estoppel, i.e., if HVB can demonstrate that given the particular circumstances in which the financing agreements were concluded, HVB relied in good faith on the alleged authorization of the fiduciary acting on behalf of the customer.

If HVB is not able to prove the requirements for invoking the doctrine of authority by estoppel, the loan agreement with the customer is invalid. Therefore, HVB's claims for repayment of the funds advanced to the customer (or, at the customer's direction, a third party) under the invalid loan agreement can only be based on principles of statutory law, such as unjust enrichment. In the event that the funds were advanced to a third party without corresponding instructions of the customer, HVB may have a claim for repayment against such third party.

In its decisions of April 20, 2004, the Eleventh Senate of the BGH has, in general, reconfirmed these principles. In the cases decided by the Eleventh Senate, HVB was not able to provide evidence that the original power of attorney had been presented to it or that the requirements for invoking the doctrine of authority by estoppel were met. The Eleventh Senate of the BGH did not have to decide on the existence of any claim of HVB against the borrowers based on statutory law.

Although the outcome of the proceedings concerning Strukturvertrieb Transactions depends on the facts and circumstances in each individual case, based on the judgments rendered by the Eleventh Senate of the BGH so far, HVB believes that none of its proceedings relating to Strukturvertrieb Transactions (including one brought before a U.S. court), considered alone or together, have or, in the case of pending or threatened proceedings, would have, if adversely determined, a material adverse effect on HVB's business or financial position as a whole.

### ***Financing of Funds***

HVB is also involved in civil proceedings with numerous retail customers in Germany relating to financings of tax-driven participations in real-estate funds. In two decisions dated April 25, 2006 the BGH held that the qualification of loans as mortgage-secured loans depends on whether the grant of mortgage was already provided for in the loan agreement and whether the loan was granted according to normal conditions for mortgage secured loans.

In case of financing of a participation in a fund by a consumer through a loan which is not mortgage-secured and the financing and the participation constitute a so-called "linked transaction" (*verbundenes Geschäft*), the customer can raise objections against the repayment claim of such lender in the event of deception or wrongful advice (*Einwendungsdurchgriff*). The BGH assumes a "linked transaction" if the lender made use of the distributor's organization both to arrange the participation in the fund and to conclude the loan agreement. This would be the case if the distributor's organization – which is mandated by the fund company and the initiator of the fund – also arranges for execution of the loan agreement using the standard form of the lender or if the lender uses the standard form loan agreements of the distributor and does not have any direct contact with the customer before execution of the loan agreement. In decisions dated April 25, 2006, the BGH held that in case of a linked transaction the customer can raise objections against the repayment claims of the lender also with claims the customer has against the seller of the fund and the agent of the fund because of fraud.

In the case where a non mortgage-secured loan which was concluded in a doorstep situation and the customer was not properly advised with respect to his or her right of rescission (and may thus in some cases for this reason already be entitled to withdraw from the loan agreement), the BGH held that a lender may not claim repayment of the loan from the customer if the lender had any connection to the fund or to its distributor organization which exceeded the mere processing of payments and if the loan was not disbursed to the customer but directly to the fund.

At this point in time, the number and volume of loans of HVB which are affected by the new decision of the BGH cannot be determined, because in the past there was no requirement to collect data in accordance with the above criteria and because determining whether there is a linked transaction and whether a customer can raise objections depends on the specific facts of the particular case which would have to be proven by the customer and which are not presently known to HVB.

### ***Appointment of Shareholder Representatives on HVB's Supervisory Board***

In April 2004, the District Court of Munich (*Landgericht München I*) held that the election at the annual general shareholders' meeting on May 14, 2003 of the shareholder representatives on HVB's Supervisory Board was invalid due to defects in the procedure by which the ten shareholder representatives were elected; the Bank appealed against this decision.

After the resignation of one shareholder representative from HVB's Supervisory Board in December 2003, one new shareholder representative was appointed by the Local Court of Munich (*Amtsgericht München*) in January 2004. Upon HVB's application to also appoint the other nine shareholder representatives by court order in order to eliminate any legal uncertainty with respect to the validity of the election of such representatives to its Supervisory Board, the Local Court of Munich appointed these nine shareholder representatives by court order on February 17, 2004. On February 25, 2004, as a further precaution, HVB's Supervisory Board confirmed those of its resolutions, including those passed by its committees, that had been adopted since May 14, 2003 and were potentially affected by the legal proceedings challenging the validity of the election of the shareholder representatives. Therefore, even if certain resolutions adopted between May 14, 2003 and February 25, 2004 were void when originally adopted, such resolutions, in HVB's view, became effective upon their ratification by the Bank's Supervisory Board on February 25, 2004. HVB believes that the resolution of its Supervisory Board on February 25, 2004 should avoid any adverse consequences for the Group's business and financial condition of the above-mentioned judicial decision in favor of the plaintiff. The plaintiff's complaints against the appointment of the shareholder representatives by court order were dismissed by the District Court of Munich (*Landgericht München I*). The plaintiff's further complaints against the afore mentioned decisions of the District Court of Munich were dismissed by the Highest Court of Bavaria (*Bayerisches Oberstes Landesgericht in München*) and by the Higher Regional Court of Munich (*Oberlandesgericht München*).

The shareholder representatives were reelected at the annual general shareholders' meeting on April 29, 2004. Following the appointments by court and the reelection of the shareholders representatives, HVB abandoned the appeal against the decision of the District Court of Munich of April 2004, which in turn became final.

***Shareholder complaints against the election of shareholder representatives on the Supervisory Board as well as the election of the Auditors of HVB***

Those shareholders of HVB who filed complaints against the appointment by court order of the shareholder representatives, also initiated legal proceedings against HVB at the District Court of Munich, challenging the validity of the re-election of the members of the Supervisory Board at the annual general shareholders' meeting on April 29, 2004, as well as the release granted to the Supervisory Board members for fiscal year 2003 and the validity of the appointment of HVB's auditors for fiscal year 2004. On June 9, 2005 the District Court of Munich dismissed the claims; the appeal was dismissed by the Higher Regional Court of Munich on January 18, 2006. One shareholder appealed against non-admission of further remedy to the German Supreme Court (*Bundesgerichtshof*) and filed a further claim challenging the validity of HVB's financial statements for the fiscal year 2004, basing this claim primarily on the same grounds as his claim against the appointment of HVB's auditor for the fiscal year 2004. As the District Court of Munich as well as the Higher Regional Court of Munich dismissed his claim challenging the appointment of the auditor, HVB believes that the claim challenging the validity of the financial statements for the same fiscal year will be held to be without merit.

Several shareholders initiated legal proceedings against HVB in the District Court of Munich challenging the election of two members of the Supervisory Board as well as the election of one substitute member of the Supervisory Board and the appointment of HVB's auditors for fiscal year 2005 at the annual general shareholders' meeting on May 12, 2005. The plaintiffs primarily claim that the appointment of the shareholder representatives on the Supervisory Board by the Local Court of Munich on February 17, 2004 as well as the re-election of the members of the Supervisory Board at the general shareholders' meeting on April 29, 2004 was void and that concerns with respect to the auditors' impartiality continued to exist since 1999. As far as the shareholders claimed the invalidity of the discharge of the members of the Supervisory Board for the fiscal year 2004 the claims were successful; the District Court of Munich held in its decision of December 22, 2005 that the report of the Supervisory Board for the fiscal year 2004 should have mentioned the abandonment of the appeal with respect to the decision of the District Court of Munich as of April 2004 regarding the (according to this decision) invalid election of the shareholder representatives at the annual general shareholders' meeting on May 14, 2003. With respect to the election of the two members of the Supervisory Board as well as the election of one substitute member of the Supervisory Board and with respect to the appointment of HVB's auditors for the fiscal year 2005, the claims of the shareholders were not successful before the District Court of Munich. The shareholders however appealed against this judgment.

Certain of the above-mentioned shareholders have also requested cancellation of the €643.2 million increase of the share capital of HVB out of authorized capital that was entered into the commercial register on March 1, 2004. The plaintiffs claim that, due to the invalidity of the appointment by court order of the nine shareholder representatives on HVB's Supervisory Board, the subsequent consent of the Supervisory Board to the capital increase out of authorized capital and, therefore, the capital increase itself, were also invalid. Based on the various court decisions that upheld the appointment of the shareholder representatives on HVB's Supervisory Board by court order, HVB believes that the claim for cancellation of the capital increase is without merit.

***Shareholders complaints against resolutions approving the Hive-down and acquisition agreement on the master agreement relating to the "Aphrodite" portfolio and the amendment to Sec. 4 (2) of the articles of association of HVB***

HVB has decided to divest itself of a loan portfolio (known as "Aphrodite") essentially consisting of sub-performing and non-performing loans. To this end, the loan portfolio will be initially hived-down from HVB to its wholly owned subsidiary HVB Loan Portfolio GmbH & Co. KG. Thereafter, all of the shares and interests in HVB Loan Portfolio GmbH & Co. KG and its general partner company will be assigned to a company belonging to the Goldman Sachs Group. According to the German Transformation Act the corresponding hive-down and acquisition agreement (executed on March 29, 2006) is subject to the approval of the shareholders of HVB. Due to the relationship between this agreement and the master agreement (executed on January 16, 2006), the entire transaction, including the sale and assignment of the shares and interests in HVB Loan Portfolio GmbH & Co. KG and its general partner, was submitted to the annual shareholders meeting for approval.

Two shareholders of HVB challenged the resolutions adopted by the annual general shareholders meeting of HVB on May 23, 2006 approving the master agreement and the hive-down and acquisition agreement (agenda items 13 and 14 of said shareholders meeting) and the resolution modifying Section 4(2) of HVB's articles of association (agenda item 9 of said shareholders meeting). In its hearing on September 27, 2006, the District Court of Munich indicated that these claims were unsubstantiated. HVB therefore believes that the claims against such resolutions will be held to be without merit.

On HVB's request, the District Court of Munich ruled on September 27, 2006 in a release procedure that the claims against the resolutions regarding agenda items 13 and 14 will not prevent the hive-down to be entered into the commercial register regarding the claims against such resolutions obviously unfounded. Appeals from the shareholders against this ruling were rejected by the Higher Regional Court of Munich on February 12, 2007.

***Shareholders complaints against resolutions approving several purchase and transfer agreements, inter alia the sale and transfer agreement with respect to the BA-CA-shares held by HVB, during the Extraordinary Shareholders Meeting (EGM) on October 25, 2006***

Following the EGM dated October 25, 2006 which resolved on the approval for six transactions of entities belonging to HVB in Austria (BA-CA) and CEE-countries (Ukraine, Russia, Baltics) several applications to grant certain information to shareholders pursuant to sec. 132 German Stock Corporation Act ("*AktG*") have been filed by minority shareholders of HVB with the competent court (Regional Court of Munich) and were served upon HVB. The applications request HVB to publish the full contents of the Business Combination Agreement concluded between UniCredit and HVB on June 12, 2005 ("BCA") and ask to receive the complete wording of the Restated Bank of the Regions Agreement ("ReBoRA"). When preparing the EGM HVB and external legal advisers arrived at the conclusion that it is sufficient to publish the material contents of the BCA and the ReBoRA in order to fulfill any potential formal requirements. In one application HVB is requested to reveal all payments made to Mr. Rampl by HVB or any third party (including, in particular, UniCredit) since January 1, 2005. With respect to the payments received by Mr. Rampl in 2005 no answer was requisite as all compensations made to Mr. Rampl are shown in the "Compensation Report" in HVB's Financial statements for the year 2005 in detail; with respect to any payments made in 2006 from UniCredit the company (HVB) is unable to make any statement; in addition this information was in our view not requisite for the shareholders to vote on the transactions. We are of the opinion that the applications are without merit.

A number of actions to set aside the consenting resolutions with respect to the transactions submitted to the EGM, especially the sale- and purchase agreement regarding the shares of BA-CA held by HVB, have been filed by shareholders and shareholders associations and were served upon HVB on December 13, 2006. Apart from alleged formal mistakes in preparing and alleged formal mistakes in holding the meeting the shareholders mainly claim that the purchase prices for the sold entities were not adequate and in turn would

contradict Sec. 243 AktG (German Stock Corporation Act). The management board of HVB determined the purchase prices on basis of separate evaluations of each single entity by PriceWaterhouse Coopers as independent auditor and therefore is of the opinion that the alleged inadequacy of the purchase prices are not well founded. The sale- and purchase-agreements contain the provisions that the management board of HVB will ask an external law firm to render a legal opinion whether the resolutions of the EGM do suffer any mistake which prevent the management board from closing of said transactions. The management board asked an external well known law firm to render an opinion in this respect taking into account all arguments of the claims mentioned before. Having received such opinion as well as an additional statement from PriceWaterhouse Coopers the management board of HVB came to the conclusion that said closing condition is met; following this the shares held by HVB in BA-CA were transferred to UniCredit and those held in International Moscow Bank as well as those held in HVB Bank Latvia were transferred to BA-CA in the first half of January 2007; with respect to HVB Bank Ukraine and the branches in Tallinn and Vilnius further conditions precedent are not fulfilled as of today. At this point of time neither the outcome of the legal opinion nor the outcome of the proceedings can be determined.

#### ***Exclusion of Minority Shareholders of Vereins- und Westbank AG – Award Proceedings***

The extraordinary shareholders' meeting of Vereins- und Westbank AG ("VuW") held on June 24, 2004 approved the transfer of the shares of VuW's minority shareholders to HVB in exchange for €25.00 per outstanding share of VuW. Various shareholders of VuW initiated legal proceedings at the District Court of Hamburg (*Landgericht Hamburg*), challenging the validity of this resolution. By way of mutual agreement, HVB – after having joined the action for the purpose of a settlement – increased the cash payment to €26.65 for each outstanding share of VuW. Upon registration of the transfer resolution in the commercial register of VuW on October 29, 2004 all shares of the minority shareholders of VuW passed to HVB. However, certain shareholders considered this increase to be insufficient and filed actions with the District Court of Hamburg (*Landgericht Hamburg*), asking the court to determine a higher amount of cash compensation in so-called award proceedings (*Spruchverfahren*). In a decision dated March 2, 2006, Hamburg Regional Court fixed the compensation at €37.20 per share, notwithstanding the fact that the appropriateness of the original cash compensation had been evaluated and substantiated by external auditors and reviewed by an independent auditor appointed by the court. HVB appealed against this decision and is seeking to lower the additional payment, if any, that will need to be made to former minority shareholders of VuW.

#### ***Dispute regarding Trade Tax allocation with Hypo Real Estate***

Until 2001 HVB has collected from as well as refunded to several subsidiaries which belonged to the trade tax group of HVB or to the trade tax group of its predecessors for the relevant time period trade tax allocations. Hypo Real Estate Bank AG as well as Hypo Real Estate International AG claim alleged overpayments of trade tax allocations in the amount of together EUR 62 Million plus interest as well as additional information regarding calculation method for tax allocation and figures applied by HVB until 2001. On the basis of external legal opinions HVB is of the opinion that the claims will be without merit.

#### ***Claw-Back Claims by Insolvency Administrator against HVB as Member of a Syndicate of Banks***

In 2002, a corporate customer of HVB filed a petition for insolvency proceedings; following the commencement of such insolvency proceedings, the insolvency administrator asserted claw-back claims against a syndicate of banks of which HVB was a member. HVB accounted for approximately 9.25% of the syndicate's total outstanding credit facilities. The syndicate banks mandated an expert in insolvency law to examine all questions relating to the potential claim of the insolvency administrator; the expert found the legal position of the insolvency administrator not to be very strong and advised the syndicate banks to reject the asserted claims. No court proceedings have been filed yet. Although HVB believes that the afore mentioned claims do not have any merit, any legal proceedings initiated by the insolvency administrator, if adversely determined, may result in a maximum liability of HVB in a low triple-digit millions amount in Euro. However at present, the outcome of the claw-back claims is uncertain."

- The sections "**United Kingdom**", "**Italy**", "**Japan**" "**Austria**" and "**European Economic Area**" from page 260 to page 261 of the Base Prospectus will be replaced by the following section:

### "United Kingdom

Each Dealer has represented, warranted and agreed that:

- a) No deposit-taking: in relation to any Notes having a maturity of less than one year:
  - (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal agent) for the purposes of its business; and
  - (ii) it has not offered or sold and will not offer or sell any Notes other than to persons:
    - (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal agent) for the purposes of their business; or
    - (B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal agent) for the purposes of their businesses,

where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (the "**FSMA**") by the Issuer;

- b) **Financial promotion:** 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 FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- c) **General compliance:** it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

### Italy

The offering of the Instruments has not been registered pursuant to the Italian securities legislation and, accordingly, each Dealer has represented and agreed that it has not offered or sold, and will not offer or sell, any Instruments in the Republic of Italy in a solicitation to the public, and that sales of the Instruments in the Republic of Italy shall be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulation.

Accordingly, each of the Dealers has represented and agreed that it will not offer, sell or deliver any Instruments or distribute copies of the Base Prospectus and any other document relating to the Instruments in the Republic of Italy except:

- (1) to "Professional Investors", as defined in Article 31.2 of CONSOB Regulation No. 11522 of 1 July 1998, as amended ("Regulation No. 11522"), pursuant to Article 30.2 and 100 of Legislative Decree No. 58 of 24 February 1998, as amended ("Decree No. 58");
- (2) in any other circumstances where an express exemption from compliance with the solicitation restrictions applies, as provided under Decree No. 58 or CONSOB Regulation No. 11971 of 14 May 1999, as amended.

Any such offer, sale or delivery of the Instruments or distribution of copies of the Base Prospectus or any other document relating to the Instruments in the Republic of Italy must be:

- (a) made by investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree No. 385 of 1 September 1993 as amended ("Decree No. 385"), Decree No. 58, CONSOB Regulation No. 11522 and any other applicable laws and regulations; and
- (b) in compliance with any other applicable notification requirement or limitation which may be imposed by CONSOB or the Bank of Italy.

Investors should also note that, in any subsequent distribution of the Instruments in the Republic of Italy, Article 100-*bis* of Decree No. 58 may require compliance with the law relating to public offers of securities. Furthermore, where the Instruments are placed solely with professional investors and are then systematically resold on the secondary market at any time in the 12 months following such placing, purchasers of Instruments who are acting outside of the course of their business or profession may in certain circumstances be

entitled to declare such purchase void and to claim damages from any authorised person at whose premises the Instruments were purchased, unless an exemption provided for under Decree No. 58 applies.

### **Japan**

The Instruments have not been and will not be registered under the Securities and Exchange Law of Japan and, accordingly, each Dealer has undertaken that it will not offer or sell any Instruments directly or indirectly, in Japan or to, or for the benefit of, any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person except under circumstances which will result in compliance with all applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities and in effect at the relevant time. For the purpose of this paragraph, "Japanese Person" shall mean any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

### **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 Dealer represents and agrees, 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 Notes to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of Instruments to the public in that Relevant Member State:

- (1) in (or in Germany, where the offer starts within) the period beginning on the date (or in the case of Austria and Germany, thereafter) of publication of a prospectus in relation to those Instruments 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 and ending on the date which is 12 months after the date of such publication;
- (2) at any time 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;
- (3) employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or
- (4) at any time in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Instruments to the public" in relation to any Instruments 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 Instruments to be offered so as to enable an investor to decide to purchase or subscribe the Instruments, 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 section “**Documents incorporated by reference**” on page 263 of the Base Prospectus will be replaced by the following section:

**"Documents incorporated by reference**

The following documents with respect to HypoVereinsbank shall be deemed to be incorporated in, and to form part of, this Prospectus:

<p>Audited consolidated financial statements (<i>Konzernabschluss</i>) for the fiscal year ended December 31, 2006</p> <ul style="list-style-type: none"> <li>- List of Major HVB Group Companies</li> <li>- Consolidated Income Statement (Konzern-Gewinn-und Verlustrechnung)</li> <li>- Consolidated Balance Sheet (Konzernbilanz)</li> <li>- Consolidated Statement of Changes in Shareholders' Equity (Konzern-Eigenkapitalveränderungsrechnung)</li> <li>- Consolidated Cash Flow Statement (Konzern-Kapitalflussrechnung)</li> <li>- Notes to the Consolidated Financial Statements (Konzernanhang)</li> <li>- Auditor's Certificate (Bestätigungsvermerk)</li> </ul>	<p>Extracted from the HVB Group Annual Report 2006 (<i>Geschäftsbericht 2006</i>)</p> <ul style="list-style-type: none"> <li>- p. 117-119</li> <li>- p. 105</li> <li>- p. 108-109</li> <li>- p. 110</li> <li>- p. 112-113</li> <li>- p. 114-182</li> <li>- p. 183</li> </ul>
<p>Audited unconsolidated financial statements (<i>Jahresabschluss</i>) for the fiscal year ended December 31, 2006</p>	<p>Extracted from the HVB AG Annual Report 2006 (<i>Geschäftsbericht 2006</i>) p. 42 et seq.</p>
<p>Audited consolidated financial statements (<i>Konzernabschluss</i>) for the fiscal year ended December 31, 2005</p>	<p>Extracted from the HVB Group Annual Report 2005 (<i>Geschäftsbericht 2005</i>) p. 36 et seq.</p>
<ul style="list-style-type: none"> <li>- List of Major HVB Group Companies</li> <li>- Consolidated Income Statement (Konzern-Gewinn-und Verlustrechnung)</li> </ul>	<ul style="list-style-type: none"> <li>- p. 116-118</li> <li>- p. 105</li> </ul>
<ul style="list-style-type: none"> <li>- Consolidated Balance Sheet (Konzernbilanz)</li> <li>- Consolidated Statement of Changes in Shareholders' Equity (Konzern-Eigenkapitalveränderungsrechnung)</li> <li>- Consolidated Cash Flow Statement (Konzern-Kapitalflussrechnung)</li> <li>- Notes to the Consolidated Financial Statements (Konzernanhang)</li> <li>- Auditor's Certificate (Bestätigungsvermerk)</li> </ul>	<ul style="list-style-type: none"> <li>- p. 106, 107</li> <li>- p. 108-109</li> <li>- p. 110</li> <li>- p. 111-170</li> <li>- p.171</li> </ul>
<p>Audited unconsolidated financial statements (<i>Jahresabschluss</i>) for the fiscal year ended December 31, 2005</p>	<p>Extracted from the HVB AG Annual Report 2005 (<i>Geschäftsbericht 2005</i>) p. 36 et seq.</p>

Copies of any or all of the documents which are incorporated herein by reference will be available free of charge from the specified offices of the Paying Agents set out at the end of this Prospectus."

Munich, 22 March 2007

**Bayerische Hypo- und Vereinsbank Aktiengesellschaft**

By: \_\_\_\_\_

By: \_\_\_\_\_