

**SUPPLEMENT NO. 1**

dated 25 May 2016

to the

**BASE PROSPECTUS**

of



**DEXIA KOMMUNALBANK DEUTSCHLAND AG**

dated 11 May 2016 and prepared in connection with the

**Euro 20,000,000,000 Debt Issuance Programme for the Issue of Pfandbriefe**  
(the "**Programme**")

This supplement no. 1 (the "**Supplement**") constitutes a supplement for the purposes of Article 16.1 of Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003, as amended, (the "**Prospectus Directive**") and Article 13 of the Luxembourg Law on Prospectuses for Securities (*loi relative aux prospectus pour valeurs mobilières*) dated 10 July 2005, as amended, (the "**Prospectus Act**") to the base prospectus of Dexia Kommunalbank Deutschland AG dated 11 May 2015 (the "**Prospectus**"), which has been prepared in connection with the Euro 20,000,000,000 Debt Issuance Programme for the Issue of Pfandbriefe established by Dexia Kommunalbank Deutschland AG (the "**Issuer**" or "**DKD**"). Terms defined in the Prospectus have the same meaning when used in this Supplement.

This Supplement is supplemental to, and should be read and construed in conjunction with, the Prospectus and all documents incorporated by reference in the Prospectus.

Copies of the Prospectus, this Supplement and all documents incorporated by reference in the Prospectus are available free of charge (i) on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)), (ii) on the website of the Issuer ([www.dexia.de](http://www.dexia.de)), and (iii) from the specified offices of Dexia Kommunalbank Deutschland AG in its respective capacities as Issuer and Fiscal Agent (Charlottenstraße 82, 10969 Berlin, Germany).

To the extent that there is any inconsistency between (a) any statements in this Supplement and (b) any other statements in or incorporated by reference in the Prospectus, the statements in (a) above will prevail.

Save as disclosed in this Supplement, there has been no other significant new factor, material mistake or inaccuracy relating to information included in the Prospectus which is capable of affecting the assessment of any Pfandbriefe to be issued under the Programme since the publication of the Prospectus.

Dexia Kommunalbank Deutschland AG accepts responsibility for the information contained in this Supplement (including any information incorporated by reference in the Prospectus by this Supplement). The Issuer declares, having taken all reasonable care to ensure that such is the case, that, to the best of the knowledge of the Issuer, the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

**A. Amendments to the section commencing on page 6 of the Prospectus which is entitled "Summary"**

- 01. In the subsection on page 13 of the Prospectus which is entitled "Section D – Risks – D.2 – Key information on the key risks that are specific to the Issuer – Litigation Risks" the last paragraph shall be replaced in its entirety as follows:**

		<p>On 15 July 2015, as a member of the "par investors pool" (a group of 13 Heta Asset Resolution AG ("<b>Heta</b>") creditors) DKD and other members of the "par investors pool" brought an action before the Regional Court of Frankfurt am Main for the immediate repayment of all of the Heta claims held by the pool members participating in this action. Together with the other pool members, DKD had previously launched a defence of its rights in Austria in the objection proceedings ("<i>Vorstellung</i>") brought in Austria against the Austrian Financial Market Authority's (<i>Finanzmarktaufsicht</i>; the "<b>FMA</b>") temporary debt moratorium. On 10 April 2016, the FMA rejected the objection proceedings. On 9 May 2016, DKD, together with the other pool members, filed an opposition (<i>Beschwerde</i>) against such rejection with the Austrian Federal Administrative Court (<i>Österreichisches Bundesverwaltungsgericht</i>).</p>
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- 02. In the subsection commencing on page 14 of the Prospectus which is entitled "Section D – Risks – D.2 – Key information on the key risks that are specific to the Issuer – DKD's Exposure to Heta Asset Resolution AG" the last paragraph shall be replaced in its entirety as follows:**

		<p>On 18 May 2016, the Federal Republic of Austria and a number of creditors including DKD, in particular senior creditors (i.e. creditors whose claims are secured by a deficiency guarantee (<i>Ausfallbürgschaft</i>) issued by the Austrian Federal State of Carinthia and Kärntner Landesholding (the "<b>Senior Creditors</b>")) which represent a total nominal amount of Heta debt instruments of EUR 4.8 billion (representing 48.7 per cent. of Heta debt instruments held by Senior Creditors), have signed a Memorandum of Understanding pursuant to which the parties confirm their common intention to amicably settle the restructuring of the Heta debt instruments.</p> <p>Pursuant to the Memorandum of Understanding, it is intended that the Kärntner Ausgleichszahlungs-Fonds ("<b>KAF</b>") shall submit a new tender offer, which, as in January 2016, will be based on Section 2a of the Austrian Financial Market Stabilisation Act. The Senior Creditors shall receive a cash payment of 75 per cent. in respect of their senior Heta debt instruments. Alternatively, the Senior Creditors shall be offered a zero coupon bond to be issued by the KAF with a term of about 13.5 years, which the Senior Creditors shall be allowed to subscribe in a ratio of 1:1 (such ratio refers to the ratio between the total nominal amount of senior HETA debt outstanding as of 1 March 2015 (including interest accrued until then) to the nominal amount of the zero coupon bond to be issued by the KAF). The zero coupon bond to be issued by the KAF will be backed by a guarantee of the Federal Republic of Austria.</p> <p>There are still some material steps to be implemented before the tender offer by the KAF can be made, such as the implementation of certain statutory and contractual requirements. Further, the EU Commission will have to have completed its examination of the offer under state aid rules. The offer is expected to be published at the beginning of September 2016 with completion expected in mid-October 2016.</p> <p>However, there is still some uncertainty whether the tender offer will be made as proposed. Irrespective of whether or not the tender offer will be made as proposed and whether DKD will accept such offer, DKD still expects to report a net loss in respect of the financial year 2016.</p> <p>It cannot be excluded that the impairment set out above will be</p>
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		insufficient and need to be increased. This may have a significant negative impact on the liquidity and the financial position of the Issuer.
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**B. Amendments to the section commencing on page 17 of the Prospectus which is entitled "*German Translation of the Summary – Zusammenfassung*"**

**01. In the subsection commencing on page 24 of the Prospectus which is entitled "*Abschnitt D – Risiken – D.2 – Zentrale Angaben zu den zentralen Risiken, die der Emittentin eigen sind – Prozessrisiken*" the last paragraph shall be replaced in its entirety as follows:**

		<p>Am 15. Juli 2015 hat die DKD als Mitglied des Par-Investorenpools (einem Zusammenschluss von 13 Gläubigern der Heta Asset Resolution AG ("<b>Heta</b>")) gemeinsam mit weiteren Mitgliedern des Par-Investorenpools beim Landgericht Frankfurt am Main Klage auf sofortige Rückzahlung sämtlicher Heta-Forderungen der an der Klage teilnehmenden Poolmitglieder eingereicht. Gemeinsam mit den übrigen in dem Pool organisierten Gläubigern hatte die DKD zuvor die Verteidigung ihrer Rechte in Österreich im dortigen Widerspruchsverfahren (<i>Vorstellung</i>) gegen das von der Österreichischen Finanzmarktaufsicht ("<b>FMA</b>") erlassene befristete Moratorium veranlasst. Am 10. April 2016 hat die FMA den Widerspruch zurückgewiesen. Am 9. Mai 2016 hat die DKD gemeinsam mit weiteren Poolmitgliedern eine Beschwerde gegen die Zurückweisung des Widerspruchs beim Österreichischen Bundesverwaltungsgericht eingelegt.</p>
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**02. In the subsection commencing on page 26 of the Prospectus which is entitled "*Abschnitt D – Risiken – D.2 – Zentrale Angaben zu den zentralen Risiken, die der Emittentin eigen sind – Engagements der DKD in Bezug auf die Heta Asset Resolution AG*" the last paragraph shall be replaced in its entirety as follows:**

		<p>Am 18. Mai 2016 haben die Republik Österreich und eine Reihe von Gläubigern einschließlich der DKD, insbesondere Senior-Gläubiger (d. h. Gläubiger, deren Forderungen durch eine von dem österreichischen Bundesland Kärnten und der Kärntner Landesholding übernommene Ausfallbürgschaft besichert sind (die "<b>Senior-Gläubiger</b>")), die einen Gesamtnennbetrag von Heta-Schuldtiteln von EUR 4,8 Mrd. repräsentieren (was 48,7 % der von Senior-Gläubigern gehaltenen Heta-Schuldtitel entspricht), ein Memorandum of Understanding unterzeichnet, mit dem die Parteien ihre gemeinsame Absicht bekräftigen, eine gütliche Einigung über die Restrukturierung der Heta-Schuldtitel zu erzielen.</p> <p>Nach dem Memorandum of Understanding ist beabsichtigt, dass der Kärntner Ausgleichszahlungs-Fonds ("<b>KAF</b>") ein neues Angebot (<i>Tender Offer</i>) unterbreitet, das wie schon im Januar 2016 auf Grundlage des § 2a des österreichischen Finanzmarktstabilitätsgesetzes erfolgen wird. Die Senior-Gläubiger sollen eine Barzahlung in Höhe von 75 % in Bezug auf ihre Senior-Heta-Schuldtitel erhalten. Alternativ soll den Senior-Gläubigern eine von der KAF zu begebende Nullkupon-Schuldverschreibung mit einer Laufzeit von etwa 13,5 Jahren angeboten werden, die die Senior-Gläubiger im Verhältnis von 1:1 zeichnen können (dieses Verhältnis bezieht sich auf das Verhältnis des Gesamtnennbetrags der zum 1. März 2015 ausstehenden Senior-Heta-Schuldtitel (einschließlich bis dahin aufgelaufener Zinsen) zum Nennbetrag der von dem KAF zu begebenden Nullkupon-Schuldverschreibung). Die von dem KAF zu begebende Nullkupon-Schuldverschreibung wird mit einer Garantie der Republik Österreich ausgestattet werden.</p> <p>Es sind noch einige wesentliche Schritte umzusetzen, bevor das Angebot durch den KAF unterbreitet werden kann, beispielsweise die Umsetzung bestimmter gesetzlicher und vertraglicher Anforderungen. Des Weiteren muss die beihilferechtliche Prüfung des Angebots durch</p>
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		<p>die EU-Kommission abgeschlossen sein. Das Angebot wird voraussichtlich Anfang September 2016 veröffentlicht, der Abschluss wird für Mitte Oktober 2016 erwartet.</p> <p>Es besteht jedoch noch eine gewisse Unsicherheit, ob das Angebot wie geplant erfolgen wird. Unabhängig davon, ob das Angebot wie geplant erfolgen wird und die DKD dieses Angebot annehmen wird oder nicht, rechnet die DKD nach wie vor mit einem Jahresfehlbetrag für das Geschäftsjahr 2016.</p> <p>Es kann nicht ausgeschlossen werden, dass sich die vorstehend genannte Wertberichtigung als unzureichend erweist und erhöht werden muss. Dies kann unter Umständen erhebliche nachteilige Auswirkungen auf die Liquiditäts- und Finanzlage der Emittentin haben.</p>
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**C. Amendments to the section commencing on page 30 of the Prospectus which is entitled "*Risk Factors – Risk Factors Regarding Dexia Kommunalbank Deutschland AG*"**

**01. In the subsection commencing on page 31 of the Prospectus which is entitled "*Litigation Risks*" the last paragraph shall be replaced in its entirety as follows:**

On 15 July 2015, as a member of the "par investors pool" (a group of 13 Heta Asset Resolution AG ("**Heta**") creditors) DKD and other members of the "par investors pool" brought an action before the Regional Court of Frankfurt am Main for the immediate repayment of all of the Heta claims held by the pool members participating in this action. Together with the other pool members, DKD had previously launched a defence of its rights in Austria in the objection proceedings ("*Vorstellung*") brought in Austria against the Austrian Financial Market Authority's (*Finanzmarktaufsicht*; the "**FMA**") temporary debt moratorium. On 10 April 2016, the FMA rejected the objection proceedings. On 9 May 2016, DKD, together with the other pool members, filed an opposition (*Beschwerde*) against such rejection with the Austrian Federal Administrative Court (*Österreichisches Bundesverwaltungsgericht*) (see the subsection entitled "*Description of Dexia Kommunalbank Deutschland AG – Recent Developments – Information in Relation to DKD's Exposure to Heta Asset Resolution AG*" for further information with regard to recent developments in relation to Heta).

**02. In the subsection commencing on page 33 of the Prospectus which is entitled "*DKD's Exposure to Heta Asset Resolution AG*" the last paragraph shall be replaced in its entirety as follows:**

On 18 May 2016, the Federal Republic of Austria and a number of creditors including DKD, in particular senior creditors (i.e. creditors whose claims are secured by a deficiency guarantee (*Ausfallbürgschaft*) issued by the Austrian Federal State of Carinthia and Kärntner Landesholding (the "**Senior Creditors**") which represent a total nominal amount of Heta debt instruments of EUR 4.8 billion (representing 48.7 per cent. of Heta debt instruments held by Senior Creditors), have signed a Memorandum of Understanding pursuant to which the parties confirm their common intention to amicably settle the restructuring of the Heta debt instruments.

Pursuant to the Memorandum of Understanding, it is intended that the KAF shall submit a new tender offer, which, as in January 2016, will be based on Section 2a of the Austrian Financial Market Stabilisation Act. The Senior Creditors shall receive a cash payment of 75 per cent. in respect of their senior Heta debt instruments. Alternatively, the Senior Creditors shall be offered a zero coupon bond to be issued by the KAF with a term of about 13.5 years, which the Senior Creditors shall be allowed to subscribe in a ratio of 1:1 (such ratio refers to the ratio between the total nominal amount of senior HETA debt outstanding as of 1 March 2015 (including interest accrued until then) to the nominal amount of the zero coupon bond to be issued by the KAF). The zero coupon bond to be issued by the KAF will be backed by a guarantee of the Federal Republic of Austria.

There are still some material steps to be implemented before the tender offer by the KAF can be made, such as the implementation of certain statutory and contractual requirements. Further, the EU Commission will have to have completed its examination of the offer under state aid rules. The offer is expected to be published at the beginning of September 2016 with completion expected in mid-October 2016.

However, there is still some uncertainty whether the tender offer will be made as proposed. Irrespective of whether or not the tender offer will be made as proposed and whether DKD will accept such offer, DKD still expects to report a net loss in respect of the financial year 2016, as set out in the section on page 96 of this Prospectus which is entitled "*Financial Information Concerning the Issuer's Assets and Liabilities, Financial Position and Profits and Losses*".

It cannot be excluded that the impairment set out above will be insufficient and need to be increased. This may have a significant negative impact on the liquidity and the financial position of the Issuer.

**D. Amendments to the section commencing on page 89 of the Prospectus which is entitled "*Description of Dexia Kommunalbank Deutschland AG*"**

**01. In the subsection on page 96 of the Prospectus which is entitled "*Financial Information Concerning the Issuer's Assets and Liabilities, Financial Position and Profits and Losses – Legal and Arbitration Proceedings*" the last paragraph shall be replaced in its entirety as follows:**

On 15 July 2015, as a member of the "par investors pool" (a group of 13 Heta Asset Resolution AG ("**Heta**"), creditors) DKD and other members of the "par investors pool" brought an action before the Regional Court of Frankfurt am Main for the immediate repayment of all of the Heta claims held by the pool members participating in this action. Together with the other pool members, DKD had previously launched a defence of its rights in Austria in the objection proceedings ("*Vorstellung*") brought in Austria against the Austrian Financial Market Authority's (*Finanzmarktaufsicht*; the ("**FMA**") temporary debt moratorium. On 10 April 2016, the FMA rejected the objection proceedings. On 9 May 2016, DKD, together with the other pool members, filed an opposition (*Beschwerde*) against such rejection with the Austrian Federal Administrative Court (*Österreichisches Bundesverwaltungsgericht*) (see the subsection entitled "*Description of Dexia Kommunalbank Deutschland AG – Recent Developments – Information in Relation to DKD's Exposure to Heta Asset Resolution AG*" for further information with regard to recent developments in relation to Heta).

**02. In the subsection on page 97 of the Prospectus which is entitled "*Recent Developments – Information in Relation to DKD's Exposure to Heta Asset Resolution AG*" the last five paragraphs shall be replaced in their entirety as follows:**

On 15 July 2015, as a member of the "par investors pool" (a group of 13 Heta creditors) DKD and other members of the "par investors pool" brought an action before the Regional Court of Frankfurt am Main for the immediate repayment of all of the Heta claims held by the pool members participating in this action. Together with the other pool members, DKD had previously launched a defence of its rights in Austria in the objection proceedings ("*Vorstellung*") brought in Austria against the FMA's temporary debt moratorium. On 10 April 2016, the FMA rejected the objection proceedings. On 9 May 2016, DKD, together with the other pool members, filed an opposition (*Beschwerde*) against such rejection with the Austrian Federal Administrative Court (*Österreichisches Bundesverwaltungsgericht*).

On 21 January 2016, Kärntner Ausgleichszahlungs-Fonds ("**KAF**"), the special purpose vehicle created by the Austrian Federal State of Carinthia for such purpose published a tender offer with a volume of EUR 7.8 billion pursuant to Section 2a of the Austrian Financial Market Stabilisation Act (*Finanzmarktstabilitätsgesetz*) to creditors of Heta claims which are secured by the deficiency guarantee of the Austrian Federal State of Carinthia. Pursuant to this tender offer, Kärntner Ausgleichszahlungs-Fonds would have purchased DKD's claims against Heta at 75 per cent. of their nominal value plus interest accrued in the period up to 1 March 2015.

On 14 March 2016, the Austrian Federal State of Carinthia announced that the tender offer had been rejected, as the required qualified majority of at least two thirds of the creditors of relevant claims against Heta was not achieved.

On 10 April 2016, the FMA announced the application of further instruments under the Austrian Federal Act on the Recovery and Resolution of Banks with regard to liabilities of Heta, among others a bail in of its creditors and an amendment of maturities of outstanding liabilities of Heta. As a result, all senior unsecured liabilities of Heta were reduced to 46.02 per cent. of their original nominal value and the maturities of such liabilities were extended to the earlier of (i) any future resolution decision of the FMA or (ii) 31 December 2023.

On 18 May 2016, the Federal Republic of Austria and a number of creditors including DKD, in particular senior creditors (i.e. creditors whose claims are secured by a deficiency guarantee (*Ausfallbürgschaft*) issued by the Austrian Federal State of Carinthia and Kärntner Landesholding (the "**Senior Creditors**")) which represent a total nominal amount of Heta debt instruments of EUR 4.8 billion (representing 48.7 per cent. of Heta debt instruments held by Senior Creditors), have signed a Memorandum of Understanding pursuant to which the parties confirm their common intention to amicably settle the restructuring of the Heta debt instruments.

Pursuant to the Memorandum of Understanding, it is intended that the KAF shall submit a new tender offer, which, as in January 2016, will be based on Section 2a of the Austrian Financial Market Stabilisation Act. The Senior Creditors shall receive a cash payment of 75 per cent. in respect of their senior Heta debt instruments. Alternatively, the Senior Creditors shall be offered a zero coupon bond to be issued by the KAF with a term of about 13.5 years, which the Senior Creditors shall be allowed to subscribe in a ratio of 1:1 (such ratio refers to the ratio between the total nominal amount of senior HETA debt outstanding as of 1 March 2015 (including interest accrued until then) to the nominal amount of the zero coupon bond to be issued by the KAF). The zero coupon bond to be issued by the KAF will be backed by a guarantee of the Federal Republic of Austria.

There are still some material steps to be implemented before the tender offer by the KAF can be made, such as the implementation of certain statutory and contractual requirements. Further, the EU Commission will have to have completed its examination of the offer under state aid rules. The offer is expected to be published at the beginning of September 2016 with completion expected in mid-October 2016.

Irrespective of whether or not DKD will accept the offer, DKD still expects to report a net loss in respect of the financial year 2016, as set out in the section on page 96 of this Prospectus which is entitled "*Financial Information Concerning the Issuer's Assets and Liabilities, Financial Position and Profits and Losses*".

**E. Withdrawal Right**

Any investor who may wish to exercise any withdrawal right arising pursuant to Article 16.2 of the Prospectus Directive or Article 13.2 of the Prospectus Act, respectively, as a result of the publication of this Supplement must exercise that right on or before 30 May 2016. Such withdrawal, if any, is not required to contain any reasons for the withdrawal and is to be addressed in writing to Dexia Kommunalbank Deutschland AG, Charlottenstraße 82, 10969 Berlin, Germany. In order to comply with the time limit set out above, punctual dispatch of the withdrawal is sufficient.