

**Publication of the Issuance terms and conditions
for Federal bonds, five-year Federal notes, Federal Treasury notes
and Treasury discount paper of the German Government**

of 18th December 2002

The issuance terms and conditions for Federal bonds, five-year Federal notes, Federal Treasury notes and Treasury discount paper as amended in the publication of 18th May 1999 (Federal Gazette p. 7873) are amended as follows as of 1st January 2003:

**Issuance terms and conditions for Federal bonds, five-year Federal notes,
Federal Treasury notes and Treasury discount paper
of the German Government**

The Federal Republic of Germany – hereinafter referred to as the “German Government” – issues Federal bonds, five-year Federal notes, Federal Treasury notes and Treasury discount paper (hereinafter referred to as “German Government securities”) subject to the following terms:

Volume

Total volume of an issue (amount allotted and amount set aside for secondary market operations) is stipulated by the German Government after conclusion of the auction procedure in each case. The German Government reserves the right to increase the volume of an issue of German Government securities by reopening it during the time to maturity.

effected under Section 193 of the German Civil Code.

(3) For Federal bonds, five-year Federal notes and Federal Treasury notes, interest and yield are calculated by the exact-day method of calculating interest. For floating-rate German Government securities and Treasury discount paper, interest and yield are calculated by the act/360 method of calculating interest customarily used on the money market.

Nominal amounts

Federal bonds, five-year Federal notes and Federal Treasury notes can be assigned and traded at nominal amounts of Euro 0.01, Treasury discount paper at nominal amounts of Euro 1 million or a full multiple thereof.

Interest, maturity, yield

(1) The nominal interest rate, the start of the interest payment period and the maturity of the German Government securities is specified in each offer for sale.

(2) For Federal bonds, five-year Federal notes and Federal Treasury notes, interest is paid annually in arrears; for Treasury discount paper, the interests results from the difference between the nominal value and the purchase price. Payment of interest ends at the end of the day prior to the date of maturity; this also applies if performance is

German Government securities are repaid at nominal value on the specified date of maturity. Early repayment is not possible.

Eligibility for trusts

German Government securities are eligible for trusts pursuant to section 1807 (1) number 2 of the German Civil Code.

Eligibility for investment in premium stock reserve

German Government securities are eligible for the investment of restricted assets pursuant to section 54 (2) number 2 of the Act on the Supervision of Private Insurance Enterprises (VAG).

Eligibly assets

German Government securities are eligible as collateral for the open market and credit operations of the ESCB in accordance with Article 18.1 of the Protocol on the Statute of the ESCB and of the ECB.

Transfer of rights

(1) For the total amount of each issue, a collective debt register claim for Clearstream Banking AG Frankfurt will be entered in the Federal Debt Register (book-entry securities).

(2) The creditors of allotted German Government securities receive co-ownership rights in the collective debt register claim entered in the Federal Debt Register.

(3) Throughout the whole life of the German Government securities, creditors also have the opportunity of having the amounts purchased entered as individually inscribed debts in their name in the Federal Debt Register kept by the Federal Securities Administration in Bad Homburg vor der Höhe.

(4) No certificates will be issued throughout the time up to maturity.

Separate trading of registered interest and principal of securities (stripping) in the case of Federal bonds

(1) The creditors of certain Federal bonds selected by the Federal Government have the right throughout the life of the bonds to request the institution carrying the safe custody account to have the full amount of their shares in a collective holding separated (stripped) into principal (principal strip) and individual coupons (coupon strips) by the Clearstream Banking AG.

(2) In the case of individual Debt Register claims, stripping is performed directly by the Federal Securities Administration.

(3) Only credit institutions, financial services institutions, securities trading houses and securities trading banks are allowed to reconstruct the underlying bond from the principal and coupon strips for their own portfolios. For tax reasons, domestic non-banks do not have the right to do so. They have the possibility of selling the strips in the market and of purchasing the underlying bond.

(4) Nominal amounts (principal amounts) of EUR 50,000 or more are required for stripping and reconstruction. The minimum denomination of principal and coupon strips is uniformly EUR 0.01.

Listing, secondary market

(1) Federal bonds, five-year Federal notes and Federal Treasury notes are listed for first segment trading at the German stock exchanges.

(2) The separate principal and coupon strips of strippable Federal bonds are listed only for trading at the Frankfurt stock exchange.

(3) After stock market listing, the German Government will conduct price management operations appropriate for the capital market situation within reasonable and justifiable limits – except for principal and coupon strips.

Payments

(1) All payments of due interest and principal will be made by the Federal Securities Administration.

(2) The creditors' claims are fulfilled at the time of crediting to the depositors' accounts or - in the case of individual Debt Register claims – at the time of transfer to the accounts designated by the creditors concerned.

Placing

Federal bonds, five-year Federal notes, Federal Treasury notes and Treasury discount paper will be issued by auction through the Auction Group Bund Issues ("*Bietergruppe Bundesemissionen*"). Such auctions are governed by the "Auction rules for the issue of Federal bonds, five-year Federal notes, Federal Treasury notes and Treasury discount paper". Investors can also acquire German Government securities through banks, savings banks and from the Federal Securities Administration.

Publications

(1) The issuance terms and conditions and amendments to the same are published in the Federal Gazette.

(2) Current terms applying to German Government securities and any deviations from these issuance terms and conditions are shown in each offer for sale, which will also be announced by the Deutsche Bundesbank by press releases and through public wire services.

Berlin, 18th December 2002

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Federal Ministry of Finance

By order

Rödding