

PROSPECTUS

Hypo Real Estate Bank International AG, Stuttgart

ESTATE US-1

USD 700,000 Class A1+ Floating Rate Amortising Credit-Linked Notes
Issue Price: 100%

USD 14,300,000 Class A2 Floating Rate Amortising Credit-Linked Notes
Issue Price: 100%

USD 5,100,000 Class B1 Floating Rate Amortising Credit-Linked Notes
Issue Price: 100%

USD 7,300,000 Class B2 Floating Rate Amortising Credit-Linked Notes
Issue Price: 100%

USD 9,600,000 Class B3 Floating Rate Amortising Credit-Linked Notes
Issue Price: 100%

USD 700,000 Class C1+ Floating Rate Amortising Credit-Linked Notes
Issue Price: 100%

USD 700,000 Class C2+ Floating Rate Amortising Credit-Linked Notes
Issue Price: 100%

USD 700,000 Class C3+ Floating Rate Amortising Credit-Linked Notes
Issue Price: 100%

The Class A1+ Notes, Class A2 Notes, Class B1 Notes, Class B2 Notes, Class B3 Notes, Class C1+ Notes, Class C2+ Notes and Class C3+ Notes offered hereby (each class of Notes, a "**Class**", and all Classes collectively, the "**Issue**" or the "**Notes**") of Hypo Real Estate Bank International AG, Stuttgart, Germany ("**HI**" or the "**Issuer**") are linked to the performance of a reference pool (the "**Reference Pool**") of certain loan claims or certain portions of a loan claim (each such loan claim or portion of a loan claim, a "**Reference Claim**") of the Issuer for the payment of principal and interest arising from certain mortgage loans originated and serviced by the Issuer. Each Reference Loan is, unless otherwise stated herein, secured by one or more mortgages or deed of trust (each a "**Mortgage**") on one commercial property located in the United States (each, a "**Mortgaged Property**"), and in some cases by certain other collateral. For the purposes of Loss Allocation one or more Mortgage or Mortgages and the other collateral is or are allocated to such Reference Claims as collateral as described herein (together, the "**Reference Collateral**") (see "DESCRIPTION OF THE REFERENCE POOL"). Certain characteristics of the Reference Claims and the Mortgages are described herein under "DESCRIPTION OF THE REFERENCE POOL".

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") AND INCLUDE NOTES IN BEARER FORM THAT ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS. SUBJECT TO CERTAIN EXCEPTIONS, THE NOTES MAY NOT BE OFFERED, SOLD OR DELIVERED WITHIN THE UNITED STATES OR TO U.S. PERSONS.

Application has been made to the Commission de Surveillance du Secteur Financier (the "**CSSF**") for approval of this Prospectus for the purposes of Directive 2003/71/EC (the "**Prospectus Directive**") and relevant implementing measures in Luxembourg as a prospectus issued in compliance with the Prospectus Directive and relevant implementing measures in Luxembourg for the purpose of giving information with respect to the issue of Notes. Application has been made to list the Notes on the official list of the Luxembourg Stock Exchange and trade on the regulated market, "Bourse de Luxembourg". The Bourse de Luxembourg is a regulated market for the purposes of the Investment Services Directive 93/22/EC.

Arranger and Lead Manager

Hypo Real Estate Bank International

The date of this Prospectus is April 10, 2006.

For reference to the definitions of capitalised words and phrases appearing herein see "Index of Defined Terms".

The payment of principal of and, due to potential principal reductions, interest on the Notes is conditional upon the performance of the Reference Claims as described herein. There is no certainty that the Noteholders will receive the full principal amount of the Notes and interest thereon and ultimately the obligations of the Issuer to pay principal of and interest on the Notes could be reduced to USD 1 per Note as a result of losses incurred in respect of such Reference Claims.

The payment obligations of the Issuer under the Class A1+ Notes, the Class A2 Notes, the Class B1 Notes, the Class B2 Notes, the Class B3 Notes, the Class C1+ Notes, the Class C2+ Notes and the Class C3+ Notes will be secured by certain public sector Pfandbriefe (*Öffentliche Pfandbriefe*) (the "**Pfandbrief Collateral**") of the Issuer (in such capacity also referred to as the "**Pfandbrief Issuer**") issued pursuant to the German Covered Bonds Act (*Pfandbriefgesetz* – the "**Covered Bonds Act**") which rank at least *pari passu* with all other public sector Pfandbriefe of the Issuer in accordance with the Covered Bonds Act. On April 10, 2006 (the "**Issue Date**"), the Issuer will have issued the Pfandbrief Collateral and will have transferred its ownership for security purposes as security for the Class A1+ Notes, Class A2 Notes, Class B1 Notes, the Class B2 Notes, the Class B3 Notes, the Class C1+ Notes, the Class C2+ Notes and the Class C3+ Notes to Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Schwannstrasse 6, 40476 Düsseldorf, Germany (the "**Trustee**") pursuant to the trust agreement (the "**Trust Agreement**") between the Issuer and the Trustee.

Notwithstanding the collateral, the amount of principal of and interest on the Class A1+ Notes, the Class A2 Notes, the Class B1 Notes, the Class B2 Notes, the Class B3 Notes, the Class C1+ Notes, the Class C2+ Notes and the Class C3+ Notes may be reduced as a result of losses incurred by the Issuer in respect of the Reference Claims and only the obligations of the Issuer to pay any amount of principal and interest determined to be due to the Class A1+, the Class A2, the Class B1, the Class B2, the Class B3, the Class C1+, the Class C2+ and the Class C3+ Noteholders, which may be reduced by such losses, will be secured by the Pfandbrief Collateral.

Pursuant to the Trust Agreement the Trustee will, inter alia, verify the determinations and allocations of losses incurred in the Reference Pool to the Noteholders (see "TERMS AND CONDITIONS OF THE NOTES – Section 8 (Loss Allocation)").

For a discussion of certain significant factors affecting investments in the Notes, see "RISK FACTORS".

Application has been made to list the Class A1+ Notes, Class A2 Notes, Class B1 Notes, Class B2 Notes, Class B3 Notes, Class C1+ Notes, Class C2+ Notes and Class C3+ Notes on the Luxembourg Stock Exchange.

The Notes are governed by German law. Each Class of Notes will be represented by a global note in bearer form (the "**Global Note**") without interest coupons attached.

The Global Notes will be deposited with Deutsche Bank AG, Frankfurt am Main (the "**Common Depositary**") as common depositary for Euroclear Bank S.A./N.V. as operator of the Euroclear System ("**Euroclear**"), and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**") on or before the Issue Date. The Notes may be transferred in book-entry form only. Each of the Class A2 Notes, Class B1 Notes, Class B2 Notes and Class B3 Notes will be issued in denominations of USD 100,000 and the Class A1+ Notes, Class C1+ Notes, Class C2+ Notes and Class C3+ Notes will be issued in denominations of USD 70,000. The Global Notes will not be exchangeable for definitive securities. Payments with respect to the Notes are to be made by the Issuer in US Dollars and without deduction of German withholding taxes, unless otherwise required by law.

THE NOTES REPRESENT OBLIGATIONS OF THE ISSUER ONLY, AND DO NOT REPRESENT AN INTEREST IN OR OBLIGATION OF THE TRUSTEE OR ANY AFFILIATE OF THE ISSUER OR THE TRUSTEE. NEITHER THE NOTES NOR THE REFERENCE CLAIMS IN THE REFERENCE POOL WILL BE INSURED OR GUARANTEED BY ANY GOVERNMENTAL AGENCY OR INSTRUMENTALITY OR BY THE TRUSTEE OR BY ANY AFFILIATE OF THE ISSUER OR THE TRUSTEE OR BY ANY OTHER PERSON OR ENTITY EXCEPT AS DESCRIBED HEREIN.

<u>Class</u>	<u>Class Principal Amount</u>	<u>Interest Rate</u>	<u>WKN</u>	<u>ISIN</u>
Class A1+	USD 700,000	USD-LIBOR* + 0.25%	A0JFDC	XS0250403846
Class A2	USD 14,300,000	USD-LIBOR* + 0.42%	A0JFDD	XS0250407912
Class B1	USD 5,100,000	USD-LIBOR* + 0.44%	A0JFDE	XS0250409702
Class B2	USD 7,300,000	USD-LIBOR* + 0.46%	A0JFDF	XS0250410544
Class B3	USD 9,600,000	USD-LIBOR* + 0.51%	A0JFDG	XS0250411948
Class C1+	USD 700,000	USD-LIBOR* + 0.60%	A0JFDH	XS0250550125
Class C2+	USD 700,000	USD-LIBOR* + 0.60%	A0JFDJ	XS0250551446
Class C3+	USD 700,000	USD-LIBOR* + 0.60%	A0JFDT	XS0250552253

(*) As determined on each USD-LIBOR Determination Date. See "TERMS AND CONDITIONS OF THE NOTES - Section 7 (Payments of Interest)".

Payments on the Notes to the Noteholders will be made on the 18th day of June, September, December and March of each year, or, if such 18th day is not a Business Day, on the next succeeding day which is a Business Day unless such date would thereby fall into the next calendar month, in which case the payment will be made on the immediately preceding Business Day, commencing in June, 2006 (each, a "**Payment Date**").

The Notes will not provide for gross-up payments in the case that interest payable under the Notes is or becomes subject to income taxes (including withholding taxes) or taxes on capital.

On each Payment Date, subject to the requirements and conditions of the Terms and Conditions of the Notes, the Realised Losses in respect of qualifying Reference Claims will be allocated to the Class C3+ Notes, the Class C2+ Notes, the Class C1+ Notes, the Class B3 Notes, the Class B2 Notes, the Class B1 Notes, the Class A2 Notes and thereafter the Class A1+ Notes, in this order sequentially, until the Class Principal Amount of each of the Class C3+ Notes, Class C2+ Notes, Class C1+ Notes, the Class B3 Notes, Class B2 Notes, Class B1 Notes, Class A2 Notes and Class A1+ Notes has been reduced to USD 1 per Note, *provided that* each Realised Loss so allocated to the Class C3+ Notes, Class C2+ Notes, Class C1+ Notes and Class A1+ Notes shall reduce the Class Principal Amount of the Class C3+ Notes, the Class C2+ Notes, the Class C1+ Notes and the Class A1+ Notes, respectively, only in an amount equal to the product of the amount of such Realised Loss and the C3+ Reduction Factor, C2+ Reduction Factor, C1+ Reduction Factor or the A1+ Reduction Factor, respectively (as defined in the Terms and Conditions).

In connection with the issue of the Notes, the Issuer as the protection buyer may, with respect to any amount of credit risk with regard to the Reference Pool not covered by the Notes, enter into a credit default swap with a proposed maximum aggregate notional amount of USD 289,393,222 (the "**Senior Swap**") with a counterparty (the "**Senior Swap Counterparty**") and into a credit default swap with a proposed maximum aggregate notional amount of USD 3,760,315 (the "**Class C1 Swap**") with a counterparty, a credit default swap with a proposed maximum aggregate notional amount of USD 3,760,315 (the "**Class C2 Swap**") with a counterparty and a credit default swap with a proposed maximum aggregate notional amount of USD 5,359,542 (the "**Class C3 Swap**") with a counterparty (together, the "**Class C Swaps**" and the respective counterparties together, the "**Class C Swap Counterparties**" and each a "**Class C Swap Counterparty**").

The right of the Issuer to allocate losses to the Notes as described herein and all other rights and obligations of the Issuer and the Trustee with respect to the Notes pursuant to the Transaction Documents will not be affected by the Senior Swap or the Class C Swaps and the respective rights and obligations of the protection buyer and the Senior Swap Counterparty and the Class C Swap Counterparties, respectively, thereunder, *provided that* in

the case of a conflict of interest between the interests of the Noteholders and the interests of the Senior Swap Counterparty or the Class C Swap Counterparties, priority shall be given to the interests of the Senior Swap Counterparty and the holders of the Class A1+ Notes, and then among the holders of the Notes of the Class A2 Notes, Class B1 Notes, Class B2 Notes, Class B3 Notes, Class C1+ Notes, Class C2+ Notes and Class C3+ Notes to the interests of the holders of the Class or Classes of Notes that rank most senior for the purposes of Loss Allocation and then to the Class C Swap Counterparties, and *provided further that* the interests of the Senior Swap Counterparty and the holders of the Class A1+ Notes will rank *pari passu* and the interests of the holders of the Class C1+ Notes and the counterparty of the Class C1+ Swap will rank *pari passu* and the interests of the holders of the Class C2+ Notes and the counterparty of the Class C2+ Swap will rank *pari passu* and the interests of the Class C3+ Notes and the counterparty of the Class C3+ Swap will rank *pari passu*. See "THE MAIN PROVISIONS OF THE TRUST AGREEMENT" and "REFERENCE POOL SERVICING".

The Class A1+ Notes, Class A2 Notes, Class B1 Notes, Class B2 Notes, Class B3 Notes, Class C1+ Notes, Class C2+ Notes and Class C3+ Notes (together the "**Rated Notes**") are expected to be rated by each of Fitch Ratings Ltd ("**Fitch**") and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("**S&P**", and together with Fitch, the "**Rating Agencies**"). It is a condition of the issue of the Notes that the Rated Notes receive the following rating:

<u>Class</u>	<u>Fitch</u>	<u>S&P</u>
A1+	AAA	AAA
A2	AAA	AAA
B1	AA+	AA+
B2	AA	AA
B3	AA-	AA-
C1+	A+	A+
C2+	A	A
C3+	A-	A-

The rating of the Notes addresses the likelihood of full and timely payments of interest and the ultimate repayment of principal to the holders of such Notes by no later than the Legal Maturity Date, as described herein. The rating of the Rated Notes addresses also the risk that a Realised Loss will be allocated to such Notes pursuant to the Terms and Conditions as described herein. The ratings assigned to the Rated Notes do not represent any assessment of the likelihood or level of principal prepayments. The ratings do not address the possibility that the holders of the Rated Notes might suffer a lower than expected yield due to prepayments. The payment obligations of the Issuer under the Notes will be secured by Pfandbriefe of the Issuer. Accordingly, a withdrawal of the rating or a downgrading of the Pfandbriefe of the Issuer below the rating of the Class of Notes secured by it is expected to result in a corresponding withdrawal of rating or downgrading of the relevant Class of Notes. In the event that the rating of the Pfandbrief Collateral is downgraded below AAA by S&P or Fitch considers that the creditworthiness falls below an AAA equivalent level, the Issuer shall, within 30 calendar days after such downgrade, supplement and/or substitute the Series A1+, the Series A2, the Series B1, the Series B2, the Series B3, the Series C1+, the Series C2+ and/or the Series C3+ Collateral with Supplementary Collateral in the form of security transfer (*Sicherungsübereignung*) of Supplementary Collateral to the Trustee, whereas there shall have been delivered to the Issuer a legal opinion relating to such security transfer of the Supplementary Collateral, and/or, at its discretion, take any other action, in such form and amount so that the Rating Agencies give the written confirmation to the Issuer and the Trustee that upon such substitution and/or supplement and/or other action the then current rating of the respective Notes would not, solely as a result of such downgrade of the Pfandbrief Collateral, be qualified downgraded or withdrawn.

The ratings assigned to the Rated Notes should be evaluated independently from similar ratings on other types of securities. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal by the Rating Agencies at any time.

The Issuer has not requested a rating of the Rated Notes by any rating agency other than the Rating Agencies; there can be no assurance, however, as to whether any other rating agency will rate the Notes or, if it does, what rating would be assigned by such other rating agency. The rating assigned to the Rated Notes by such other rating agency could be lower than the respective ratings assigned by the Rating Agencies.

This Prospectus serves to describe the Notes, the Issuer, the Trustee and the Reference Pool.

The Issuer is responsible for the information contained in this Prospectus except that the Trustee is responsible for the information under "THE TRUSTEE".

To the best knowledge and belief of the Issuer and the Trustee, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus for which the Issuer and the Trustee, respectively, are responsible is in accordance with the facts and does not omit anything likely to affect the import of such information. Subject to the following paragraph, each of the Issuer and the Trustee accepts responsibility accordingly.

No person has been authorised to give any information or to make any representation other than as contained in this Prospectus and, in connection with the issue and sale of the Notes, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or the Trustee. Neither delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that the information herein is correct as of any time subsequent to the date hereto.

Neither the delivery of the Prospectus nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in the Prospectus is true subsequent to the date upon which the Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial situation of the Issuer or with respect to the Reference Pool since the date thereof or, as the case may be, the date upon which the Prospectus has been most recently amended or supplemented or the balance sheet date of the most recent financial statements which are deemed to be incorporated into the Prospectus by reference or that any other information supplied in connection with the Issue is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

No action has been taken by the Issuer other than as set out in this Prospectus that would permit a public offer of the Notes in any country or jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Prospectus (nor any part hereof) nor any offering circular, prospectus, form of application, advertisement or other offering materials may be issued, distributed or published in any country or jurisdiction except in circumstances that will result in compliance with applicable laws, orders, rules and regulations, and the Issuer will effect all offers and sales on such terms.

The distribution of this Prospectus (or of any part thereof) and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus (or any part thereof) comes are required by the Issuer to inform themselves about and to observe any such restrictions. This Prospectus does not constitute, and may not be used for, or in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. For a further description of certain restrictions on offerings and sales of the Notes and distribution of this Prospectus (or of any part thereof) see "SUBSCRIPTION AND SALE".

In connection with the issue of the Notes, the Lead Manager may over-allot or may effect transactions which stabilise or maintain the market price of the Notes at a level which might not otherwise prevail. Such stabilising, if commenced, may be discontinued at any time.

DOCUMENTS INCORPORATED BY REFERENCE

The financial statements of the Issuer, and the auditor's opinion in relation thereto, in each case in the German language, for the financial year ended December 31, 2003 and December 31, 2004, respectively, in each case as available on the pages of the respective annual report of the Issuer indicated below, are incorporated by reference into this Prospectus. Any information not listed in the cross-reference table but included in the documents incorporated by reference is given for informational purposes only.

Copies of the documents which are incorporated into this Prospectus by reference will be available free of charge from the specified offices of each of the Issuer and Deutsche Bank Luxembourg S.A., 2 Boulevard Konrad Adenauer, L-1115 Luxembourg, Luxembourg in its capacity as the Luxembourg Intermediary and Luxembourg Listing Agent. This Prospectus and the documents incorporated by reference herein will be available on the website of the Luxembourg Stock Exchange (www.bourse.lu).

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RISK FACTORS

The following is a summary of certain factors which prospective investors should consider before deciding to purchase the Notes. The following statements are not exhaustive: The prospective investor should consider all of the information provided in this Prospectus.

RISK FACTORS RELATING TO THE NOTES

Liability under the Notes

The Notes constitute exclusive liabilities of the Issuer alone.

In particular, the Notes do not constitute a liability, duty, guarantee or other obligation of any kind of the Trustee or of any company affiliated with the Trustee or of any company affiliated with the Issuer. None of the Trustee or any company affiliated with the Trustee, or any company affiliated with the Issuer assumes any liability to the Noteholders if the Issuer fails to make a payment due under the Notes.

The payments of principal of and, due to potential principal reductions, interest on the Notes are conditional upon the performance of the Reference Claims. Realised Losses following the process of collections, enforcement and foreclosure on the related Mortgage or Mortgages and other collateral incurred on qualifying Reference Claims will be allocated to reduce the principal amount of the Notes. With respect to the Notes, there is no certainty that the holders of such Notes will receive the full principal amount of the Notes and interest thereon and ultimately the obligations of the Issuer to pay principal of and interest on such Notes could even be reduced to USD 1 per Note as a result of losses incurred in respect of the Reference Claims.

The payment obligations of the Issuer under the Class A1+ Notes, the Class A2 Notes, the Class B1 Notes, the Class B2 Notes, the Class B3 Notes, the Class C1+ Notes, the Class C2+ Notes and the Class C3+ Notes are secured by the Series A1+ Collateral, the Series A2 Collateral, the Series B1 Collateral, the Series B2 Collateral, the Series B3 Collateral, the Series C1+ Collateral, the Series C2+ Collateral and the Series C3+ Collateral, respectively. Notwithstanding this collateral, the amount of principal of and interest on the Class A1+ Notes, the Class A2 Notes, the Class B1 Notes, the Class B2 Notes, the Class B3 Notes, the Class C1+ Notes, the Class C2+ Notes and the Class C3+ Notes may be reduced as a result of losses incurred in respect of the Reference Pool. Only the obligations of the Issuer to pay any amounts of principal and interest determined to be due to the holders of the Class A1+ Notes, the Class A2 Notes, the Class B1 Notes, the Class B2 Notes, the Class B3 Notes, the Class C1+ Notes, the Class C2+ Notes and the Class C3+ Notes in accordance with the Terms and Conditions of the Notes, which may be reduced by such losses, will be secured by the Series A1+ Collateral, the Series A2 Collateral, the Series B1 Collateral, the Series B2 Collateral, the Series B3 Collateral, the Series C1+ Collateral, the Series C2+ Collateral and the Series C3+ Collateral, respectively.

For the purpose of Loss Allocation, a certain portion of the proceeds of a sale of mortgaged properties is allocated to the Reference Loans as described herein. A forced sale of the mortgaged property relating to a respective Reference Loan in which less than the estimated value is realised will generally result in an allocation of the resulting loss to the Noteholders, as described above.

The principles of Loss Allocation and the principles and methods of enforcement on the Mortgages and allocation of the proceeds thereof to the Reference Claims are described under "TERMS AND CONDITIONS OF THE NOTES – Section 8 (Loss Allocation)", "DESCRIPTION OF THE REFERENCE POOL - Reference Pool Provisions - Provision 5 (Allocation of Payments and Enforcement Proceeds)".

No Interest in the Reference Claims

The Noteholders will have no right to or interest in any Reference Claim even if Realised Losses in respect of such Reference Claim have been allocated to the Notes. See "TERMS AND CONDITIONS OF THE NOTES – Section 8 (Loss Allocation)".

Leverage

The initial aggregate principal amount of the Notes will be USD 39,100,000. However, the Initial Aggregate Principal Balance will be approximately USD 341,373,394. Upon the occurrence of any Realised Loss first the Class Principal Amount of the Class C3+ Notes, then of the Class C2+ Notes, then of the Class C1+ Notes, then of the Class B3 Notes, then of the Class B2 Notes, then of the Class B1 Notes, then of the Class A2 Notes and thereafter of the Class A1+ Notes will be reduced by such Realised Losses, in case of the Class C3+ Notes, Class C2+ Notes, Class C1+ Notes and Class A1+ Notes, by multiplying the relevant Realised Loss (or part thereof) by the C3+ Reduction Factor, C2+ Reduction Factor, C1+ Reduction Factor or A1+ Reduction Factor, respectively. Accordingly, the Class C3+ Notes, then the Class C2+ Notes, then the Class C1+ Notes, then the Class B3 Notes, then the Class B2 Notes, then the Class B1 Notes and then the Class A2 Notes provide a first loss protection with respect to the Reference Pool. Since the Aggregate Principal Balance of the Reference Pool is expected most of the time to exceed the aggregate of the principal amount of such Classes of Notes, the Notes provide protection for the Reference Pool on a leveraged basis and, as a result of such leverage, the loss risk in respect of such Notes is a multiple of the loss risk in respect of the Reference Pool.

Trust Agreement, Servicing Principles - Interests of the Noteholders, the Senior Swap Counterparty and the Class C Swap Counterparties

Pursuant to the Trust Agreement, the Trustee will carry out its duties thereunder as a trustee for the benefit of the Noteholders, the Class C Swap Counterparties and the Senior Swap Counterparty. In the case of a conflict of interest between the interests of the Senior Swap Counterparty, the Class C Swap Counterparties and the Noteholders, priority will be given to the interests of the Senior Swap Counterparty and the holders of the Class A1+ Notes, then among the holders of the Notes of the Class A2 Notes, Class B1 Notes, Class B2 Notes and Class B3 Notes to the interests of the holders of the Class or Classes of Notes that rank most senior for the purposes of Loss Allocation and then among the holders of the Class C1+ Notes, Class C2+ Notes and Class C3+ Notes and the Class C Swap Counterparties to the interests of the holders of such Class or Classes of Notes that rank most senior for the purposes of Loss Allocation and to the interests of the respective Class C Swap Counterparty with regard to the part of the credit protection corresponding to such Class of Notes, and *provided further that* the interests of the Senior Swap Counterparty and the holders of the Class A1+ Notes will rank *pari passu*, the interests of the Class C Swap Counterparty with regard to the part of the credit protection corresponding to the Class C1+ Notes and the interests of the holders of the Class C1+ Notes will rank *pari passu*, the interests of the Class C Swap Counterparty with regard to the part of the credit protection corresponding to the Class C2+ Notes and the interests of the holders of the Class C2+ Notes will rank *pari passu* and the interests of the Class C Swap Counterparty with regard to the part of the credit protection corresponding to the Class C3+ Notes and the interests of the holders of the Class C3+ Notes will rank *pari passu* (see "THE MAIN PROVISIONS OF THE TRUST AGREEMENT - Clause 2 (Position of the Trustee)").

Similarly, pursuant to the Servicing Principles, the Servicer shall, in the case of a conflict of interest, give priority to the interests of the Senior Swap Counterparty, the holders of the Class of Notes or Classes of Notes and the Class C Swap Counterparties in the same manner as set out above.

Pfandbrief Collateral

The Class A1+ Notes, the Class A2 Notes, the Class B1 Notes, the Class B2 Notes, the Class B3 Notes, the Class C1+ Notes, the Class C2+ Notes and the Class C3+ Notes constitute direct obligations of the Issuer secured by the Pfandbrief Collateral. If, upon the occurrence of a Foreclosure Event, any Series of the Pfandbrief Collateral cannot be sold at a price sufficient to pay principal and accrued interest on the corresponding Class A1+ Notes, Class A2 Notes, Class B1 Notes, Class B2 Notes, Class B3 Notes, Class C1+ Notes, Class C2+ Notes and Class C3+ Notes in full, the Trustee will deliver Pfandbrief Collateral to the Class A1+, the Class A2, the Class B1, the Class B2, the Class B3, the Class C1+, the Class C2+ and the Class C3+ Noteholders, respectively, in full satisfaction of payment obligations for principal and interest under the Class A1+ Notes, the Class A2 Notes, the Class B1 Notes, the Class B2 Notes, the Class B3 Notes, the Class C1+ Notes, the Class C2+ Notes and the Class C3+ Notes (as applicable). As a result of such delivery, it cannot be excluded that the Class A1+, the Class A2, the Class B1, the Class B2, the Class B3, the Class C1+, the Class C2+ and the Class C3+ Noteholders will not be able to obtain the full outstanding amount of principal and interest on the Class A1+ Notes, the Class A2 Notes, the Class B1 Notes, the Class B2 Notes, the Class B3

Notes, the Class C1+ Notes, the Class C2+ Notes and the Class C3+ Notes, respectively. See "THE PFANDBRIEF COLLATERAL".

Trustee Resignation

Pursuant to the Trust Agreement the Trustee may resign at any time as a trustee for the Noteholders for good cause (*aus wichtigem Grund*). If the Trustee so resigns for as long as no successor Trustee has been appointed the protection of the Noteholders' rights by the Trustee, including in respect of the Pfandbrief Collateral, may be inoperative. See "THE MAIN PROVISIONS OF THE TRUST AGREEMENT".

Further, if no successor Trustee is appointed by the date as of which such resignation becomes effective, each Noteholder may declare due the Notes held by it by delivery of a notice to the Issuer. However, even in such circumstances the foreclosure on the Pfandbrief Collateral needs to be carried out by the resigning Trustee holding the Pfandbrief Collateral. Accordingly, the due and timely redemption of the Notes by foreclosure on the Pfandbrief Collateral in accordance with the Trust Agreement may be adversely affected in such circumstances. See "TERMS AND CONDITIONS OF THE NOTES - Early Redemption for Default" and "THE MAIN PROVISIONS OF THE TRUST AGREEMENT".

Prepayments

Subject to certain limitations, Borrowers under the Reference Loans may prepay the Reference Claims. Such prepayments may result in changes to certain characteristics of the Reference Pool set out in this Prospectus, in particular with regard to the risk profile of the Reference Pool. During certain period prior to maturity, certain Reference Loans may be prepaid without penalty.

Early Redemption by the Issuer

The Issuer may redeem the Notes as described herein before the Final Scheduled Payment Date on any Payment Date following the Collection Period during which (i) a Regulatory Event occurred or (ii) the Aggregate Principal Balance of the Reference Pool has been reduced to less than 10% of the Initial Aggregate Principal Balance of the Reference Pool as of the Cut-off Date or (iii) the 5th anniversary of the Issue Date occurred, *provided that* the Issuer may waive any of its rights to redeem the Notes set forth in (i) to (iii) above in whole or in part by notice to the Trustee and upon delivery of such notice to the Trustee the relevant redemption right will cease to exist to the extent specified in such notice.

See "TERMS AND CONDITIONS OF THE NOTES - Section 12 (Early Redemption by the Issuer)".

Limited Liquidity

There is currently no secondary market for the Notes. Application has been made to list the Notes on the market of the Luxembourg Stock Exchange that appears on the list of regulated markets issued by the European Commission. However, there can be no assurance that a secondary market for the Notes will develop or that a market will develop for all Classes of Notes or, if it does develop, that it will continue.

Taxation

If certain tax events occur, including if there are any tax withholding or deductions imposed on any payments on the Notes, the Issuer may, at its option, redeem the Notes. See "TERMS AND CONDITIONS OF THE NOTES - Section 13 (Taxes)" and "- Section 12 (Early Redemption by the Issuer)".

Gains from the alienation of Notes including gains derived by a secondary or any subsequent acquirer of the Notes upon redemption of the Notes at maturity ("**Capital Gains**") derived by an individual Noteholder resident in Germany not holding the Notes as business assets are subject to personal income tax, regardless of the period between acquisition and alienation of the Notes.

With respect to the assessment of net asset tax and trade tax on capital, there is no assurance that these taxes will not be reintroduced during the life of the Notes or the Reference Claims by way of legislative change and, if such reintroduction does take place, that such change will contain provisions protecting existing investments.

See "TAXATION".

Exchange Controls

There are, except in limited embargo circumstances, no legal restrictions in Germany on international capital movements and foreign exchange transactions. However, for statistical purposes only, every individual or corporation residing in Germany must report to Deutsche Bundesbank, subject to certain exceptions, any payment received from or made to an individual or a corporation resident outside of Germany if such payment exceeds EUR 12,500 (or the equivalent in a foreign currency).

RISKS RELATING TO THE ISSUER

Conflicts of Interests

The Issuer is acting in different capacities in connection with the Transaction. The Issuer acting in such capacities in connection with the Transaction will have only the duties and responsibilities expressly agreed to by it in the relevant capacity and will not, by virtue of its acting in any other capacity, be deemed to have any other duties or responsibilities or be deemed to be held to a standard of care other than as expressly provided with respect to each such capacity. The Issuer in its various capacities in connection with the Transaction may enter into business dealings from which it may derive revenues and profits without any duty to account therefor in connection with the Transaction.

In the case of a conflict of interest among the interests of the Senior Swap Counterparty, the Class C Swap Counterparties and the Noteholders, priority shall be given to the interests of the Senior Swap Counterparty and the holders of the Class A1+ Notes, then among the holders of the Class A2 Notes, Class B1 Notes, Class B2 Notes, Class B3 Notes, Class C1+ Notes, Class C2+ Notes and Class C3+ Notes to the interests of the holders of the Class or Classes of Notes that rank most senior for the purposes of Loss Allocation and to the Class C Swap Counterparties, whereas the interests of the Class C Swap Counterparty with regard to the part of the credit protection corresponding to the Class C1+ Notes and the interests of the holders of the Class C1+ Notes will rank *pari passu*, the interests of the Class C Swap Counterparty with regard to the part of the credit protection corresponding to the Class C2+ Notes and the interests of the holders of the Class C2+ Notes will rank *pari passu* and the interests of the Class C Swap Counterparty with regard to the part of the credit protection corresponding to the Class C3+ Notes and the interests of the holders of the Class C3+ Notes will rank *pari passu* and the interests of the Senior Swap Counterparty and the holders of the Class A1+ Notes will rank *pari passu*.

Reliance on Administration and Collection Procedures

The Servicer will carry out administration, collection and enforcement of the Reference Claims as well as enforcement on related Reference Collateral in accordance with the Servicing Principles as described herein (see "REFERENCE POOL SERVICING"), but to a material degree also in accordance with its standard credit and collection procedures (in the case of Reference Claims arising under syndicated Reference Loans, subject to the servicing conditions under such Reference Loans documentation).

In respect of Reference Claims arising under syndicated Reference Loans, in some cases the applicable servicing requirements may be changed by decision of a majority of the syndicate banks, even without consent of the Issuer or the Servicer, if different from the Issuer.

Accordingly, the Noteholders are relying on the Servicer's business judgement and standard practices in administering the Reference Claims, enforcing claims against Borrowers and taking decisions with respect to enforcement on the related Reference Collateral and also, as the case may be with respect to Reference Claims arising under syndicated Reference Loans, on the servicing requirements of the relevant Reference Loan documentation and decisions of a majority of the syndicate banks with which the Issuer or the Servicer may not have agreed and which could, therefore, be contrary to the Servicing Standards.

TRANSACTION OVERVIEW

The following summary is qualified in its entirety by reference to the detailed information appearing elsewhere in this Prospectus.

The Notes	<p>The Class A1+ Notes, Class A2 Notes, Class B1 Notes, Class B2 Notes, Class B3 Notes, Class C1+ Notes, Class C2+ Notes and Class C3+ Notes are credit-linked to a pool of certain loan claims or, in case of syndicated loans, certain portions of loan claims of the Issuer for payment of principal and interest, arising from certain commercial mortgage loans originated and serviced by the Issuer. The loans are secured by one or more mortgages or deed of trust over certain real estate, and by certain other collateral.</p> <p>For the purpose of Loss Allocation, a certain undivided portion of the Mortgage or Mortgages and the other collateral is allocated to such Reference Claim as collateral as described herein.</p> <p>The rights and claims of the Noteholders under the Notes are set out, <i>inter alia</i>, in Section 7, Section 10 and Section 11 of the Terms and Conditions.</p> <p>See "TERMS AND CONDITIONS OF THE NOTES" and "DESCRIPTION OF THE REFERENCE POOL".</p>
The Issuer	<p>Hypo Real Estate Bank International AG, Büchsenstrasse 26, 70174 Stuttgart, Germany; phone No. +49 711 2096226. See "THE ISSUER".</p>
The Arranger	<p>Hypo Real Estate Bank International AG, Büchsenstrasse 26, 70174 Stuttgart, Germany.</p>
The Lead Manager	<p>Hypo Real Estate Bank International AG, Büchsenstrasse 26, 70174 Stuttgart, Germany.</p>
The Servicer	<p>Hypo Real Estate Bank International AG, Büchsenstrasse 26, 70174 Stuttgart, Germany. See "REFERENCE POOL SERVICING".</p>
The Trustee	<p>Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Schwannstrasse 6, 40476 Düsseldorf, Germany. See "THE TRUSTEE".</p>
Cut-off Date	<p>November 30, 2005</p>
Issue Date	<p>April 10, 2006</p>
Payment Dates	<p>Payments of principal of and interest on the Notes will be made to the Noteholders quarterly on the 18th day of June, September, December and March of each year, or, if such 18th day is not a Business Day, on the next succeeding day which is a Business Day unless such day would thereby fall into the next calendar month, in which case the payment will be made on the immediately preceding Business Day, commencing in June 2006.</p>
Interest Accrual Period	<p>The Interest Accrual Period for each Class of Notes will be, in respect of the first Payment Date, the period commencing on (and including) the Issue Date and ending on (but excluding) the first Payment Date and in respect of any subsequent Payment Date, the period commencing on (and including) a Payment Date and ending</p>

**Payment of Interest
and Principal**

on (but excluding) the immediately following Payment Date.

Interest accrued during the applicable Interest Accrual Period on each Class of Notes at the per annum rate indicated on page 3 hereof will be payable on each Payment Date as described herein. See "TERMS AND CONDITIONS OF THE NOTES - Section 7 (Payments of Interest)".

The amount of interest payable on the Notes may be reduced, due to potential principal reductions, as a result of Realised Losses incurred with respect to the Reference Claims. See "TERMS AND CONDITIONS OF THE NOTES - Section 7 (Payments of Interest)".

On each Payment Date prior to the Final Scheduled Payment Date the Notes may be redeemed in an amount equal to the excess, if any, of (x) the aggregate of the Class Principal Amounts of all Notes divided, in the case of the Class A1+ Notes, Class C1+ Notes, Class C2+ Notes and the Class C3+ Notes by the A1+ Reduction Factor, C1+ Reduction Factor, C2+ Reduction Factor and C3+ Reduction Factor, respectively, over (y) the Aggregate Principal Balance as of such Payment Date reduced by the aggregate Outstanding Nominal Amount of all Liquidated Reference Claims in respect of which Realised Losses have been allocated pursuant to Loss Allocation on or prior to such date,

in each case as follows:

- (i) if the Notes are redeemed, the Class A1+ Notes shall be redeemed in an amount equal to the excess amount multiplied by the A1+ Reduction Factor;
- (ii) after the Note Principal Amount of each of the Class A1+ Notes has been redeemed in full, the Class A2 Notes, the Class B1 Notes, the Class B2 Notes, the Class B3 Notes, in an amount equal to the excess amount, in this order sequentially in each case until the Note Principal Amount of each Note of each of such Classes has been redeemed in full;
- (iii) after the Notes Principal Amount of each of the Class B3 Notes has been redeemed in full, the Class C1+ Notes, the Class C2+ Notes and the Class C3+ Notes, in this order sequentially and in each case in an amount equal to the excess amount multiplied by the C1+ Reduction Factor, C2+ Reduction Factor or the C3+ Reduction Factor, respectively, until the Note Principal Amount of each Note of each of such Classes has been redeemed in full;

provided that such excess amount allocated to the Notes in the case of (i) through (iii) above will be calculated after the reduction of the Class Principal Amounts by allocation of Realised Losses, if any, and the increase of the Class Principal Amounts as a result of allocation of Late Recoveries and/or Unjustified Loss Allocation, if any, in each case on the relevant Payment Date pursuant to Section 8 (Loss Allocation) and Section 9 (Unjustified Loss Allocation), respectively; and

provided further that if such excess amount, multiplied in the case of (i) above by the A1+ Reduction Factor and in the case of

(iii) above by the C1+ Reduction Factor, C2+ Reduction Factor or C3+ Reduction Factor, respectively, exceeds the Class Principal Amount of the relevant Class of Notes, such Class shall be redeemed only in the amount of such Class Principal Amount and the amount of such excess, divided, if such excess results from the application of (i) above, by the A1+ Reduction Factor, and if such excess results from the application of (iii) above, by the C1+ Reduction Factor, C2+ Reduction Factor or C3+ Reduction Factor, respectively, shall constitute the "excess amount" for the purposes of calculating the redemption amount for the Class of Notes next to be redeemed pursuant to the order set out in (i), (ii) and (iii) above.

See "TERMS AND CONDITIONS OF THE NOTES - Section 7 (Payments of Interest)", "- Section 10.1 (Redemption - Amortisation of the Notes)", "- Section 8 (Loss Allocation)".

The Reference Pool

On the Cut-off Date, the Reference Pool consisted of certain loan claims or portions of loan claims arising from three fixed rate, partially amortising, monthly payment commercial mortgage loans of the Issuer with a stated final maturity (as of the Cut-off Date) not extending beyond September 2025. The loans bear interest at a rate that is fixed until maturity.

The Reference Claims had an aggregate principal balance as of the Cut-off Date of approximately USD 341,373,394.

The Reference Loans are secured by one or more mortgages or deed of trust on one commercial property each and in some cases certain other collateral. For the purpose of Loss Allocation, a certain portion of one or more mortgages or deed of trust are allocated to such Reference Claim as collateral as described herein. See "DESCRIPTION OF THE REFERENCE POOL".

Reference Claims may be removed from the Reference Pool *prior* to the Issue Date. Any Reference Claim may be so excluded (i) as a result of principal prepayment thereof in full or (ii) if, as a result of late payments or otherwise, the Issuer deems such exclusion necessary or desirable. This may result in changes to certain characteristics of the Reference Pool set out in this Prospectus. In the event that any of the characteristics of the Reference Pool on the Issue Date varies materially from those described herein, revised information regarding the Reference Pool will be made available to purchasers of the Notes and the Rating Agencies on or before such date. The final Reference Pool has been presented to the Rating Agencies.

As of the Cut-off Date, certain eligibility criteria with respect to each of the Reference Claims must be met. Reference Claims which did not meet such eligibility criteria as of the Cut-off Date may be removed from the Reference Pool after the Issue Date and will qualify for Loss Allocation only under certain limited circumstances. See "DESCRIPTION OF THE REFERENCE POOL".

Servicing of the Reference Pool

The Servicer will administer, collect and enforce the Reference Claims and foreclose on the Reference Collateral in accordance with the Servicing Standards and its standard credit and collection

procedures. See "REFERENCE POOL SERVICING" and "DESCRIPTION OF THE REFERENCE POOL".

Reference Claims with respect to which a breach of any of the Servicing Principles occurs may be removed from the Reference Pool and if not removed, will qualify for Loss Allocation only under certain limited circumstances. See "DESCRIPTION OF THE REFERENCE POOL".

Allocation of Realised Losses

On each Payment Date, subject to the requirements and conditions of the Terms and Conditions of the Notes, any Realised Losses in respect of qualifying Reference Claims will be allocated to the Class C3+ Notes, the Class C2+ Notes, the Class C1+ Notes, the Class B3 Notes, the Class B2 Notes, the Class B1 Notes, the Class A2 Notes and the Class A1+ Notes, in this order sequentially, until the Class Principal Amount of each of the Class C3+ Notes, Class C2+ Notes, Class C1+ Notes, Class B3 Notes, Class B2 Notes, Class B1 Notes, Class A2 Notes and Class A1+ Notes has been reduced to USD 1 per Note, *provided that* each Realised Loss so allocated to the Class C3+ Notes, the Class C2+ Notes, the Class C1+ Notes and the Class A1+ Notes shall reduce the Class Principal Amount of the Class C3+ Notes, the Class C2+ Notes, the Class C1+ Notes and the Class A1+ Notes, respectively, only in an amount equal to the product of the amount of such Realised Loss and the C3+ Reduction Factor, the C2+ Reduction Factor, the C1+ Reduction Factor and the A1+ Reduction Factor, respectively. See "TERMS AND CONDITIONS OF THE NOTES - Section 8 (Loss Allocation)".

Realised Loss will include Accrued Interest and Enforcement Costs in respect of each Reference Claim which becomes a Liquidated Reference Claim as described herein.

Reference Claims with respect to which a breach of any of the Eligibility Criteria or Servicing Principles occurs will qualify for Loss Allocation only under certain limited circumstances. See "TERMS AND CONDITIONS OF THE NOTES - Section 8 (Loss Allocation)", "DESCRIPTION OF THE REFERENCE POOL".

Pfandbrief Collateral

The payment obligations of the Issuer under each of the Class A1+ Notes, the Class A2 Notes, the Class B1 Notes, the Class B2 Notes, the Class B3 Notes, the Class C1+ Notes, the Class C2+ Notes and the Class C3+ Notes will be secured by a corresponding Series of public sector *Pfandbriefe* (*Öffentliche Pfandbriefe*) of the Issuer which rank at least *pari passu* with all other public sector *Pfandbriefe* of the Issuer in accordance with the German Covered Bonds Act (*Pfandbriefgesetz*). On the Issue Date, the Issuer will have issued the Pfandbrief Collateral and will have transferred its ownership for security purposes as security for the Class A1+ Notes, the Class A2 Notes, the Class B1 Notes, the Class B2 Notes, the Class B3 Notes, the Class C1+ Notes, the Class C2+ Notes and the Class C3+ Notes to the Trustee pursuant to the Trust Agreement. See "THE MAIN PROVISIONS OF THE TRUST AGREEMENT - Clause 3 (Pfandbrief Collateral; Transfer for Security Purposes; Collateral Trustee; Custodian)" and "THE PFANDBRIEF COLLATERAL".

The Pfandbrief Collateral is expected to be rated AAA by

Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc and considered AAA equivalent by Fitch Ratings Ltd. In the event that the rating of the Pfandbrief Collateral is downgraded below AAA by S&P or Fitch considers that the creditworthiness falls below a AAA equivalent level, the Issuer shall, within 30 calendar days after such downgrade, supplement and/or substitute the Series A1+, the Series A2, the Series B1, the Series B2, the Series B3, the Series C1+, the Series C2+ and/or the Series C3+ Collateral with Supplementary Collateral in the form of security transfer (*Sicherungsübereignung*) of Supplementary Collateral to the Trustee, whereas there shall have been delivered to the Issuer a legal opinion relating to such security transfer of the Supplementary Collateral, and/or, at its discretion, take any other action, in such form and amount so that the Rating Agencies give the written confirmation to the Issuer and the Trustee that upon such substitution and/or supplement and/or other action the then current rating of the respective Notes would not, solely as a result of such downgrade of the Pfandbrief Collateral, be qualified downgraded or withdrawn.

The relevant Series of the Pfandbrief Collateral will be released to the Issuer in an amount equal to the amount of payments of principal on the corresponding Class A1+ Notes, Class A2 Notes, Class B1 Notes, Class B2 Notes, Class B3 Notes, Class C1+ Notes, Class C2+ Notes and Class C3+ Notes (as applicable) pursuant to the provisions of the Trust Agreement.

Upon the occurrence of a Foreclosure Event (as defined in the Trust Agreement), the Trustee will either (i) sell each Series of the Pfandbrief Collateral and redeem the corresponding Class of Notes if the net sales proceeds are sufficient to pay principal and accrued interest on such Class of Notes, or (ii) otherwise deliver each Series of the Pfandbrief Collateral not sold pursuant to (i) to the Noteholders of the corresponding Class of Notes in full satisfaction of all obligations under such Class of Notes. See "THE MAIN PROVISIONS OF THE TRUST AGREEMENT - Clause 7 (Realisation of the Pfandbrief Collateral)" and "THE PFANDBRIEF COLLATERAL".

Final Scheduled Payment Date

Unless any Class of Notes has been previously redeemed as described herein, and subject to the conditions specified in Section 10.1 of the Terms and Conditions, the Class Principal Amounts of all Classes of Notes is expected to be redeemed by the Payment Date falling in December 2025, *provided that* if at the end of the Collection Period immediately preceding the Final Scheduled Payment Date any Overdue Reference Claims are outstanding certain Notes may remain outstanding after the Final Scheduled Payment Date and payments of principal will be made on such Notes on each Payment Date after the Final Scheduled Payment Date as described herein.

See "TERMS AND CONDITIONS OF THE NOTES - Section 10.1 (Redemption - Amortisation of the Notes)".

Legal Maturity Date

Unless any Class of Notes has been previously redeemed as described herein the Notes shall be redeemed on the Payment Date falling in December 2027.

See "TERMS AND CONDITIONS OF THE NOTES - Section 10.1 (Redemption - Amortisation of the Notes)".

Early Redemption at the Option of the Issuer

On any Payment Date following the Collection Period during which (i) certain legal, tax or regulatory changes are imposed on the Issuer, (ii) the Aggregate Principal Balance of the Reference Pool has been reduced to less than 10% of the Initial Aggregate Principal Balance of the Reference Pool as of the Cut-off Date or (iii) the 5th anniversary of the Issue Date has occurred, the Issuer will have the right, but no obligation, to redeem the Notes as provided herein. See "TERMS AND CONDITIONS OF THE NOTES - Section 12 (Early Redemption by the Issuer)".

Early Redemption at the Option of the Noteholders

Each Noteholder will be entitled to demand redemption of the Notes held by it *inter alia* in the event that the Issuer fails to make within 30 days from the relevant due date any payment due to be made under the relevant Notes, the Issuer or its assets become subject to bankruptcy, or under certain conditions if the Trustee resigns as Trustee pursuant to the Trust Agreement for good cause (*aus wichtigem Grund*).

See "TERMS AND CONDITIONS OF THE NOTES - Section 11 (Early Redemption for Default)".

Denomination and Global Notes

Each Class of Notes will be represented by a Global Note in a bearer form representing the relevant Class of Notes as described herein. The Notes may be transferred in a book-entry form only. Each of the Class A2 Notes, B1 Notes, B2 Notes and Class B3 Notes will be issued in denominations of USD 100,000, and each of the Class A1+ Notes, Class C1+ Notes, Class C2+ Notes and Class C3+ Notes will be issued in denominations of USD 70,000. The Global Notes will not be exchangeable for definitive securities. The Global Notes will be held in custody by Deutsche Bank AG, Frankfurt am Main as common depositary for Euroclear and Clearstream, Luxembourg.

See "TERMS AND CONDITIONS OF THE NOTES - Section 1 (Notes)".

Trust Agreement

Pursuant to the Trust Agreement between the Issuer and the Trustee for the benefit of the Noteholders, the Senior Swap Counterparty and the Class C Swap Counterparties the Trustee will verify the Loss Allocation and will supervise and verify determinations and calculations and other actions of the Issuer in connection with the Notes, the Senior Swap and the Class C Swaps, as specified therein. See "THE MAIN PROVISIONS OF THE TRUST AGREEMENT".

Use of Proceeds

The Issuer will use the net proceeds from the Notes for general banking purposes.

The direct costs of the admission of the Notes to trading on the Luxembourg Stock Exchange amount to approximately EUR 55,600.

Prepayment Considerations

The amount of principal and of interest available for payments on the Notes will depend on, among other things, the level and timing of principal payments (including prepayments, repurchases, defaults and liquidations) on the Reference Loans. The Notes are

subject to cash flow uncertainties because certain Reference Loans may be prepaid during certain period prior to maturity without penalty in certain circumstances.

See "WEIGHTED AVERAGE LIFE OF THE NOTES".

Determinations under the Notes

The Issuer will initially perform the function of a determination bank with respect to the Notes.

See "TERMS AND CONDITIONS OF THE NOTES - Section 7.5 (Payments of Interest - Determinations; Notifications), Section 17 (Transfer of Issuer's Functions)".

Selling Restrictions

Subject to certain exceptions, the Notes are not being offered, sold or delivered within the United States or to U.S. persons.

For a description of these and other restrictions on sale and transfer see "SUBSCRIPTION AND SALE".

Listing

Application has been made to list the Class A1+ Notes, Class A2 Notes, Class B1 Notes, Class B2 Notes, Class B3 Notes, Class C1+ Notes, Class C2+ Notes and Class C3+ Notes on the official list of the Luxembourg Stock Exchange and trade on the regulated market, "Bourse de Luxembourg".

Principal Paying Agent

Hypo Real Estate Bank International AG, Büchsenstrasse 26, 70174 Stuttgart, Germany.

Luxembourg Listing Agent and Luxembourg Intermediary

Deutsche Bank Luxembourg S.A., 2 Boulevard Konrad Adenauer, L-1115 Luxembourg, Luxembourg.

Settlement

It is expected that delivery of the Notes will be made on or about April 10, 2006 through the book-entry facilities of Euroclear or Clearstream, Luxembourg, against payment therefor in USD in immediately available funds.

Governing Law

The Notes will be governed by and construed in accordance with the laws of Germany.

Ratings

The Class A1+ Notes, Class A2 Notes, Class B1 Notes, Class B2 Notes, Class B3 Notes, Class C1+ Notes, Class C2+ Notes and Class C3+ Notes are expected to be assigned the ratings shown in this prospectus at the Issue Date by Fitch and S&P. It is a condition of the issue of the Notes, that the Notes receive such rating.

See "RATING".

Senior Swap and the Class C Swaps

In connection with the issue of the Notes, the Issuer as the protection buyer may, with respect to any amount of credit risk with regard to the Reference Pool not covered by the Notes, enter into a credit default swap with a proposed maximum aggregate notional amount of USD 289,393,222 with a Senior Swap Counterparty and one or more credit default swaps with the Class C Swap Counterparties.

The right of the Issuer to allocate losses to the Notes as described herein and all other rights and obligations of the Issuer and the Trustee with respect to the Notes pursuant to the Transaction Documents will not be affected by the Senior Swap and the Class C Swaps and the respective rights and obligations of the protection

buyer and the Senior Swap Counterparty and the Class C Swap Counterparties, respectively, thereunder, *provided that* in the case of a conflict of interest between the interests of the Noteholders, the interests of the Senior Swap Counterparty and the interests of the Class C Swap Counterparties, priority shall be given to the interests of the Senior Swap Counterparty and the holders of the Class A1+ Notes, then among the holders of the Class A2 Notes, Class B1 Notes, Class B2 Notes, Class B3 Notes to the interests of the holders of the Class or Classes of Notes that rank most senior for the purposes of Loss Allocation and then among the holders of the Class C1+ Notes, Class C2+ Notes, Class C3+ Notes and the Class C Swap Counterparties, to the interests of the holders of such Class or Classes of Notes that rank most senior for the purposes of Loss Allocation and to the interests of the respective Class C Swap Counterparty with regard to the part of the credit protection corresponding to such Class of Notes, and *provided further that* the interests of the Senior Swap Counterparty and the holders of the Class A1+ Notes will rank *pari passu*, the interests of the respective Class C Swap Counterparty with regard to the part of the credit protection corresponding to the Class C1+ Notes and the interests of the holders of the Class C1+ Notes will rank *pari passu*, the interests of the respective Class C Swap Counterparty with regard to the part of the credit protection corresponding to the Class C2+ Notes and the interests of the holders of the Class C2+ Notes will rank *pari passu* and the interests of the respective Class C Swap Counterparty with regard to the part of the credit protection corresponding to the Class C3+ Notes and the interests of the holders of the Class C3+ Notes will rank *pari passu*.

See "THE MAIN PROVISIONS OF THE TRUST AGREEMENT" and "REFERENCE POOL SERVICING".

Transaction

The Notes, including the Terms and Conditions of the Notes, the Trust Agreement, the Senior Swap, the Class C Swaps and all other agreements and documents executed in connection with the Transaction (together, the "**Transaction Documents**") together with the conclusion and performance of the Transaction Documents as well as all other acts, undertakings and activities connected therewith and described herein are referred to as the "**Transaction**".

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the Terms and Conditions applicable to each Class of Notes which will be attached to each Global Note. In case of any overlap or inconsistency in the definition of a term or expression in the Terms and Conditions and elsewhere in this Prospectus, the definition in the Terms and Conditions will prevail.

THE PAYMENT OF PRINCIPAL OF AND, DUE TO POTENTIAL PRINCIPAL REDUCTIONS, INTEREST ON THE NOTES IS CONDITIONAL UPON THE PERFORMANCE OF A POOL OF REFERENCE CLAIMS AS SET FORTH IN SECTION 8 (LOSS ALLOCATION) AND SECTION 9 (UNJUSTIFIED LOSS ALLOCATION) BELOW.

THERE IS NO GUARANTEE THAT THE NOTEHOLDERS WILL RECEIVE THE FULL PRINCIPAL AMOUNT OF NOTES AND INTEREST THEREON AND ULTIMATELY THE OBLIGATIONS OF THE ISSUER TO PAY PRINCIPAL UNDER THE NOTES COULD EVEN BE REDUCED TO USD 1 PER NOTE AS A RESULT OF LOSSES INCURRED IN RESPECT OF SUCH REFERENCE CLAIMS.

HOLDERS OF ANY CLASS OF NOTES SHALL HAVE NO RIGHT TO OR INTEREST IN ANY REFERENCE CLAIM EVEN IN THE CASE THAT A REALISED LOSS IN RESPECT OF SUCH REFERENCE CLAIM HAS BEEN ALLOCATED TO THE RESPECTIVE CLASS OF NOTES.

THE NOTES REPRESENT OBLIGATIONS OF THE ISSUER ONLY, AND DO NOT REPRESENT AN INTEREST IN OR OBLIGATIONS OF THE TRUSTEE OR ANY OF ITS RESPECTIVE AFFILIATES OR ANY AFFILIATE OF THE ISSUER OR ANY OTHER THIRD PERSON OR ENTITY. NEITHER THE NOTES NOR THE REFERENCE CLAIMS WILL BE INSURED OR GUARANTEED BY ANY GOVERNMENTAL AGENCY OR INSTRUMENTALITY OR BY THE TRUSTEE OR ANY OF ITS RESPECTIVE AFFILIATES OR BY ANY OTHER PERSON OR ENTITY EXCEPT AS DESCRIBED HEREIN.

1. Notes

1.1 Principal Amounts; Definitions

Hypo Real Estate Bank International AG, Stuttgart, Germany (the "**Issuer**" or "**HI**") issues the following classes of credit linked notes in bearer form (each, a "**Class**" and collectively, the "**Notes**") pursuant to these terms and conditions (the "**Terms and Conditions**"):

- (a) Class A1+ Floating Rate Amortising Credit Linked Notes (the "**Class A1+ Notes**") which are issued in an initial aggregate principal amount of USD 700,000 and divided into 10 Class A1+ Notes, each having an initial principal amount of USD 70,000;
- (b) Class A2 Floating Rate Amortising Credit Linked Notes (the "**Class A2 Notes**") which are issued in an initial aggregate principal amount of USD 14,300,000 and divided into 143 Class A2 Notes, each having an initial principal amount of USD 100,000;
- (c) Class B1 Floating Rate Amortising Credit Linked Notes (the "**Class B1 Notes**") which are issued in an initial aggregate principal amount of USD 5,100,000 and divided into 51 Class B1 Notes, each having an initial principal amount of USD 100,000;
- (d) Class B2 Floating Rate Amortising Credit Linked Notes (the "**Class B2 Notes**") which are issued in an initial aggregate principal amount of USD 7,300,000 and divided into 73 Class B2 Notes, each having an initial principal amount of USD 100,000;
- (e) Class B3 Floating Rate Amortising Credit Linked Notes (the "**Class B3 Notes**") which are issued in an initial aggregate principal amount of USD 9,600,000 and divided into 96 Class B3 Notes, each having an initial principal amount of USD 100,000;

- (f) Class C1+ Floating Rate Amortising Credit Linked Notes (the "**Class C1+ Notes**") which are issued in an initial aggregate principal amount of USD 700,000 and divided into 10 Class C1+ Notes, each having an initial principal amount of USD 70,000;
- (g) Class C2+ Floating Rate Amortising Credit Linked Notes (the "**Class C2+ Notes**") which are issued in an initial aggregate principal amount of USD 700,000 and divided into 10 Class C2+ Notes, each having an initial principal amount of USD 70,000; and
- (h) Class C3+ Floating Rate Amortising Credit Linked Notes (the "**Class C3+ Notes**") which are issued in an initial aggregate principal amount of USD 700,000 and divided into 10 Class C3+ Notes, each having an initial principal amount of USD 70,000.

The rank with respect to the allocation of Realised Losses (Section 8.1) as between each Class of Notes is set out in Section 8.

Terms used but not defined in the Terms and Conditions have the same meaning as in Appendix A (Trust Agreement (excluding its Schedules)), Appendix B (Description of the Reference Pool) or Appendix C (Servicing Principles) attached hereto, each of which forms an integral part of the Terms and Conditions.

The holders of the Notes are referred to as the "**Noteholders**".

1.2 *Global Notes*

Each Class of Notes is represented by a permanent global note (the "**Global Note**") in bearer form without interest coupons. Each Global Note shall be kept in custody by Deutsche Bank AG, Frankfurt am Main or any successor as common depositary (the "**Common Depositary**") for Euroclear Bank S.A./N.V. as operator of the Euroclear System ("**Euroclear**"), and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**"), until all obligations of the Issuer under the relevant Class of Notes have been satisfied. Definitive Notes (*Einzelurkunden*) and interest coupons will not be issued. Copies of the Global Notes are available free of charge at the main offices of the Issuer and from the Luxembourg Intermediary.

2. **Rights and Obligations under the Notes**

2.1 *Status of the Notes*

The Notes constitute direct and unsubordinated obligations of the Issuer, ranking *pari passu* among themselves and at least *pari passu* with all other current and future unsubordinated obligations of the Issuer (subject to Loss Allocation).

The payment of principal of and due to potential principal reduction interest on the Notes is conditional upon the performance of a pool of Reference Claims, whereby the payment of interest is conditional on the performance of the Reference Claims to the extent that the basis for the accrual of interest is reduced by the allocation of losses in respect of such Reference Claims. There is no guarantee that the holders of the Notes will receive the full principal amount of the respective Notes and interest thereon, and ultimately the obligations of the Issuer to pay principal under the Notes could even be reduced to USD 1 per Note as a result of losses incurred in respect of such Reference Claims.

2.2 *Obligations under the Notes*

The Notes represent obligations of the Issuer only, and do not represent an interest in or obligations of the Trustee or any other third party.

2.3 *No Interest in Reference Claims*

The holders of any Class of Notes shall have no right to or interest in any Reference Claim including, but not limited to where a Realised Loss in respect of such Reference Claim has been allocated to any such Class of Notes.

3. Collateral

The payment obligations of the Issuer under the Notes shall be secured as follows:

- (a) The payment obligations of the Issuer under the Class A1+ Notes with respect to any Class A1+ Note shall be secured by USD 700,000 public sector *Pfandbriefe (Öffentliche Pfandbriefe)* (the "**Series A1+ Collateral**") of the Issuer in accordance with the Trust Agreement (Section 5.1).
- (b) The payment obligations of the Issuer under the Class A2 Notes with respect to any Class A2 Note shall be secured by USD 14,300,000 public sector *Pfandbriefe (Öffentliche Pfandbriefe)* (the "**Series A2 Collateral**") of the Issuer in accordance with the Trust Agreement (Section 5.1).
- (c) The payment obligations of the Issuer under the Class B1 Notes with respect to any Class B1 Note shall be secured by USD 5,100,000 public sector *Pfandbriefe (Öffentliche Pfandbriefe)* (the "**Series B1 Collateral**") of the Issuer in accordance with the Trust Agreement (Section 5.1).
- (d) The payment obligations of the Issuer under the Class B2 Notes with respect to any Class B2 Note shall be secured by USD 7,300,000 public sector *Pfandbriefe (Öffentliche Pfandbriefe)* (the "**Series B2 Collateral**") of the Issuer in accordance with the Trust Agreement (Section 5.1).
- (e) The payment obligations of the Issuer under the Class B3 Notes with respect to any Class B3 Note shall be secured by USD 9,600,000 public sector *Pfandbriefe (Öffentliche Pfandbriefe)* (the "**Series B3 Collateral**") of the Issuer in accordance with the Trust Agreement (Section 5.1).
- (f) The payment obligations of the Issuer under the Class C1+ Notes with respect to any Class C1+ Note shall be secured by USD 700,000 public sector *Pfandbriefe (Öffentliche Pfandbriefe)* (the "**Series C1+ Collateral**") of the Issuer in accordance with the Trust Agreement (Section 5.1).
- (g) The payment obligations of the Issuer under the Class C2+ Notes with respect to any Class C2+ Note shall be secured by USD 700,000 public sector *Pfandbriefe (Öffentliche Pfandbriefe)* (the "**Series C2+ Collateral**") of the Issuer in accordance with the Trust Agreement (Section 5.1).
- (h) The payment obligations of the Issuer under the Class C3+ Notes with respect to any Class C3+ Note shall be secured by USD 700,000 public sector *Pfandbriefe (Öffentliche Pfandbriefe)* (the "**Series C3+ Collateral**") of the Issuer in accordance with the Trust Agreement (Section 5.1).

The Series A1+ Collateral, Series A2 Collateral, Series B1 Collateral, the Series B2 Collateral, the Series B3 Collateral, the Series C1+ Collateral, the Series C2+ Collateral and the Series C3+ Collateral are collectively referred to as the "**Pfandbrief Collateral**". Clause 7 of the Trust Agreement provides that under certain limited circumstances the Trustee may transfer and deliver *Pfandbriefe* forming part of any Series of the Pfandbrief Collateral to the Noteholders of the Class secured by such Series in full satisfaction of all obligations under the Notes of such Class (see Appendix A).

In the event that the rating of the Pfandbrief Collateral is downgraded below AAA by S&P or Fitch considers that the creditworthiness falls below an AAA equivalent level, the Issuer shall, within 30 calendar days after such downgrade, supplement and/or substitute the Series A1+ Collateral, the Series A2 Collateral, the Series B1 Collateral, the Series B2 Collateral, the Series B3 Collateral, the Series C1+ Collateral, the Series C2+ Collateral and the Series C3+ Collateral with Supplementary Collateral in the form of security transfer (*Sicherungsübereignung*) of Supplementary Collateral to the Trustee, whereas there shall have been delivered a legal opinion to the Issuer relating to such security transfer of the Supplementary Collateral, and/or, at its discretion, take any other action, in such form and amount so that the Rating Agencies give the written confirmation to the Issuer and the Trustee that upon such substitution and/or supplement and/or other action the then current rating of the respective Notes would not, solely as a result of such downgrade of the Pfandbrief Collateral, be qualified downgraded or withdrawn. The foregoing shall apply accordingly in the event of any further downgrading of the Pfandbrief Collateral.

Notwithstanding the collateral referred to in this Section 3, the amount of principal of, and interest on, the Class A1+ Notes, the Class A2 Notes, the Class B1 Notes, the Class B2 Notes, the Class B3 Notes, the Class C1+ Notes, the Class C2+ Notes and the Class C3+ Notes may be reduced as a result of losses incurred by the Issuer with respect to the Reference Pool (DESCRIPTION OF THE REFERENCE POOL - Reference Pool

Provisions - Provision 2) and only the obligations of the Issuer to pay any amount of principal and interest determined to be due to the Class A1+, the Class A2, the Class B1, the Class B2, the Class B3, the Class C1+, the Class C2+ and the Class C3+ Noteholders, respectively, in accordance with these Terms and Conditions, which may be reduced by such losses, shall be secured by the corresponding Series A1+ Collateral, Series A2 Collateral, Series B1 Collateral, Series B2 Collateral, Series B3 Collateral, Series C1+ Collateral, Series C2+ Collateral and Series C3+ Collateral.

4. Reference Pool

Subject to Section 8 and Section 9, the payment of principal of and, due to potential principal reductions, interest on the Notes is conditional upon the performance of a reference pool (the "**Reference Pool**"). The Reference Pool is constituted in accordance with and must comply with certain requirements and conditions (the "**Reference Pool Provisions**") set out in Appendix B attached to the Terms and Conditions. The Reference Pool Provisions constitute an integral part of the Terms and Conditions.

5. Trustee

5.1 Trust Agreement

For the benefit of the Noteholders, the Senior Swap Counterparty and the Class C Swap Counterparties, the Issuer has entered into a trust agreement dated April 10, 2006 (the "**Trust Agreement**") with Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf. The text of the main provisions of the Trust Agreement (excluding the Schedules thereto) is attached as Appendix A hereto and constitutes an integral part of these Terms and Conditions.

In accordance with the procedures set out in the Trust Agreement, the Trustee is obliged under the Trust Agreement to (i) verify the determination and allocation of Realised Losses pursuant to Section 8, (ii) verify the process of removal of any Reference Claims pursuant to Provision 8 of the Reference Pool Provisions or Section 8.5 from the Reference Pool, (iii) verify the determinations and allocations in connection with the Issuer Call (Section 12) and Credit Events pursuant to Section 8, (iv) make required appointments of third party experts pursuant to Section 9, Section 12 and the Trust Agreement, and (v) perform such other functions as are specified in the Transaction Documents.

5.2 Obligation to Maintain a Trustee

As long as any Notes are outstanding, the Issuer shall ensure that a well-recognised trustee of international standing selected from the leading international auditing firms at the relevant time or their affiliates is appointed at all times who has undertaken substantially the same functions and obligations as the Trustee pursuant to the Notes, including the Terms and Conditions and the Trust Agreement (together with all documents evidencing the Senior Swap (as defined in the Trust Agreement), the Schedules thereto, the Class C Swaps (as defined in the Trust Agreement), the Schedules thereto and all other agreements and documents executed in connection with the issue of the Notes and transactions contemplated hereby, the "**Transaction Documents**").

If the appointment of the Trustee is terminated, the Issuer shall appoint a successor to the Trustee. In any case of an appointment of a successor to the Trustee the Issuer shall enter into an agreement with such successor which has materially the same terms as the Trust Agreement. The Issuer shall, in particular, transfer to such successor trustee the Pfandbrief Collateral and, if relevant, the Supplementary Collateral, as set out in Clause 3 of the Trust Agreement.

6. Payments

6.1 General

Payments in respect of the Notes shall be made on each Payment Date by wire transfer of same day funds to Euroclear and Clearstream, Luxembourg, as relevant, for credit to the accounts held by the relevant Euroclear Participants and Clearstream, Luxembourg Participants for subsequent transfer to the Noteholders.

6.2 Discharge

All payments in respect of any Note made by the Issuer to Euroclear and Clearstream, Luxembourg, as relevant shall discharge the liability of the Issuer under such Note to the extent of the sums so paid.

6.3 Payment Dates

Payments in respect of the Notes to the Noteholders shall become due and payable quarterly in arrears, on each 18th day of June, September, December and March of each year or if such 18th day is not a Business Day, on the next succeeding day which is a Business Day unless such date would thereby fall into the next calendar month, in which case the payment will be made on the immediately preceding Business Day, commencing in June 2006 (each, a "**Payment Date**"). "**Business Day**" means a day on which all relevant parts of the Trans-European Automated Real-time Gross Settlement Express Transfer System are operational and (except Saturdays and Sundays) on which commercial banks are open for business in New York and (except Saturdays and Sundays) on which commercial banks are open for business in London.

7. Payments of Interest

7.1 Accrual Basis

The Note Principal Amounts of the Notes of each Class shall bear interest from April 10, 2006 (the "**Issue Date**") until the close of the day (both days inclusive) preceding the day on which such Note Principal Amount has been redeemed in full, *provided that* the Note Principal Amount shall not bear interest for any period during which the Note Principal Amount has been reduced to USD 1 by allocation of Realised Losses pursuant to these Terms and Conditions.

The "**Note Principal Amount**" of any Note means, with respect to any date, an amount (rounded, if necessary, to the nearest USD 0.01, with USD 0.005 being rounded upwards) equal to the initial principal amount of such Note on the Issue Date as, on or before such date, (i) reduced by any Realised Losses allocated to such Note, (ii) increased by any Late Recoveries or as a result of any Unjustified Loss Allocation procedure, and (iii) reduced by all amounts paid on such Note in respect of principal.

The "**Class Principal Amount**" means, in respect of each Class of Notes, the aggregate of the Note Principal Amounts of all Notes of such Class.

7.2 Interest Amount

The amount of interest payable in respect of each Note on any Payment Date (the "**Interest Amount**") shall be calculated by the Issuer by applying the Interest Rate (Section 7.4) for the relevant Interest Accrual Period (Section 7.3) to the Note Principal Amount of such Note and multiplying the result by the actual number of days in the relevant Interest Accrual Period divided by 360.

7.3 Interest Accrual Periods

"**Interest Accrual Period**" means for all Classes of Notes, in respect of the first Payment Date, the period commencing on (and including) the Issue Date and ending on (but excluding) the first Payment Date, and in respect of any subsequent Payment Date, the period commencing on (and including) the immediately preceding Payment Date and ending on (but excluding) such Payment Date.

7.4 Interest Rates

The interest rate payable on the Notes for each Interest Accrual Period (each, an "**Interest Rate**") shall be

in the case of the Class A1+ Notes, USD-LIBOR plus 0.25% per annum,
in the case of the Class A2 Notes, USD-LIBOR plus 0.42% per annum,
in the case of the Class B1 Notes, USD-LIBOR plus 0.44% per annum,
in the case of the Class B2 Notes, USD-LIBOR plus 0.46% per annum,
in the case of the Class B3 Notes, USD-LIBOR plus 0.51% per annum,
in the case of the Class C1+ Notes, USD-LIBOR plus 0.60% per annum,
in the case of the Class C2+ Notes, USD-LIBOR plus 0.60% per annum and

in the case of the Class C3+ Notes, USD-LIBOR plus 0.60% per annum.

"**USD-LIBOR**" for each Interest Accrual Period means the rate for deposits in USD for a period of three months (with respect to the first Interest Accrual Period interpolated between 2 and 3 months) which appears on Reuters page LIBOR 01 (the British Bankers Association LIBOR Rates) (or such other page as may replace such page on that service for the purpose of displaying London interbank offered rate quotations of major banks) as of 11:00 a.m. (London time) on the second Business Day immediately preceding the commencement of such Interest Accrual Period (each, a "**LIBOR Determination Date**"), all as determined by the Issuer.

If Reuters Page LIBOR 01 is not available or if no such quotation appears thereon, in each case as at such time, the Principal Paying Agent shall request the principal London office of the Reference Banks selected by it to provide the Principal Paying Agent with its offered quotation (expressed as a percentage rate per annum) for three months deposits in USD at approximately 11:00 a.m. (London time) on the relevant LIBOR Determination Date to prime banks in the London inter-bank market for the relevant Interest Accrual Period and in an amount that is representative for a single transaction in that market at that time. If two or more of the selected Reference Banks provide the Principal Paying Agent with such offered quotations, USD-LIBOR for such Interest Accrual Period shall be the arithmetic mean of such offered quotations (rounded if necessary to the nearest one thousandth of a percentage point, with 0.0005% being rounded upwards). If on the relevant LIBOR Determination Date fewer than two of the selected Reference Banks provide the Principal Paying Agent with such offered quotations, USD-LIBOR for such Interest Accrual Period shall be the rate per annum which the Principal Paying Agent determines as being the arithmetic mean (rounded if necessary to the nearest one thousandth of a percentage point, with 0.0005% being rounded upwards) of the rates communicated to (and at the request of) the Principal Paying Agent by major banks in the London inter-bank market selected by the Principal Paying Agent, at approximately 11:00 a.m. (London time) on such LIBOR Determination Date for loans in USD to leading European banks for such Interest Accrual Period and in an amount that is representative for a single transaction in that market at that time. "**Reference Banks**" means four major banks in the London inter-bank market.

In the event that the Issuer is on any LIBOR Determination Date required but unable to determine USD-LIBOR for the relevant Interest Accrual Period in accordance with the above, USD-LIBOR for such Interest Accrual Period shall be the USD-LIBOR as determined on the previous LIBOR Determination Date.

This Section 7 shall be without prejudice to the application of any higher default interest under applicable mandatory law.

7.5 *Determinations; Notification*

As long as any Class of Notes is listed on the Luxembourg Stock Exchange, the Issuer shall on each LIBOR Determination Date determine and notify to the Luxembourg Stock Exchange and to the Luxembourg Intermediary the Interest Rate for the immediately following Interest Accrual Period with respect to each of such listed Classes.

8. **Loss Allocation**

8.1 *Order and Conditions*

On each Payment Date, the aggregate amount of any Realised Losses not previously allocated shall be allocated (prior to any principal payments to the Notes on such Payment Date) as follows (the "**Loss Allocation**"):

first, Realised Losses shall be allocated to reduce the Class Principal Amount of the Class C3+ Notes, *provided that*, for any Realised Losses so allocated, the Class Principal Amount of the Class C3+ Notes shall only be reduced in an amount equal to the product of such Realised Losses and the C3+ Reduction Factor, whereby the "**C3+ Reduction Factor**" means 0.11552028189589200;

second, after the Note Principal Amount of each of the Class C3+ Notes has been reduced to USD 1 per Class C3+ Note, Realised Losses shall be allocated to reduce the Class Principal Amount of the Class C2+ Notes, *provided that*, for any Realised Losses so allocated, the Class Principal Amount of the Class C2+ Notes shall only be reduced in an amount equal to the product of such Realised

Losses and the C2+ Reduction Factor, whereby the "**C2+ Reduction Factor**" means 0.15693958834746000;

third, after the Note Principal Amount of each of the Class C2+ Notes has been reduced to USD 1 per Class C2+ Note, Realised Losses shall be allocated to reduce the Class Principal Amount of the Class C1+ Notes, *provided that*, for any Realised Losses so allocated, the Class Principal Amount of the Class C1+ Notes shall only be reduced in an amount equal to the product of such Realised Losses and the C1+ Reduction Factor, whereby the "**C1+ Reduction Factor**" means 0.15693958834746000;

fourth, after the Note Principal Amount of each of the Class C1+ Notes has been reduced to USD 1 per Class C1+ Note, Realised Losses shall be allocated to reduce the Class Principal Amount of each of the Class B3 Notes to USD 1 per Class B3 Note;

fifth, after the Note Principal Amount of each of the Class B3 Notes has been reduced to USD 1 per Class B3 Note, Realised Losses shall be allocated to reduce the Class Principal Amount of the Class B2 Notes;

sixth, after the Note Principal Amount of each of the Class B2 Notes has been reduced to USD 1 per Class B2 Note, Realised Losses shall be allocated to reduce the Class Principal Amount of the Class B1 Notes;

seventh, after the Note Principal Amount of each of the Class B1 Notes has been reduced to USD 1 per Class B1 Note, Realised Losses shall be allocated to reduce the Class Principal Amount of the Class A2 Notes;

eighth, after the Note Principal Amount of each of the Class A2 Notes has been reduced to USD 1 per Class A2 Note, Realised Losses shall be allocated up to an aggregate amount equal to the Tranche A1+ Amount to reduce the Class Principal Amount of the Class A1+ Notes to USD 1 per Note, *provided that*, for any Realised Losses so allocated, the Class Principal Amount of the Class A1+ Notes shall only be reduced in an amount equal to the product of such Realised Losses and the A1+ Reduction Factor, whereby the "**A1+ Reduction Factor**" means 0.00241301742651540;

provided that (i) the Issuer has duly notified the Trustee pursuant to Section 8.4 (Loss Allocation - Notice to the Trustee) and (ii) the Issuer's determination and/or allocation of Realised Losses shall be subject to the terms of any Notice received in accordance with Clause 12 of the Trust Agreement before 11 a.m. CET on the fourth Business Day preceding the relevant Payment Date. Realised Losses may not be allocated pursuant to the Loss Allocation if any condition for Loss Allocation is not complied with, if and for as long as the Issuer is in breach of its obligation to maintain a trustee pursuant to Section 5 (Trustee) or of any of its obligations under the Trust Agreement and such breach of the Trust Agreement may affect the exercise of the Trustee's rights and obligations under the Trust Agreement to the detriment of the Transaction Creditors, *provided that* such Realised Losses may be allocated pursuant to the Loss Allocation once such breach has been remedied but only to the extent that no such breach has resulted in or increased any such Realised Loss and *provided further that*, if any such breach of the Trust Agreement is in relation to one or more Reference Claims only (including a breach of reporting requirements in respect of a portion of Reference Claims), the Loss Allocation in respect of all other Reference Claims shall not be affected by such breach.

Accordingly, the Note Principal Amount of each Note of any Class shall be reduced on each Payment Date in an amount equal to the reduction of the Class Principal Amount of such Class in accordance with this paragraph (1) divided by the number of Notes in such Class, *provided that* the Note Principal Amount of each Note of any Class shall not be reduced below USD 1.

A Reference Claim in respect of which any of the Eligibility Criteria or Servicing Standards is not complied with shall only insofar qualify for allocation of Realised Losses pursuant to this Section 8.1, as set out in Provision 8 (Non-compliance with Eligibility Criteria or Servicing Standards) of the Reference Pool Provisions.

The allocation of Realised Losses to any Note shall not be affected by (i) the invalidity or unenforceability or (ii) any redemption other than in accordance with the Terms and Conditions, of any other Note ranking equal

or junior to such Note for the purposes of Loss Allocation. If any Note remains outstanding after any other Note, which, for the purposes of Loss Allocation, ranks equal or junior to such outstanding Note, has been, for any reason, redeemed, repurchased or cancelled (whether following a Foreclosure Event or otherwise) in full or in part (as opposed to any reduction of the principal amount by Loss Allocation), each such other junior or equal ranking Note shall be deemed to remain outstanding for the purposes of the Loss Allocation in respect of such Note.

"Realised Loss" means, in respect of a Liquidated Reference Claim, the Outstanding Nominal Amount of, the Accrued Interest on and the related Enforcement Costs in respect of such Liquidated Reference Claim as of the end of the Collection Period during which it became a Liquidated Reference Claim, *provided that* such Reference Claim has been notified to the Trustee pursuant to Section 8.4 and *provided further that*, if, before or after the occurrence of a Credit Event in respect of such Reference Claim, any amount of principal has been forgone in connection with any payment rescheduling or debt restructuring of such Reference Claim in compliance with the Servicing Standards (but without prejudice to Provision 8 (Non-compliance with Eligibility Criteria or Servicing Standards) of the Reference Pool Provisions), such amount shall be included in, or (where the remaining Outstanding Nominal Amount of such Reference Claim has been redeemed in full so that there are no other losses with respect to such Liquidated Reference Claim) constitute the Outstanding Nominal Amount of such Liquidated Reference Claim.

"Accrued Interest" means in respect of a Reference Claim unpaid interest at the Contractual Rate of Interest, including, for the avoidance of doubt, any capitalised interest (if any), *provided that* in connection with payment rescheduling or debt restructuring of a Reference Claim in accordance with the Servicing Standards (i) interest on any amount of principal foregone as part thereof shall be deemed to accrue as if such amount had not been forgiven and (ii) any amount of interest foregone as part thereof shall be included in the Accrued Interest with respect to such Reference Claim.

"Contractual Rate of Interest" means the rate of interest applicable to a Reference Claim under the relevant Reference Loan documentation.

"Outstanding Nominal Amount" means at any time with respect to a Reference Claim, its initial principal amount as specified in the Reference Claim List attached as Schedule 1 to the Trust Agreement as reduced by the Collections in respect of such Reference Claim *provided that* any amounts of principal foregone as part of payment rescheduling or debt restructuring of such Reference Claim in accordance with the Servicing Standards shall be deemed not to reduce the Outstanding Nominal Amount of such Reference Claim and if after any such forgiveness of principal the remaining principal amount of such Reference Claim has been satisfied in full, such Reference Claim shall be deemed to exist in an amount equal to the amount of principal foregone in respect of such Reference Claim.

"Collections" means with respect to a Reference Claim, any reductions of the principal amount of such Reference Claim by way of payments (including prepayments, Enforcement Proceeds and Late Recoveries) or set-off or other performances, allocable to the principal amount of such Reference Claim pursuant to Provision 5 of the Reference Pool Provisions (Allocation of Payments and Enforcement Proceeds).

"Collection Period" means, with respect to the first Payment Date, the period commencing on the Cut-off Date and ending on May 31, 2006 (both days inclusive) and, with respect to any subsequent Payment Date, the period from the first day of the third month preceding the month in which such Payment Date occurs and ending on the last day of the month preceding the month in which the related Payment Date occurs (both dates inclusive) and **"Related Collection Period"** means the Collection Period immediately preceding a given Payment Date and the relevant Determination Date.

"Determination Date" means with respect to any Payment Date the 1st Business Day, following the last day of the calendar month immediately preceding such Payment Date.

"Enforcement Costs" means in relation to a Reference Claim all amounts outstanding with respect to reasonable fees, disbursements, costs and expenses (excluding internal costs and expenses of the Servicer) payable or incurred in connection with the enforcement of such Reference Claim, including enforcement on the related Reference Mortgage, other than any enforcement costs already included in the determination of the Enforcement Proceeds, *provided that* for the purpose of the determination of the Appraised Loss, such amounts

will be included in the appraisal.

"Liquidated Reference Claim" means a Reference Claim:

- (i) which was a Defaulted Reference Claim prior to the notification pursuant to (ii) below and
- (ii) as to which the Issuer has notified the Trustee pursuant to Section 8.4 that the Issuer has determined in accordance with the Servicing Principles that all amounts expected to be recovered in respect of such Reference Claim and allocable to the principal amount, the Accrued Interest and/or the Enforcement Costs in respect thereof have been paid on such Reference Claim. For this purpose, the Issuer may, without limitation, assume that all amounts expected to be recovered in respect of a Reference Claim have been paid if the Enforcement of the relevant Reference Collateral is completed or was not commenced on the basis of an opinion of an independent third party expert (which is, in case of Reference Mortgage, an MAI (Member Appraisal Institute), and in case of any other Reference Collateral, a recognised competent firm of valuers with relevant market knowledge) stating on the basis of an independent appraisal of the market value of the Reference Collateral that the Enforcement Proceeds will not result in a reduction of the Realised Loss in respect of such Reference Claim.

For the avoidance of doubt, a Reference Claim cannot become a Liquidated Reference Claim as a result of a sale of such Reference Claim to a third party. For the avoidance of doubt, a Reference Claim which has been fully redeemed after any amount of principal has been forgone in connection with any payment rescheduling or debt restructuring of such Reference Claim in compliance with the Servicing Principles, may constitute a Liquidated Reference Claim.

"Defaulted Reference Claim" means a Reference Claim, other than a Liquidated Reference Claim, in respect of which

- (i) a Credit Event has occurred on or after the Issue Date and has not been remedied or waived, and
- (ii) Credit Event Notice has been given with respect to any Credit Event.

"Credit Event" means with respect to a Reference Claim the occurrence, after the Issue Date, of (i) Bankruptcy, (ii) Failure to Pay or (iii) Restructuring Event. Without prejudice to the Eligibility Criteria and the conditions to Loss Allocation, (x) the occurrence of Bankruptcy or Failure to Pay or Restructuring Event will constitute a Credit Event whether or not such occurrence arises directly or indirectly from (a) any lack or alleged lack of authority or capacity of a Borrower to enter into any Reference Loan underlying a Reference Claim, and (b) any actual or alleged unenforceability, illegality, impossibility or invalidity with respect to any Reference Claim, however described, and (y) a Restructuring Event will constitute a Credit Event whether or not the Servicing Standards were complied with in connection with such Restructuring Event.

"Bankruptcy" means, with respect to a Borrower, that it (a) is dissolved (other than pursuant to a consolidation, amalgamation or merger); (b) becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due; (c) makes a general assignment, arrangement or composition with or for the benefit of its creditors; (d) institutes or has instituted against it proceedings seeking a judgement of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceedings or petition (i) results in a judgement of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (ii) is not dismissed, discharged, stayed or restrained in each case within 30 calendar days of the institution or presentation thereof; (e) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger); (f) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets; (g) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within 30 calendar days thereafter; (h) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified under clauses (a) to (g) (inclusive); or (i) takes any action in furtherance of or indicating its consent to, approval of, or acquiescence in,

any of the foregoing acts.

"Failure to Pay" means, with respect to a Reference Claim, that a due payment, including payments of interest and any other payments owed under the relevant Reference Loan in relation to the Reference Claim, in an aggregate amount of not less than USD 15,000, or if lower, 50% of the Outstanding Nominal Amount of such Reference Claim has not been made when due within 90 calendar days from the relevant due date, provided that a payment shall be deemed to have been made if the related payment obligation of the Borrower pursuant to the relevant Reference Loan has been fully satisfied in such amount.

"Restructuring Event" means, with respect to a Reference Claim, the restructuring of such Reference Claim involving forgiveness or postponement of principal, interest or fees that results in a credit loss event (i.e. value adjustment or other similar debit to the profit and loss account).

"Credit Event Notice" means an irrevocable notice by the Issuer to the Trustee that describes a Credit Event that occurred and was not remedied on or after the Issue Date. A Credit Event Notice must contain a description in reasonable detail of the facts relevant to the determination that a Credit Event has occurred and specify the Reference Claim in respect of which the Credit Event has occurred. A Credit Event Notice may be delivered between 9:00 a.m. and 4:00 p.m. (Stuttgart time) on any Business Day in accordance with the Trust Agreement. If a Credit Event Notice is delivered to the Trustee after 4:00 p.m. (Stuttgart time) on a Business Day or on a day which is not a Business Day, such Credit Event Notice shall be deemed delivered on the immediately following Business Day.

8.2 *Late Recoveries*

Any payment the Servicer receives during a Collection Period which is allocable to a Liquidated Reference Claim pursuant to Provision 5 (Allocation of Payments and Enforcement Proceeds) of the Reference Pool Provisions in respect of which any Realised Losses were allocated to the Notes (each a "**Late Recovery**"), shall be allocated as of the following Payment Date as follows:

- (a) if Realised Losses are to be allocated to the Notes on such Payment Date: such Late Recoveries shall be allocated to reduce such Realised Losses (so that only the amount by which such Realised Losses exceed such Late Recoveries shall be allocated to the Notes pursuant to Section 8);
- (b) any amount of such Late Recoveries remaining after any allocation pursuant to paragraph (a) above, shall be allocated to reverse any previous Loss Allocations sequentially in an order which is the reverse of the order of the Loss Allocation set forth in Section 8.1 (Loss Allocation - Order and Conditions), starting with the most senior Class to which Realised Losses had been allocated. Accordingly, the amount of such Late Recoveries shall be allocated, in such reverse order, to increase equally each Note Principal Amount of the Notes of the relevant Class or Classes, *provided that*, in the case of the Class A1+ Notes, Class C1+ Notes, Class C2+ Notes and Class C3+ Notes, such Late Recoveries shall be allocated only as multiplied by the A1+ Reduction Factor, C1+ Reduction Factor, C2+ Reduction Factor or C3+ Reduction Factor, respectively.

For the avoidance of doubt,

- (i) for the period from the allocation of Realised Losses to any Notes pursuant to the Loss Allocation until the allocation of related Late Recoveries pursuant to this Section 8.2, the Noteholders shall receive no additional payment of interest in respect of the increase of the Note Principal Amounts pursuant to this Section 8.2 or otherwise on the account of the amount of such Late Recoveries;
- (ii) Late Recoveries, to the extent allocable to the principal amount of such Reference Claim, shall constitute Collections on the relevant Reference Claims;
- (iii) the Noteholders shall have no rights with respect to any Late Recoveries after the final redemption of their Notes, and
- (iv) the cumulative amount of all Late Recoveries with respect to any single Liquidated Reference Claim shall be limited to the amount of Realised Loss in respect of such Liquidated Reference Claim allocated to the Notes (in the case of Loss Allocation to the Class A1+ Notes, Class C1+ Notes, Class C2+ Notes and C3+ Notes, such Realised Loss shall be taken into account without multiplication by the A1+ Reduction

Factor, C1+ Reduction Factor, C2+ Reduction Factor or C3+ Reduction Factor, as applicable) pursuant to the Loss Allocation and the exceeding amount shall be deemed not to be a Late Recovery.

8.3 *Determinations*

In determining and allocating Realised Losses the Issuer shall duly protect the interests of the Transaction Creditors with respect to such allocations and shall not place the Transaction Creditors in a less favourable position than is its own position or any third party's position with respect to the Reference Claims, Reference Collateral and/or any of the Borrowers to the extent relevant in connection with such allocation.

8.4 *Notice to the Trustee*

The Issuer shall notify the Trustee in writing of each Reference Claim which has become a Liquidated Reference Claim, the amount of Realised Losses with respect to such Liquidated Reference Claim and intended allocation of such Realised Losses pursuant to Section 8.1.

8.5 *Transfer*

The Issuer shall not transfer a Reference Claim to a third party without the prior written consent of the Trustee, the Senior Swap Counterparty and the Class C Swap Counterparties.

9. Unjustified Loss Allocation

9.1 *Reversal of Realised Loss*

On the Payment Date following the notification of an Unjustified Loss Allocation pursuant to Section 9.3,

- (i) the amount of Unjustified Loss Allocation shall be treated as a Late Recovery with regard to the reduction and reversal of Realised Losses, and
- (ii) the Issuer shall pay interest on the amount by which the Note Principal Amount of any Note was decreased as a result of an Unjustified Loss Allocation for the period from such allocation until re-instatement thereof, at the rate(s) of interest applicable to such Note during such period plus a default interest of 3% per annum.

"**Unjustified Loss Allocation**" means any Loss Allocation or any part thereof which was not made in compliance with Section 8 (Loss Allocation).

9.2 *Collections*

For the avoidance of doubt, any payment or other reduction of the principal amount in accordance with Provision 5 (Allocation of Payments and Enforcement Proceeds) of the Reference Pool Provisions of a Reference Claim for which an Unjustified Loss Allocation has been determined shall constitute a Collection on such Reference Claim.

9.3 *Determinations*

If the Issuer becomes aware of any Unjustified Loss Allocation the Issuer shall promptly calculate the re-instatement of the Note Principal Amount of any Notes for purposes of Section 8.2. The Issuer shall notify the Trustee of the Unjustified Loss Allocations and the re-instatement pursuant to Section 14.1 on the Reporting Date immediately following the Collection Period in which the Issuer has become aware of such Unjustified Loss Allocation.

10. Redemption

10.1 *Amortisation of the Notes*

- (a) On each Payment Date prior to the Final Scheduled Payment Date the Notes may be redeemed in an amount equal to the Excess Amount as follows:
 - (i) if the Notes are redeemed, the Class A1+ Notes shall be redeemed in an amount equal to the Excess

Amount multiplied by the A1+ Reduction Factor;

- (ii) after the Note Principal Amount of each of the Class A1+ Notes has been redeemed in full, the Class A2 Notes, the Class B1 Notes, the Class B2 Notes, the Class B3 Notes may be redeemed and in an amount equal to the Excess Amount, in this order sequentially in each case until the Note Principal Amount of each Note of each of such Classes has been redeemed in full;
- (iii) after the Note Principal Amount of each of the Class B3 Notes has been redeemed in full, the Class C1+ Notes, the Class C2+ Notes and the Class C3+ Notes may be redeemed, in this order sequentially and in each case in an amount equal to the Excess Amount multiplied by the C1+ Reduction Factor, C2+ Reduction Factor or C3+ Reduction Factor, respectively, until the Note Principal Amount of each Note of each of such Classes has been redeemed in full;

provided that the redemption amount allocated to each Class of Notes, including for the purposes of the definition of "Excess Amount" will be, in each case, calculated after the reduction of the Class Principal Amount(s) by allocation of Realised Losses if any, and the increase of the Class Principal Amount (s) as a result of allocation of Late Recoveries and/or Unjustified Loss Allocation, if any, in each case on the relevant Payment Date pursuant to Section 8 (Loss Allocation) and Section 9 (Unjustified Loss Allocation), respectively.

"**Excess Amount**" means, in respect of each Payment Date, the excess, if any, of (x) the aggregate of the Class Principal Amounts of all Classes of Notes divided, in the case of the Class A1+ Notes, Class C1+ Notes, Class C2+ Notes and Class C3+ Notes, by the A1+ Reduction Factor, C1+ Reduction Factor, C2+ Reduction Factor or C3+ Reduction Factor, respectively, over (y) the Aggregate Principal Balance as of such Payment Date reduced by the aggregate Outstanding Nominal Amounts of all Liquidated Reference Claims in respect of which Realised Losses have been allocated pursuant to Loss Allocation on or prior to such date *provided that* if the Excess Amount, multiplied in the case of (i) above by the A1+ Reduction Factor and in the case of (iii) above by the C1+ Reduction Factor, C2+ Reduction Factor and C3+ Reduction Factor, respectively, exceeds the Class Principal Amount of the relevant Class of Notes (such excess amount, the "**Class Excess**"), such Class may be redeemed only in the amount of such Class Principal Amount and the Class Excess, divided, if such Class Excess results from the application of (i) or (iii) above, by the A1+ Reduction Factor, C1+ Reduction Factor, C2+ Reduction Factor or C3+ Reduction Factor, respectively, shall constitute the "Excess Amount" for the purposes of calculating the redemption amount for the Class of Notes next to be redeemed pursuant to the order set out in (i), (ii) and (iii) above.

"**Aggregate Principal Balance**" means the sum of the aggregate Outstanding Nominal Amounts of all Reference Claims including the Outstanding Nominal Amount of any Reference Claim which is either a Defaulted Reference Claim or a Liquidated Reference Claim, but excluding the Outstanding Nominal Amounts of any Reference Claims removed from the Reference Pool pursuant to Provision 8 (Non-compliance with Eligibility Criteria or Servicing Standards) of the Reference Pool Provisions or as a result of the transfer of the respective Reference Claim in accordance with Section 8.5 (Transfer).

- (b) Each Note of a particular Class may be redeemed on any Payment Date prior to the Final Scheduled Payment Date in an amount equal to the redemption amount allocated to such Class in accordance with paragraph (a) above divided by the number of Notes in such Class.

The Issuer shall determine the amounts of principal payable on each Note on the related Payment Date and shall notify such amounts to the Trustee pursuant to Section 14.1 (Notification – Trustee Notification). The Luxembourg Stock Exchange will be regularly informed of the aggregate outstanding principal amount of each Class of Notes listed on the Luxembourg Stock Exchange.

10.2 Scheduled Maturity

The Notes shall be redeemed on the Payment Date falling in December 2025 (the "**Final Scheduled Payment Date**") at their Note Principal Amount as of the Final Scheduled Payment Date (as reduced by the allocation of Realised Losses, if any, as of such date), *provided that*, if any Reference Claim is overdue and outstanding or in respect of which Bankruptcy or a Restructuring Event has occurred (each, an "**Overdue Reference Claim**", which term shall include, for the avoidance of doubt, any Defaulted Reference Claim) as of the end of the Collection Period immediately preceding the Final Scheduled Payment Date, then the redemption of the Notes

shall be subject to the following:

- (a) the redemption of those Notes to which the Outstanding Nominal Amounts of such Overdue Reference Claims as of the end of the Collection Period immediately preceding the Final Scheduled Payment Date would be allocated pursuant to the Loss Allocation if those amounts were Realised Losses, shall be deferred so that the aggregate outstanding Note Principal Amounts of the Notes (divided in the case of the Class A1+ Notes, Class C1+ Notes, Class C2+ Notes and Class C3+ Notes by the A1+ Reduction Factor, C1+ Reduction Factor, C2+ Reduction Factor and C3+ Reduction Factor, respectively) immediately after the Final Scheduled Payment Date is in an amount equal to the aggregate Outstanding Nominal Amounts of such Overdue Reference Claims as of the end of the Collection Period immediately preceding the Final Scheduled Payment Date, and
- (b) if one or more Classes of Notes remain outstanding pursuant to paragraph (a) above, the Terms and Conditions shall continue to apply to such Classes of Notes, *provided that* on each Payment Date following the Final Scheduled Payment Date, such Classes of Notes shall be redeemed sequentially, starting with the most senior Class or Classes of Notes for the purpose of Loss Allocation and *provided that* the next Class shall be redeemed only after the Class more senior for the purpose of Loss Allocation has been fully redeemed, as set out in Section 10.1 (Redemption - Amortisation of the Notes) except that the references to "Reference Claims" in the definition of Excess Amount therein shall be deemed to be references to the Overdue Reference Claims.

10.3 *Legal Maturity*

In the event that any Defaulted Reference Claim remains outstanding on the Determination Date immediately preceding the Payment Date falling in December 2027 (the "**Legal Maturity Date**"), the Issuer shall:

- (a) cause the determination of Appraised Loss in respect of each such Defaulted Reference Claim;
- (b) make the determination in respect of allocation of each such Appraised Loss as Realised Loss and any other Realised Losses pursuant to Section 8 (Loss Allocation) to the remaining outstanding Notes on the Legal Maturity Date, and
- (c) redeem the remaining outstanding Notes at their Note Principal Amounts on the Legal Maturity Date.

"**Appraised Loss**" as of a certain date means, with respect to a certain Defaulted Reference Claim, the excess of (A) the Outstanding Nominal Amount of such Reference Claim and the Accrued Interest and the Enforcement Costs in relation to such Reference Claim as of such date over (B) its Appraised Value at such time.

"**Appraised Value**" means, with respect to a Defaulted Reference Claim, the aggregate amount of the expected future recoveries allocable to such Defaulted Reference Claim (including, for the avoidance of doubt, with respect to Accrued Interest and Enforcement Costs) in accordance with the Reference Pool Provisions and the Servicing Standards, determined as the arithmetic mean of amounts determined by two independent appraisers each of which is an MAI (Member Appraisal Institute) appointed for this purpose by the Trustee in accordance with the Trust Agreement.

11. **Early Redemption for Default**

11.1 *Default Events*

Each Noteholder may declare due the Notes held by it by delivery of a written notice to the Issuer with a copy to the Trustee and the Luxembourg Intermediary if a Default Event with respect to any Note held by it occurred *provided that* the right to declare the Notes due in respect of any Default Event shall cease to exist if such Default Event has been cured before the right is exercised.

"**Default Event**" means either of the following:

- (i) the Issuer fails to make within 30 calendar days from the relevant due date any payment due to be made under the Notes;
- (ii) the Issuer or its assets become subject to bankruptcy, examinership, insolvency, moratorium or similar

proceedings, which affect or prejudice the performance of obligations under the Notes, or there is a refusal to institute such proceedings for lack of assets, or

- (iii) the expiration of the 30th Business Day (the "**Trustee Resignation Effective Date**") following the delivery of a notice (the "**Resignation Notice**") by the Trustee to the Noteholders pursuant to Section 15 (Form of Notices) that it will resign as Trustee pursuant to the Trust Agreement for good cause (*aus wichtigem Grund*) unless the Trustee has given a notice to the Noteholders pursuant to Section 15 (Form of Notices) on or before the 28th Business Day following the delivery of the Resignation Notice that the cause for such resignation has been remedied to the Trustee's satisfaction or a successor trustee has been appointed in accordance with the Trust Agreement.

11.2 Method and Amount

In the event that any Noteholder exercises its right pursuant to Section 11.1, the Issuer shall, subject to paragraph (b) below, redeem all of the Notes (but not some only) within 10 Business Days following the Termination Date in the amount equal to their Note Principal Amounts as of the Termination Date as reduced by any Realised Losses to be determined and allocated pursuant to Section 8 (Loss Allocation) as of the Termination Date (as reduced by Late Recoveries and as a result of an Unjustified Loss Allocation) as if such date were a Payment Date (with the related Collection Period ending on the Termination Date) plus accrued interest on such Notes *provided that*, if, as of the Termination Date, any Defaulted Reference Claims are outstanding, the Issuer may, at its option, redeem the Notes subject to the following:

- (a) the redemption of those Notes, to which the Outstanding Nominal Amounts of such Defaulted Reference Claim(s) as of the Termination Date would be allocated pursuant to Section 8 (Loss Allocation) if such amounts were Realised Losses, shall be deferred so that the aggregate of the Note Principal Amounts of such Notes (divided in the case of Class A1+ Notes, Class C1+ Notes, Class C2+ Notes and Class C3+ Notes by the A1+ Reduction Factor, C1+ Reduction Factor, C2+ Reduction Factor and C3+ Reduction Factor, respectively) immediately after the Termination Date is in an amount equal to the aggregate of such Outstanding Nominal Amounts of such Defaulted Reference Claims as of the Termination Date; and
- (b) the Issuer shall procure that the Appraised Losses of the Defaulted Reference Claims outstanding as of the Termination Date are determined within 30 calendar days of the Termination Date. In relation to each Defaulted Reference Claim, each such Appraised Loss shall constitute a Realised Loss to be allocated pursuant to Section 8.1. Not later than on the third Business Day following the expiry of such 30 calendar day period each such Realised Loss shall be allocated pursuant to Section 8 (Loss Allocation) and the Issuer shall redeem the remaining outstanding Notes at the then outstanding Note Principal Amounts following such Loss Allocation together with accrued interest thereon to the date of redemption,

provided that for the purpose of this Section 11.2, no Payment Dates shall occur after the Termination Date.

If the Issuer exercises the option pursuant to (a) above, it shall give notice to the Noteholders in accordance with Section 15 within 5 Business Days following the Termination Date.

If any Note remains outstanding after any other Note, which, for the purposes of Loss Allocation, ranks equal or junior to such outstanding Note, has been, for any reason, redeemed in full or in part (as opposed to any reduction of the principal amount by Loss Allocation), each such other Note shall be deemed to remain outstanding for the purposes of the Loss Allocation in respect of such Note.

"**Termination Date**" means the date on which the first early redemption notice from a Noteholder pursuant to Section 11.1 is received by the Issuer.

12. Early Redemption by the Issuer

12.1 Issuer Call

On any Payment Date following the Collection Period during which (i) a Regulatory Event occurred or (ii) the Aggregate Principal Balance of the Reference Pool has been reduced to less than 10% of the Initial Aggregate Principal Balance or (iii) the 5th anniversary of the Issue Date occurred, the Issuer shall have the right but no

obligation to redeem the Notes (all Classes but not some only, in whole but not in part except by operation of Section 12.2) at their Note Principal Amounts as of the relevant Payment Date (the "**Call Date**") in accordance with this Section 12.1 (the "**Issuer Call**"), *provided that* the Issuer may waive any of its rights to redeem the Notes set forth in (i) to (iii) above in whole or in part by notice to the Trustee and upon delivery of such notice to the Trustee the relevant redemption right will cease to exist to the extent specified in such notice. The Trustee shall receive prior notice of the Issuer Call pursuant to Section 14.3(a).

"Regulatory Event" means any enactment or establishment of or supplement or amendment to, or change in, (A) the laws of the Federal Republic of Germany, or an official communication of previously not existing or not publicly available official interpretation of such laws, or a change in the official interpretation, implementation or application of such laws, or (B) any accord, standard or recommendation of the Basle Committee on Banking Supervision or an official communication of previously not existing or not publicly available official interpretation of any such accord, standard or recommendation, or a change in the official interpretation, implementation or application of any such accord standard or recommendation, in each case that becomes effective on or after the Issue Date, as a result of which, in the determination of the Issuer (and confirmed in writing by the Trustee in its professional judgement), for reasons outside the Issuer's control, and after taking reasonable measures (such measures not involving any material additional payment by, or capital or other expenses for, the Issuer), (i) the Issuer would be materially restricted from performing any of its obligations under any of the Transaction Documents, (ii) the Issuer would be subject to a less favourable capital adequacy treatment with respect to the Transaction, the Reference Claims (taking into account any capital relief from the Notes or the Senior Swap or the Class C Swaps) and/or the amount of regulatory capital freed up in respect of any Reference Claim, including, without limitation, as a result of a reduction of the risk weighting factor for such Reference Claim by comparison to the situation that existed on the Issue Date immediately after the issue of the Notes or (iii) be required to make any tax withholding or deduction in respect of any payments on the Notes.

For the avoidance of doubt, the occurrence of a Regulatory Event shall not be excluded by the fact that, prior to the Issue Date, (a) the event constituting such Regulatory Event was announced or contained in any proposal for a change in the official interpretation, implementation or application of the laws of the Federal Republic of Germany or any accord, standard or recommendation of the Basle Committee on Banking Supervision (including any document or other communication in draft form) or expressed in any statement by any official of the competent authority in expert meetings or other discussions in connection with such change or (b) the competent authority has taken any decision or expressed any view with respect to any individual transaction other than the Transaction. Accordingly, such proposals, statements, decisions or views shall not be taken into account when assessing the capital adequacy treatment to which the Issuer is subject on the Issue Date immediately after the issue of Notes.

The right to exercise the Issuer Call pursuant to this Section 12 remains unaffected upon sale and transfer of any of the Reference Claims by the Issuer pursuant to Section 8.5.

12.2 *Deferred Redemption*

If any Overdue Reference Claims are outstanding as of the end of the Collection Period immediately preceding the Call Date, then the redemption of the Notes pursuant to Section 12.1 (Early Redemption by the Issuer – Issuer Call) shall be subject to the following:

- (a) the redemption of those Notes to which the Outstanding Nominal Amounts of such Overdue Reference Claims as of the end of the Collection Period immediately preceding the Call Date would be allocated pursuant to the Loss Allocation if those amounts were Realised Losses, shall be deferred so that the aggregate outstanding Note Principal Amounts of the Notes (divided in the case of the Class A1+ Notes, Class C1+ Notes, Class C2+ Notes and Class C3+ Notes by the A1+ Reduction Factor, C1+ Reduction Factor, C2+ Reduction Factor and C3+ Reduction Factor, respectively) immediately after the Call Date is in an amount equal to the aggregate Outstanding Nominal Amounts of such Overdue Reference Claims as of the end of the Collection Period immediately preceding the Call Date, and
- (b) if one or more Classes of Notes remain outstanding pursuant to paragraph (a) above, the Terms and Conditions shall continue to apply to such Classes of Notes, *provided that* on each Payment Date following the Call Date, such Classes of Notes shall be redeemed sequentially, starting with the most

senior Class or Classes of Notes for the purpose of Loss Allocation and *provided that* the next Class shall be redeemed only after the Class more senior for the purpose of Loss Allocation has been fully redeemed, as set out in Section 10.1 (Redemption - Amortisation of the Notes) except that the references to "Reference Claims" in the definition of Excess Amount therein shall be deemed to be references to the Overdue Reference Claims.

12.3 Notification

The Issuer shall notify the Trustee and the Noteholders in connection with the Issuer Call pursuant to Section 14.3.

13. Taxes

Payments in respect of the Notes shall only be made after deduction and withholding of current or future taxes, levies or governmental charges, regardless of their nature, which are imposed, levied or collected (collectively, "Taxes") under any applicable system of law or in any country which claims fiscal jurisdiction by, or for the account of, any political subdivision thereof or government agency therein authorised to levy Taxes, to the extent that such deduction or withholding is required by law. The Issuer shall account for the deducted or withheld Taxes with the competent government agencies and shall, upon request of a Noteholder, provide proof thereof. The Issuer is not obliged to pay any additional amounts as compensation for Taxes.

14. Notification

14.1 Trustee Notification

With respect to each Collection Period, the Issuer shall provide the Trustee not later than the sixth Business Day preceding the relevant Payment Date with a report on the performance of the Reference Pool pursuant to the Trust Agreement, information on determinations and calculations regarding the Interest Rates, the aggregate Interest Amounts and the redemption amounts on individual Classes of Notes, any Loss Allocation on the Payment Date following such Collection Period, any re-instatement of the Note Principal Amounts of any Notes in connection with the Unjustified Loss Allocation and such other information as required to be notified to the Trustee by the Issuer pursuant to the Transaction Documents.

14.2 Noteholder Report

With respect to each Payment Date, the Issuer shall notify the Rating Agencies and the holders of Notes of each Class, by means of publication in accordance with Section 15, and as long as any Class of Notes is listed on the market of the Luxembourg Stock Exchange appearing on the list of regulated markets issued by the European Commission, the Luxembourg Stock Exchange, not later than the second Business Day preceding the relevant Payment Date, of:

- (i) the applicable Interest Accrual Period, the amount of principal on each Note of such Class and the Note Principal Amount taken into account when calculating the Interest Amount payable in respect of such Interest Accrual Period, the applicable Interest Rate and the Interest Amount to be paid on such Payment Date,
- (ii) allocation of Realised Losses, if any, and the principal amount of the Classes of Notes outstanding after such Loss Allocation and the payment of principal on such Payment Date,
- (iii) in the event of the final payment on the Notes of such Class pursuant to Section 10.1, the fact that such is the final payment,
- (iv) payments and re-increase of the principal amount of any Class of Notes on account of previous Unjustified Loss Allocation, distribution of Late Recoveries or removal of Reference Claims from the Reference Pool,
- (v) the aggregate Outstanding Nominal Amount and the aggregate amounts of the overdue payments in respect of all Reference Claims in the Reference Pool which are Defaulted Reference Claims as of the end of the Related Collection Period,

(vi) the current Aggregate Principal Balance (such information together, the "**Noteholder Report**").

14.3 *Notification in the Case of Issuer Call*

- (a) In connection with the Issuer Call the Issuer shall:
- (i) not later than 45 calendar days prior to the intended Call Date notify the Trustee of its intention to exercise the Issuer Call on a particular Payment Date, and
 - (ii) not later than the sixth Business Day preceding the Call Date, provide the Trustee with a report on the Issuer Call (the "**Call Report**") pursuant to the Trust Agreement.
- (b) In connection with the Issuer Call the Issuer shall notify the Noteholders in accordance with Section 15, not later than the second Business Day preceding the relevant Payment Date, of:
- (i) whether any Overdue Reference Claims were outstanding as of the end of the Collection Period immediately preceding the Call Date and whether any Classes of Notes remain outstanding pursuant to Section 12.2;
 - (ii) the fact that such exercise of the Issuer Call and therefore payment on the relevant Notes is final, *provided that* the Issuer may exercise the Issuer Call by a separate notice to the Noteholders in accordance with Section 15 at any time before the notice in respect of the matters referred to in paragraph (b)(i) is given.

14.4 *General*

The right of the Trustee to request at any time such documents and information as it considers necessary pursuant to the Trust Agreement remains unaffected by the provisions of this Section 14.

15. **Form of Notices**

All notices to the Noteholders regarding the Notes shall be (i) published in a leading daily newspaper having general circulation in Luxembourg (which is expected to be the *D'Wort*) if and to the extent a publication is required by the rules of the Luxembourg Stock Exchange and (ii)(A) delivered to the applicable clearing systems for communication by it to the Noteholders, or (B) made available for a period of not less than 30 calendar days on a web site, the address of which will be notified to the Noteholders pursuant to (i) and to the Luxembourg Intermediary on or before the relevant notice is given in accordance with (ii)(B) or (C) published on the website of the Luxembourg Stock Exchange (www.bourse.lu). Any notice referred to under (i) above shall be deemed to have been given to all Noteholders on the date of such publication. Any notice referred to under (ii)(A) above shall be deemed to have been given to all Noteholders on the seventh calendar day after the day on which the said notice was delivered to the respective clearing systems. Any notice referred to under (ii)(B) above shall be deemed to have been given to all Noteholders on the day on which it is made available on the web site, *provided that* if so made available after 4:00 p.m. (Stuttgart time) it shall be deemed to have been given on the immediately following calendar day.

16. **Agents**

The Issuer has agreed to act as initial principal paying agent (the "**Principal Paying Agent**") and has appointed Deutsche Bank Luxembourg S.A., 2 Boulevard Konrad Adenauer, L-1115 Luxembourg, Luxembourg as initial Luxembourg intermediary (in such capacity, the "**Luxembourg Intermediary**"). The Luxembourg Intermediary shall act as intermediary between the Issuer and the holders of Notes of any Class which is listed on the market of the Luxembourg Stock Exchange appearing on the list of regulated markets issued by the European Commission.

The Luxembourg Intermediary shall, among others, make available documents and information in respect of the Notes as specified in the Terms and Conditions and deliver copies of the Prospectus and the published financial statements of the Issuer upon request.

The Issuer shall procure that for as long as any Class of Notes remains listed on any stock exchange there shall always be an intermediary agent or paying agent with a specified office in such place as may be required by the

rules of such stock exchange. The Issuer may at any time, by giving not less than 30 calendar days' notice by publication in accordance with Section 15, appoint a principal paying agent or replace the Luxembourg Intermediary by one or more other banks or other financial institutions which assume such functions. Any principal paying agent and Luxembourg Intermediary shall act solely as agent for the Issuer and shall not have any agency or trustee relationship with the Noteholders.

17. Transfer of Issuer's Functions

Subject to Provision 7(c) (Servicing Standards) of the Reference Pool Provisions, the Issuer may at any time, by giving not less than 30 calendar days' notice by publication in accordance with Section 15, transfer some or all of its functions herein to one or more other banks or other financial institutions which assume such functions (each, an "**Issuer Agent**"), subject to the written consent of the Trustee and the written confirmation by each of the Rating Agencies that such delegation will neither result in a withdrawal of the rating in respect of, nor in a downgrading of, the Notes, and subject to the following conditions:

- (a) Each Issuer Agent shall act solely as vicarious agent (*Erfüllungsgehilfe*) pursuant to § 278 of the German Civil Code (*Bürgerliches Gesetzbuch*) for the Issuer and shall not have any agency or trustee relationship with the Noteholders.
- (b) References in the Transaction Documents to the Issuer shall be deemed to be made to the relevant Issuer Agent in respect of the functions which have been transferred to it.

18. Miscellaneous

18.1 Presentation Period

The presentation period for a Global Note provided in § 801(1), sentence 1 of the German Civil Code (*Bürgerliches Gesetzbuch*) shall end five years after the date on which the last payment in respect of the Notes represented by such Global Note was due.

18.2 Replacement of Global Notes

If a Global Note is lost, stolen, damaged or destroyed, it may be replaced by the Issuer upon payment by the claimant of the costs arising in connection therewith. As a condition of replacement, the Issuer may require the fulfilment of certain conditions, the provision of proof regarding the existence of indemnification and/or the provision of adequate collateral. In the event of a Global Note being damaged, such Global Note shall be surrendered before a replacement is issued. In the event of a Global Note being lost or destroyed, the foregoing shall not limit any right to file a petition for the annulment of such Global Note pursuant to the statutory provisions.

18.3 Place of Performance

Place of performance of the Notes shall be Stuttgart.

18.4 Severability

Should any of the provisions hereof be or become invalid in whole or in part, the other provisions shall remain in force.

19. Governing Law and Place of Jurisdiction

19.1 Governing Law

The Notes and all of the rights and obligations of the Noteholders and the Issuer under the Notes shall be governed by the laws of the Federal Republic of Germany.

19.2 *Jurisdiction*

The place of jurisdiction for any action or other legal proceedings arising out of or in connection with the Notes shall be the District Court (*Landgericht*) in Stuttgart (non-exclusive jurisdiction). The German courts shall have exclusive jurisdiction over the annulment of the Global Notes in the event of their loss or destruction.

THE MAIN PROVISIONS OF THE TRUST AGREEMENT

APPENDIX A

The following is the text of the Trust Agreement (excluding Schedules thereto). The Trust Agreement will be attached as Appendix A to the Terms and Conditions and constitutes an integral part of the Terms and Conditions. In case of any overlap or inconsistency in the definition of a term or expression in the Trust Agreement and elsewhere in this Prospectus, the definition in the Trust Agreement will prevail.

This Agreement is entered into as of April 10, 2006 between Hypo Real Estate Bank International AG, Büchsenstrasse 26, 70174 Stuttgart, Germany (the "**Issuer**"), and Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Schwannstraße 6, 40476 Düsseldorf, Germany (the "**Trustee**", which term shall also designate any successor of the Trustee), and sets out the rights and obligations of the Trustee which govern the performance of its functions under this Agreement in connection with:

- (i) the issue by the Issuer of the following classes of credit linked notes (each, a "**Class**", and together, the "**Notes**"):
 - USD 700,000 Class A1+ Floating Rate Amortising Credit Linked Notes (the "**Class A1+ Notes**"),
 - USD 14,300,000 Class A2 Floating Rate Amortising Credit Linked Notes (the "**Class A2 Notes**"),
 - USD 5,100,000 Class B1 Floating Rate Amortising Credit Linked Notes (the "**Class B1 Notes**"),
 - USD 7,300,000 Class B2 Floating Rate Amortising Credit Linked Notes (the "**Class B2 Notes**"),
 - USD 9,600,000 Class B3 Floating Rate Amortising Credit Linked Notes (the "**Class B3 Notes**"),
 - USD 700,000 Class C1+ Floating Rate Amortising Credit Linked Notes (the "**Class C1+ Notes**"),
 - USD 700,000 Class C2+ Floating Rate Amortising Credit Linked Notes (the "**Class C2+ Notes**"), and
 - USD 700,000 Class C3+ Floating Rate Amortising Credit Linked Notes (the "**Class C3+ Notes**"),
- (ii) a credit default swap (the "**Senior Swap**") between the Issuer, in its capacity as protection buyer, and a protection seller identified to the Trustee in a side letter delivered to the Trustee on the date hereof (such protection seller the "**Senior Swap Counterparty**"); pursuant to the Senior Swap, the Senior Swap Counterparty will pay to the Issuer amounts (each such amount, a "**Senior Cash Settlement Amount**") linked to any Realised Losses allocated to the Class A1+ Notes; and
- (iii) one or more credit default swaps (together, the "**Class C Swaps**") between the Issuer, in its capacity as protection buyer, and one or more protection sellers identified to the Trustee in a side letter delivered to the Trustee on the date hereof (such protection sellers together, the "**Class C Swap Counterparties**" and each such protection seller a "**Class C Swap Counterparty**"); pursuant to the Class C Swaps, the respective Class C Swap Counterparty will pay to the Issuer amounts (each such amount, a "**Class C Cash Settlement Amount**") linked to the Realised Losses allocated to the Class C1+ Notes, the Class C2+ Notes and the Class C3+ Notes, respectively.

Terms used but not defined herein have the same meaning as in the Terms and Conditions of the Notes (the "**Terms and Conditions**"). The issue of the Notes and all other transactions described in or contemplated by the Terms and Conditions and this Trust Agreement, including the Schedules hereto, and the documents evidencing the Senior Swap, including the Schedules thereto, and the Class C Swaps, including the Schedules thereto (together, the "**Transaction Documents**") are referred to as the "**Transaction**".

NOW THEREFORE, the parties hereto agree as follows:

Clause 1
Duties of the Trustee

This Agreement *inter alia* sets out rights and obligations of the Trustee which govern the performance of its function under this Agreement. Unless otherwise stated in this Agreement, the Trustee is not obliged to supervise the discharge by the Issuer of its payment and other obligations arising from the Notes and the Transaction Documents or to carry out duties which are the responsibility of the Issuer.

Clause 2
Position of the Trustee

- (1) The Trustee shall carry out the duties (the "**Trustee Duties**") hereunder as a trustee for the benefit of the holders of the Notes (the "**Noteholders**"), for the benefit of the Senior Swap Counterparty and for the benefit of the Class C Swap Counterparty as specified herein. The Noteholders together with the Senior Swap Counterparty and the Class C Swap Counterparty are referred to as the "**Transaction Creditors**". In the case of a conflict of interest between the interests of the Senior Swap Counterparty, the Noteholders and the Class C Swap Counterparty, the Trustee shall give priority to the interests of the Senior Swap Counterparty and the Noteholders of the Class A1+ Notes, and then, among the Noteholders of the Class A2 Notes, Class B1 Notes, Class B2 Notes and Class B3 Notes, to the interests of the holders of the Class of Notes that ranks most senior at any time for the purposes of Loss Allocation and then among the Noteholders of the Class C1+ Notes, Class C2+ Notes and Class C3+ Notes and the Class C Swap Counterparties to the interests of the holders of such Class or Classes of Notes that rank most senior for the purposes of Loss Allocation and to the interests of the respective Class C Swap Counterparty with regard to the part of the credit protection corresponding to such Class of Notes, and *provided further that* the interests of the Senior Swap Counterparty and the holders of the Class A1+ Notes will rank *pari passu*, the interests of the Class C Swap Counterparty with regard to the part of the credit protection corresponding to the Class C1+ Notes and the interests of the holders of the Class C1+ Notes will rank *pari passu*, the interests of the Class C Swap Counterparty with regard to the part of the credit protection corresponding to the Class C2+ Notes and the interests of the holders of the Class C2+ Notes will rank *pari passu* and the interests of the Class C Swap Counterparty with regard to the part of the credit protection corresponding to the Class C3+ Notes and the interests of the holders of the Class C3+ Notes will rank *pari passu*.
- (2) This Agreement grants the Transaction Creditors the right to demand that the Trustee performs the Trustee Duties (contract for the benefit of a third party pursuant to § 328 of the German Civil Code (*Bürgerliches Gesetzbuch*)) (*echter Vertrag zugunsten Dritter*).
- (3) Without limitation to the provisions of the Terms and Conditions, in the case of insolvency, bankruptcy, winding-up, liquidation or other similar proceedings with respect to the Issuer or its assets, the Trustee, for as long as this Agreement remains in effect, shall:
 - (i) co-operate with the relevant receiver or administrator of the Issuer's assets or purchaser of the Reference Claims or any other competent authority or person, as applicable, to ensure that the Terms and Conditions are complied with and the interests of the Transaction Creditors are duly protected, and
 - (ii) use its best endeavours to obtain relevant information with respect to the Reference Pool and other information, documents and access necessary for the Trustee to carry out the Trustee Duties.
- (4) The obligations of the Trustee under this Agreement are owed exclusively to the Transaction Creditors, unless otherwise specified or the context otherwise requires.

Clause 3
Pfandbrief Collateral; Transfer for Security Purposes; Custodian

- (1) The Issuer has issued and hereby transfers ownership in respect of the following public sector Pfandbriefe (*Öffentliche Pfandbriefe*):

- (i) USD 700,000 public sector *Pfandbriefe* ISIN XS0250417804, WKN A0JFDK (the "**Series A1+ Collateral**");
- (ii) USD 14,300,000 public sector *Pfandbriefe* ISIN XS0250418521, WKN A0JFDL (the "**Series A2 Collateral**");
- (iii) USD 5,100,000 public sector *Pfandbriefe* ISIN XS0250419503, WKN A0JFDM (the "**Series B1 Collateral**");
- (iv) USD 7,300,000 public sector *Pfandbriefe* ISIN XS0250420188, WKN A0JFDN (the "**Series B2 Collateral**");
- (v) USD 9,600,000 public sector *Pfandbriefe* ISIN XS0250420774, WKN A0JFDP (the "**Series B3 Collateral**");
- (vi) USD 700,000 public sector *Pfandbriefe* ISIN XS0250542700, WKN A0JFDQ (the "**Series C1+ Collateral**");
- (vii) USD 700,000 public sector *Pfandbriefe* ISIN XS0250547410, WKN A0JFDR (the "**Series C2+ Collateral**");
- (viii) USD 700,000 public sector *Pfandbriefe* ISIN XS0250548814, WKN A0JFDU (the "**Series C3+ Collateral**"), and together with the Series A1+ Collateral, Series A2 Collateral, Series B1 Collateral, Series B2 Collateral, Series B3 Collateral, Series C1+ Collateral and Series C2+ Collateral, the "**Pfandbrief Collateral**", and each a "**Series**");

to the Trustee as trustee (*Treuhänder*) for the security purposes set forth in Clause 4 (*Sicherungsübereignung*). The Trustee hereby accepts such transfer. The Issuer has delivered the Pfandbrief Collateral to the security trust account (*Wertpapiertreuhandkonto*) No. 669625600 of the Trustee with Deutsche Bank AG, Düsseldorf, bank code 30070010, swift code DEUTDEDD.

- (2) The Trustee, at the Issuer's cost, shall immediately upon the execution of this Agreement deliver the Pfandbrief Collateral to its security trust account No. 57392 with Deutsche Bank Luxembourg (in such capacity and each successor custodian pursuant to paragraph (3) below, the "**Custodian**").
- (3) In the event that the short term unsecured debt of the Custodian is considered by Fitch Ratings ("**Fitch**") of below an F-1 equivalent level or downgraded below the required rating of A-1 by Standard & Poor's Rating Group, a division of The McGraw-Hill Companies, Inc. ("**S&P**", and together with Fitch, the "**Rating Agencies**") the Issuer shall within 10 calendar days after such downgrade propose to the Trustee a substitute Custodian having such required ratings or rating equivalents from each of the Rating Agencies and the Trustee shall within 20 calendar days after receipt of such proposal from the Issuer transfer or cause to be transferred the Pfandbrief Collateral to a security trust account with such substitute Custodian.
- (4) In the event that the rating of the Pfandbrief Collateral is downgraded below AAA by S&P or Fitch considers that the creditworthiness falls below an AAA equivalent level, the Issuer shall, within 30 calendar days after such downgrade, supplement and/or substitute the Series A1+ Collateral, Series A2 Collateral, Series B1 Collateral, the Series B2 Collateral, the Series B3 Collateral, the Series C1+ Collateral, the Series C2+ Collateral and the Series C3+ Collateral with Supplementary Collateral in the form of security transfer (*Sicherungsübereignung*) of Supplementary Collateral to the Trustee, whereas there shall have been delivered to the Issuer a legal opinion relating to such security transfer of the Supplementary Collateral, and/or, at its discretion, take any other action in each case in such form and amount so that the Rating Agencies give the written confirmation to the Issuer and the Trustee that upon such substitution and/or supplement and/or other action the then current rating of the respective Notes would not, solely as a result of such downgrade of the Pfandbrief Collateral, be qualified downgraded or withdrawn. The foregoing shall apply accordingly in the event of any further downgrading of the Pfandbrief Collateral.

"**Supplementary Collateral**" means (a) Pfandbriefe issued by one or more mortgage banks pursuant to the Covered Bonds Act which rank at least *pari passu* with all other Pfandbriefe of the respective issuers

in accordance with the Covered Bonds Act, (b) securities issued by one or more issuers each of which is a banking or public institution, which rank at least *pari passu* with all other unsecured and unsubordinated long-term obligations of the respective issuers, (c) cash deposits with a suitably rated bank or (d) any other collateral, including, for the avoidance of doubt, excess collateral for one or more Classes of Notes if the relevant collateral is rated lower than the corresponding Class or Classes of Notes by any of the Rating Agencies then rating such Class of Notes.

Clause 4 Security Purpose

The Pfandbrief Collateral shall constitute collateral for the obligations of the Issuer as follows:

- (a) the Series A1+ Collateral shall constitute collateral for the obligations of the Issuer to make the payments owed to the Class A1+ Noteholders under the Class A1+ Notes;
- (b) the Series A2 Collateral shall constitute collateral for the obligations of the Issuer to make the payments owed to the Class A2 Noteholders under the Class A2 Notes;
- (c) the Series B1 Collateral shall constitute collateral for the obligations of the Issuer to make the payments owed to the Class B1 Noteholders under the Class B1 Notes;
- (d) the Series B2 Collateral shall constitute collateral for the obligations of the Issuer to make the payments owed to the Class B2 Noteholders under the Class B2 Notes;
- (e) the Series B3 Collateral shall constitute collateral for the obligations of the Issuer to make the payments owed to the Class B3 Noteholders under the Class B3 Notes.
- (f) the Series C1+ Collateral shall constitute collateral for the obligations of the Issuer to make the payments owed to the Class C1+ Noteholders under the Class C1+ Notes.
- (g) the Series C2+ Collateral shall constitute collateral for the obligations of the Issuer to make the payments owed to the Class C2+ Noteholders under the Class C2+ Notes.
- (h) the Series C3+ Collateral shall constitute collateral for the obligations of the Issuer to make the payments owed to the Class C3+ Noteholders under the Class C3+ Notes.

Clause 5 Collections on the Pfandbrief Collateral; Further Transfer

- (1) The Trustee shall instruct the Custodian to pay to the Issuer the amounts received by the Custodian on the Pfandbrief Collateral on any Payment Date after the Issuer has delivered documents sufficient in the professional judgement of the Trustee to evidence that the Issuer has fulfilled its payment obligations under the relevant Class of Notes on such Payment Date. This instruction may be revoked by the Trustee if this is necessary in the Trustee's opinion in order to protect the interests of the Noteholders and in this case the Trustee shall hold the amounts received on the Pfandbrief Collateral in the security trust account as collateral for the security purposes set forth in Clause 4 and if necessary use such amounts for such purposes.
- (2) To the extent a Foreclosure Event occurs, the Trustee shall, promptly after it becomes aware of the occurrence of such Foreclosure Event, instruct the Custodian to pay immediately to the Noteholders of each Class of Notes the amounts received on the Series of the Pfandbrief Collateral securing such Class of Notes in an amount equal to the payments (including, without limitation, interest payments) due but not made on such Payment Date by the Issuer under such Class of Notes.
- (3) Subject to Clause 3, the Trustee shall not transfer the ownership in respect of the Pfandbrief Collateral or cause its transfer except as provided below:
 - (a) if a Foreclosure Event occurs the Trustee shall, promptly after it becomes aware of the occurrence of such Foreclosure Event, realise the Pfandbrief Collateral in accordance with Clause 7;

- (b) the Trustee shall cause the transfer of ownership in respect of any remaining Pfandbrief Collateral back to the Issuer as provided in Clause 8; or
- (c) the Trustee shall cause the transfer of ownership in respect of the Pfandbrief Collateral to any successor Trustee appointed pursuant to Clause 26.

Clause 6
Representations of the Issuer

- (1) The Issuer hereby represents to the Trustee that:
 - (a) the Pfandbrief Collateral constitutes unsecured and unsubordinated obligations of the Issuer, which are valid and enforceable under the laws of Germany in accordance with the terms of the Pfandbrief Collateral;
 - (b) the Pfandbrief Collateral has not previously been transferred or pledged to any third party; and
 - (c) no third-party rights to or in relation to the Pfandbrief Collateral exist.
- (2) In the event that any of the Pfandbrief Collateral proves to be invalid or if the transfer itself proves to be invalid the Issuer shall promptly, but not later than 15 calendar days after it becomes aware of the same, provide full remedy thereof.

Clause 7
Realisation of the Pfandbrief Collateral

- (1) Upon the occurrence of a Foreclosure Event the Trustee shall, promptly after it becomes aware of such occurrence, foreclose or cause enforcement on the Pfandbrief Collateral as set forth below.

A "**Foreclosure Event**" shall occur when:

- (i) the assets of the Issuer become subject to insolvency, moratorium or similar proceedings, which affect or prejudice the performance of obligations under any Class of Notes, or there is a refusal to institute such proceedings for lack of assets; or
 - (ii) any Noteholder exercises the right of early redemption pursuant to Section 11 of the Terms and Conditions.
- (2)(a) As soon as reasonably practicable but not later than 3 Business Days after the Trustee becomes aware of a Foreclosure Event (whether by notification from the Issuer pursuant to paragraph (5) below or otherwise), it shall organise or have organised for each Series of the Pfandbrief Collateral a panel of at least 3 Dealers to bid for the purchase of such Series of the Pfandbrief Collateral on a day selected by the Trustee having regard to the market conditions as well as the interests of the Noteholders in a prompt redemption of the Notes. If the Trustee receives, with regard to any Series of the Pfandbrief Collateral:
 - (i) 3 or 2 bids for all of such Series of the Pfandbrief Collateral which equal or exceed the relevant Foreclosure Amount, the Trustee shall sell and transfer such Series of the Pfandbrief Collateral to the Dealer who offered the highest of such bids (in case of more than one highest bid, the Trustee shall, at its discretion, select one of the Dealers who offered the highest bid);
 - (ii) only 1 bid for all of such Series of the Pfandbrief Collateral which is equal or exceeds the relevant Foreclosure Amount, the Trustee shall sell and transfer such Series of the Pfandbrief Collateral to the Dealer who offered such bid;
 - (iii) no bid for all of such Series of the Pfandbrief Collateral which equals or exceeds the relevant Foreclosure Amount, the Trustee shall (subject to paragraph (b) below) select another panel of Dealers and repeat the procedure pursuant to this paragraph (2).

"**Foreclosure Amount**" means with respect to each Class of Notes secured by Pfandbrief Collateral,

the sum of (i) the Class Principal Amount of such Class of Notes, and (ii) the aggregate interest accrued on such Class of Notes.

"**Dealer**" means a dealer (or syndicate of such dealers) of recognised standing operating in the *Pfandbrief* market selected by the Trustee to bid for the purchase of the Pfandbrief Collateral pursuant to this Clause 7.

- (b) If, with respect to any Series of the Pfandbrief Collateral, the Trustee is not able to effect enforcement pursuant to this paragraph (2) within ten Business Days after the selection of the first panel of Dealers, or earlier, if, in the professional judgement of the Trustee, the relevant Foreclosure Amount cannot be achieved, it shall proceed in accordance with paragraph (3) with respect to such Series of the Pfandbrief Collateral.
 - (c) Upon the sale and transfer to the purchaser of any Series of the Pfandbrief Collateral the Trustee shall apply the proceeds thereof or cause their application (i) first, to the Noteholders of the Class secured by such Series of the Pfandbrief Collateral in redemption of such Class of Notes in accordance with the Terms and Conditions, (ii) second, after all claims under (i) have been fully satisfied, to reimburse the Trustee for all its claims against the Issuer under this Agreement, if any, and (iii) finally, after all claims under (i) and (ii) have been fully satisfied, to transfer the remaining proceeds, if any, to the Issuer.
- (3) In the event that any Series of the Pfandbrief Collateral is not realised in accordance with paragraph (2) above, the Trustee shall, in accordance with the written instructions of the relevant Noteholders delivered to the Luxembourg Intermediary and specifying the relevant transfer details, transfer and deliver in book-entry form or cause to be transferred and delivered in book-entry form such Series of the Pfandbrief Collateral to the Noteholders of the Class secured by such Series of the Pfandbrief Collateral, in exchange for, and upon surrender of, the Notes of such Class held by such Noteholders at the office of the Luxembourg Intermediary to it, and in full satisfaction of all obligations for the payment of principal of and accrued interest under such Class of Notes, *provided that* the Trustee will in each case transfer and deliver or cause to be transferred and delivered such number of *Pfandbriefe* representing such Series of the Pfandbrief Collateral that the total principal amount of the *Pfandbriefe* delivered to any Noteholder of such Class is equal to the aggregate Note Principal Amount of the Notes of such Class as of the date of such transfer held by such Noteholder of such Class (rounded downwards to the nearest USD).
 - (4) For the avoidance of doubt, the delivery or enforcement procedures described in this Clause 7 shall not be affected by moratorium or similar proceedings or measures affecting the assets of the Issuer.
 - (5) The Issuer shall notify the Trustee without delay of the occurrence of a Foreclosure Event and shall provide reasonable details thereof. After it becomes aware of the occurrence of a Foreclosure Event the Trustee shall without delay give notice to the Noteholders, the Senior Swap Counterparty, the Class C Swap Counterparty and the Rating Agencies of the same.
 - (6) Without prejudice to the instructions given by the Noteholders pursuant to paragraph (3) above, the Trustee shall give notice to the Noteholders specifying in reasonable detail, with respect to each Class of Notes, the relevant Foreclosure Amount, and (i) the enforcement procedure and the amounts and time of payment of the proceeds of the sale of the relevant Series of the Pfandbrief Collateral to the Noteholders of such Class or, as applicable, (ii) the time and precise manner in which it shall deliver the relevant Series of the Pfandbrief Collateral to the Noteholders of such Class.
 - (7) The Trustee shall promptly notify each of the Rating Agencies about the selection of panel(s) of Dealers and all determinations pursuant to this Clause 7.
 - (8) Upon the occurrence of a Foreclosure Event, the Trustee shall be obliged towards the Noteholders to effect the realisation of the Pfandbrief Collateral pursuant to this Clause 7 regardless of whether the Issuer performs its obligations under this Agreement, including in particular its obligations under Clauses 23 and 24.

Clause 8
Release of the Pfandbrief Collateral

- (1) On any Payment Date, the Trustee shall retransfer or cause to be retransferred the ownership in the Pfandbrief Collateral or such portion thereof to the Issuer to the extent the Issuer's obligations secured by the Pfandbrief Collateral (or any portion thereof) as provided in Clause 4 are satisfied, *provided that* the sufficient Pfandbrief Collateral shall be retained to cover any rounding excess pursuant to Clause 7(3).
- (2) Upon the full satisfaction of all payments owed under any of the Notes secured by the Pfandbrief Collateral, the Trustee shall transfer any remaining Pfandbrief Collateral to the Issuer, *provided that* the Trustee may use any Pfandbrief Collateral to be released pursuant to this Clause 8, or proceeds thereof, to satisfy any due claims of the Trustee against the Issuer under this Agreement.

Clause 9
Collections; Determinations

- (1) Without prejudice to Section 17 of the Terms and Conditions, the Issuer in its capacity as Servicer shall administer, collect and enforce the Reference Claims, including by Enforcement of the Reference Collateral, in accordance with its standard credit and collection procedures, consistently applied, and requirements of the Terms and Conditions and shall make such other determinations, allocations and calculations as provided for in and in accordance with the Transaction Documents.
- (2) The Trustee will allow the Issuer in its capacity as Servicer of the Reference Claims reasonable discretion in application of the Issuer's standard procedures with respect to the administration, collections and enforcement of the Reference Claims, including by Enforcement of the Reference Collateral. The Issuer will exercise this discretion as would a reasonable creditor in the protection of its own interests.

Clause 10
Reports; Documents; Information

- (1) With respect to each Collection Period, not later than the sixth Business Day (the "**Reporting Date**") preceding the relevant Payment Date, the Issuer will provide the Trustee with a report on the performance of the Reference Pool (each a "**Pool Report**") including, *inter alia*:
 - (i) details on the status of repayments and amounts outstanding on each Reference Claim as of the end of such Collection Period;
 - (ii) information on measures being taken to collect all due amounts on the Reference Claims, e.g., terminations, enforcement proceedings, engagement of a collection agent;
 - (iii) information on exclusion of individual Reference Claims from the Reference Pool in accordance with Provision 8 (Non-compliance with Eligibility Criteria or Servicing Standards) of the Reference Pool Provisions;
 - (iv) information on enforcement and liquidation proceedings with respect to the Reference Claims, the Mortgages and other Reference Collateral, aggregate proceeds of such proceedings and the amount allocable to the relevant Reference Claim;
 - (v) information on determination of each Liquidated Reference Claim, Realised Losses and their allocation;
 - (vi) information on Reference Claims with respect to which a Credit Event has occurred during the given Collection Period;
 - (vii) information on prepayments on the Reference Claims during the Collection Period, including the total amount received in early repayment;
 - (viii) information on interest reset dates and interest rates on each Reference Claim during the given Collection Period;

- (ix) information on the Reference Claims in arrears including the Reference Claim number, Outstanding Nominal Amount, maturity date, frequency of payments, repayments in arrears, interest in arrears, costs in arrears;
 - (x) payments and re-increase of principal amount on account of previous Unjustified Loss Allocation, distribution of Late Recoveries or exclusion of Reference Claims from the Reference Pool;
 - (xi) a computation of any Senior Cash Settlement Amount (as defined in the Senior Swap) due from the Senior Swap Counterparty under the Senior Swap and any Class C Cash Settlement Amounts (as defined in the Class C Swaps) due from the Class C Swap Counterparties under any of the Class C Swaps.
- (2) (a) With respect to the Issuer Call, the Issuer will provide the Trustee with the Call Report not later than on the sixth Business Day preceding the Call Date, in addition to the regular Pool Report.

"Call Report" means a report delivered to the Trustee by the Issuer in connection with the Issuer Call pursuant to Section 12.1 (Early Redemption by the Issuer - Issuer Call) of the Terms and Conditions including *inter alia* information on determination of the Outstanding Nominal Amounts of the Overdue Reference Claims as of the end of the Collection Period immediately preceding the Call Date.

If the Issuer does not exercise the Issuer Call, it shall continue to provide the Trustee with the Pool Reports pursuant to paragraph (1) above.

- (b) With respect to the early redemption of the Notes pursuant to Section 11 (Early Redemption for Default), the Issuer shall provide the Trustee with the Early Redemption Report not later than the second Business Day prior to the actual redemption of the Notes.

"Early Redemption Report" means a report delivered by the Issuer to the Trustee in connection with the early redemption of the Notes pursuant to Section 11 (Early Redemption for Default) including, *inter alia*:

- (i) the date of the actual redemption of the Notes, as relevant;
 - (ii) relevant information pursuant to Clause 10(1);
 - (iii) the determination of the Appraised Values and any other determinations pursuant to the Terms and Conditions for the purposes of the early redemption, if relevant;
 - (iv) the reasons for the early redemption and determinations for the purposes of Section 11.2 (Early Redemption for Default - Method and Amount), if relevant;
 - (v) details of the Defaulted Reference Claims for the purposes of Section 11.2 of the Terms and Conditions (Early Redemption for Default - Method and Amount), if relevant; and
 - (vi) redemption amounts with respect to each Note to be redeemed on the date of the actual redemption of the Notes, as relevant.
- (c) With respect to the Final Scheduled Payment Date, the Issuer shall provide the Trustee with the Scheduled Maturity Report not later than the sixth Business Day preceding the Final Scheduled Payment Date, in addition to the regular Pool Report.

"Scheduled Maturity Report" means a report delivered to the Trustee by the Issuer in connection with the Final Scheduled Payment Date including, *inter alia*, the following:

- (i) details with respect to the Overdue Reference Claims for the purposes of Section 10.2 of the Terms and Conditions (Redemption - Scheduled Maturity); and
 - (ii) redemption amounts with respect to each Note to be redeemed on the Final Scheduled Payment Date.
- (d) With respect to the Legal Maturity Date, the Issuer shall provide the Trustee with the Legal

Maturity Date Report not later than the sixth Business Day preceding the Legal Maturity Date, in addition to the regular Pool Report.

"Legal Maturity Date Report" means a report delivered to the Trustee by the Issuer in connection with the Legal Maturity Date including *inter alia* information on determination of the Appraised Values, if relevant, of the Defaulted Reference Claims as of the Determination Date immediately preceding the Legal Maturity Date.

- (e) With respect to each Liquidated Reference Claim as to which the Issuer has notified the Trustee pursuant to Section 8.4 of the Terms and Conditions that all amounts expected to be recovered in respect of such Reference Claims have been received, the Issuer shall provide the Trustee with the Liquidation Report not later than 30 days following receipt by the Trustee of the notice pursuant to Section 8.4 of the Terms and Conditions.

"Liquidation Report" means a final report in respect of each Liquidated Reference Claim prepared by the Issuer in accordance with its internal standards and procedures as in effect from time to time.

The Pool Reports, the Call Report, the Early Redemption Report, the Liquidation Report, Scheduled Maturity Report and Legal Maturity Date Report are together referred to as the "**Reports**".

- (3) Subject to applicable law, in particular data protection laws and regulations and contractual bank secrecy obligations of the Issuer, the Issuer will provide the Trustee with such additional information, documents and facilities as the Trustee may reasonably require for the performance of the Trustee Duties.
- (4) The Trustee shall take delivery of the Reports and all other documents delivered to it pursuant to this Agreement and shall forward the documents to the successor Trustee if the Trustee is replaced in accordance with Clause 26.

The Trustee shall keep such documents for at least one year after the termination of this Agreement and, may afterwards either destroy such documents or deliver the same to the Issuer.

- (5) In addition, to the extent permitted by law, the Issuer will grant the Trustee the right to inspect, after having received reasonable notice and during normal business hours, all books, documents and data which affect the Reference Claims or the Reference Collateral. The Trustee or its auditors (as applicable) shall have a right to inspect and request production of personal data subject to applicable data protection laws and regulations and contractual bank secrecy obligations of the Issuer.
- (6) Without prejudice to the provisions of Clause 29, the Trustee shall comply with the applicable data protection laws and regulations and statutory, regulatory and contractual bank secrecy obligations of the Issuer and shall not disclose any Report, document or other information obtained from the Issuer pursuant to this Agreement to any third party without prior written consent of the Issuer, except to a vicarious agent (*Erfüllungsgehilfe*) in accordance with Clause 21 or an Expert pursuant to Clause 15 or Valuation Experts pursuant to Clause 16 duly appointed in accordance with this Agreement, *provided that* applicable data protection laws and regulations and contractual bank secrecy obligations of the Issuer are observed.
- (7) Unless otherwise specified or agreed with the Trustee, the Issuer will provide the Trustee with all Reports, documents and information in writing pursuant to Clause 30.

Clause 11

Verification; Initiation of Procedures

- (1) (a) The Trustee shall check the acceptability of the information contained in the Reports and other documents delivered, including the documents delivered pursuant to Clause 5(1) and information otherwise provided to it pursuant to this Trust Agreement (*Plausibilitätsprüfung*). If these checks by the Trustee do not reveal any indication of a material breach of duty by the Issuer under the Transaction Documents or any other risk for the Transaction Creditors, the Trustee is not obliged to examine such Reports, documents or information any further, *provided that* if the Trustee reasonably believes that the information provided to it in the Reports or otherwise is not adequate to

enable it to conduct plausibility checks in accordance with its duties under this Trust Agreement, the Trustee shall require the Issuer to provide it with such further information as will enable proper plausibility checks to be conducted. The Trustee shall not be obliged to examine any details of enforcement proceedings if, in its best judgement, the measures taken by the Issuer appear to be reasonable.

- (b) If, on the basis of any plausibility checks pursuant to Clause 11(1)(a) above, the Trustee comes to the conclusion that there is, in the professional judgement of the Trustee, an indication of a material breach or the Issuer actually is in breach of any of its obligations under the Transaction Documents or that the interests of the Transaction Creditors are otherwise at risk, the Trustee shall promptly notify the Issuer, the Senior Swap Counterparty and the Class C Swap Counterparty and shall conduct such further reviews and take such other actions, including the specific procedures set out in Clauses 12 through 14, as applicable, within the scope of the Trustee Duties and subject to Clause 17 as it, in its professional judgement, considers desirable or expedient to protect the interests of the Transaction Creditors.
- (2) (a) In addition to the checks pursuant to paragraph (1) above, the Trustee shall on a quarterly basis, prior to Loss Allocation on any Payment Date, verify the determination and allocation of Realised Losses in respect of each Reference Claim for which Realised Losses are to be allocated to the Notes as of the immediately following Payment Date, including whether the Eligibility Criteria were met and the Servicing Standards were complied with in connection with such Reference Claims and the Related Reference Collateral. With respect to the determination and allocation of Realised Losses, if, on the basis of such check, the Trustee comes to the conclusion that the conditions for the Loss Allocation which are to be fulfilled have been complied with, that the Issuer is not in breach of any of its respective obligations under the Transaction Documents and that the interests of the Transaction Creditors are not otherwise at risk, the Trustee shall promptly confirm by written notification to the Issuer such determination and allocation of Realised Losses. If, on the basis of such check, the Trustee comes to the conclusion that the conditions for the Loss Allocation which are to be fulfilled have not been complied with, that the Issuer is in breach of its obligations under the Transaction Documents or the interests of the Transaction Creditors are otherwise at risk, the Trustee shall promptly notify the Issuer and the Rating Agencies and take such other action, including the specific procedures set out in Clause 17 as it, in its professional judgement, considers desirable or expedient to protect the interests of the Transaction Creditors.
- (b) The Trustee shall only be obliged to carry out the verifications pursuant to this paragraph (2) if the conditions of Clause 17(2) are met.
- (3) The Trustee may request and the Issuer will provide to the Trustee and the auditors of the Trustee, if any, such further information, access to its facilities and documentation, to the extent permitted by applicable law, as the Trustee and its advisors shall reasonably require to facilitate the Procedures.
- (4) The Trustee shall deliver to the Issuer, the Senior Swap Counterparty and each of the Class C Swap Counterparties as soon as possible a notice (the "**Notice**") initiating the procedure, if any, (each, a "**Procedure**") pursuant to this Clause 11 and Clauses 12, 13, 14 and/or 17. Such Notice shall provide reasonable details with respect to (i) the summary of the relevant facts and circumstances, (ii) the extent of its disagreement with the relevant determination or calculation or other action (failure to act) of the Issuer and (iii) the reasons for such disagreement.

Clause 12

Loss Allocation Procedure

- (1) In the event that the Trustee has reason to believe that a determination or allocation of Realised Losses may be unjustified in whole or in part because the determination of the relevant Realised Loss itself or the allocation thereof to a particular Class of Notes, was erroneous the Trustee shall promptly give the Issuer, the Senior Swap Counterparty and each of the Class C Swap Counterparties Notice thereof and shall proceed in accordance with Clause 15. Determination and/or allocation of Realised Losses shall be erroneous if, *inter alia*, the Issuer:

- (a) without prejudice to (ii) under the definition of "Liquidated Reference Claim", determines a Reference Claim to be a Liquidated Reference Claim without proper enforcement of the Reference Claim, including by Enforcement of the Reference Collateral, in accordance with the Servicing Standards, or
 - (b) determines a Reference Claim to be a Liquidated Reference Claim at a time when further payments or proceeds from the Enforcement of the Reference Collateral could still be reasonably expected to be received on such Reference Claim.
- (2) If the Notice is received by the Issuer before 11 a.m. CET on the fourth Business Day preceding the Payment Date on which the allocation of the Realised Loss in respect of which the Notice was given should take place, the Issuer shall not allocate such Realised Loss to the Notes pursuant to Section 8 of the Terms and Conditions to the extent specified in such Notice until and unless its due allocation is determined pursuant to Clause 15 hereof. Without prejudice to the procedure under Section 9 of the Terms and Conditions, if the Notice is not received by the Issuer before 11 a.m. CET on the fourth Business Day preceding such Payment Date, the Issuer's allocation of such Realised Loss shall be binding for such Payment Date.
- (3) Not later than on the third Business Day following the receipt of a notice from the Issuer pursuant to Section 9.3 of the Terms and Conditions, the Trustee shall provide the Senior Swap Counterparties and the Class C Swap Counterparty with a copy of such notice. In the event that the Trustee has reason to believe that an Unjustified Loss Allocation has occurred it shall notify the Issuer accordingly. In the event that the Issuer declines to confirm the occurrence of an Unjustified Loss Allocation or Senior Unjustified Cash Settlement or Class C Unjustified Cash Settlement, the Trustee shall promptly appoint an Expert pursuant to Clause 15 to determine whether an Unjustified Loss Allocation or Senior Unjustified Cash Settlement or Class C Unjustified Cash Settlement has occurred, which Transaction Creditors have been affected thereby, and give details of the re-instatement of the relevant Note Principal Amounts of the affected Notes or repayment of the relevant Senior Cash Settlement Amount under the Senior Swap or the relevant Class C Cash Settlement Amount under any of the Class C Swaps.

Clause 13

Non-compliance Notice; Reference Claim Removal

- (1) The Issuer will promptly give notice to the Trustee, the Senior Swap Counterparty and the Class C Swap Counterparty, if any of the Eligibility Criteria or the Servicing Standards or the Trust Agreement is not complied with (a "**Non-compliance Notice**"). The Non-compliance Notice shall describe in reasonable detail the breach of the Eligibility Criteria, Servicing Principles or the Trust Agreement.
- (2) On or after the delivery date of any Non-compliance Notice, the Issuer may request from the Trustee a confirmation (the "**Confirmation**"), in case of which such Confirmation shall also be delivered to the Senior Swap Counterparty and the Class C Swap Counterparty, to the effect that, in the professional judgement of the Trustee:
- (i) the conditions under Provision 8(a)(A) (Non-compliance with Eligibility Criteria or Servicing Standards) of the Reference Pool Provisions are met;
 - (ii) the conditions under Provision 8(a)(B) (Non-compliance with Eligibility Criteria or Servicing Standards) of the Reference Pool Provisions are met;
 - (iii) the relevant non-compliance affects only a part of the relevant Reference Claim;
 - (iv) the relevant non-compliance has not resulted in or contributed to the relevant Realised Loss, or
 - (v) the conditions under Provision 8(b) or Provision 8(c) (Non-compliance with Eligibility Criteria or Servicing Standards) of the Reference Pool Provisions are met.

In the event the Trustee delivers a Confirmation, it shall be binding absent manifest error for the purposes of Loss Allocation. In the event the Trustee fails to deliver a Confirmation, the Trustee shall upon request of the Issuer proceed in accordance with Clause 15.

- (3) A removal of any Reference Claim from the Reference Pool pursuant to Provision 8 (Non-compliance with Eligibility Criteria or Servicing Standards) of the Reference Pool Provisions or as a result of a transfer pursuant to Section 8.5 of the Terms and Conditions will become effective as of the Payment Date immediately following the Pool Report in which the Issuer has declared to remove such Reference Claim.

Clause 14
Redemption Procedures

- (1) In the event that the Trustee has no reason to believe that a determination by the Issuer pursuant to Section 10.2, Section 10.3 or Section 12 of the Terms and Conditions is erroneous, it shall give the Issuer, upon its request, a written confirmation that the Trustee, in its professional judgement, agrees with such determination and shall provide a copy of such notice to the Senior Swap Counterparty and the Class C Swap Counterparties. In the event that the Trustee has reason to believe that a determination by the Issuer pursuant to Section 10.2, Section 10.3 or Section 12 of the Terms and Conditions is erroneous, it shall promptly give the Issuer, the Senior Swap Counterparty and the Class C Swap Counterparties Notice thereof and shall proceed in accordance with Clause 15. A determination pursuant to Section 10.2, Section 10.3 or Section 12 of the Terms and Conditions shall be erroneous if, *inter alia*, the determination of a Defaulted Reference Claim is erroneous.
- (2) If the Notice is received by the Issuer no later than on the fourth Business Day preceding the redemption date, the redemption will be deferred until the next Payment Date or, if later, final determination of the matter(s) in respect of which the Notice was given pursuant to the procedures under Clause 15. Without prejudice to the procedure under Section 9 of the Terms and Conditions, if the Notice is received by the Issuer after the fourth Business Day preceding the redemption date, the determinations in respect of which the Notice was given will be binding for the redemption date.

Clause 15
Expert

- (1) Without prejudice to the provisions of paragraph (4) below, upon giving a Notice or receipt of a request by the Issuer pursuant to Clause 13(2) the Trustee shall appoint an independent third party that is an auditing firm of recognised standing which is located in Germany and is not an affiliate (within the meaning of Section 13 of the German Stock Corporation Act (*Aktiengesetz*)) of either the Issuer or the Trustee (the "**Expert**") to resolve the disputed matter.
- (2) Such Expert shall be selected by the Trustee in its commercially reasonable discretion after consultation with the Issuer, if practicable, having regard to the nature of the dispute and the interest of the Transaction Creditors in the timely determination of the disputed issue.
- (3) The Trustee shall promptly notify each of the Rating Agencies, the Senior Swap Counterparty and the Class C Swap Counterparties in writing of such appointment and nature of the dispute.
- (4) Prior to the appointment of an Expert pursuant to paragraph (1), the Trustee may, in its commercially reasonable discretion, but having due regard to the interests of the Transaction Creditors, seek an amicable solution of the matter in dispute by negotiation with the Issuer.
- (5) Each of the Issuer and the Trustee shall, upon request of the Expert, provide the Expert with such information, documents and access as the Expert may reasonably require for performance of its duties hereunder. The Issuer may limit the access of the Trustee or the Expert to any information, facilities and documentation of the Issuer to the extent that the Issuer, based on advice of legal counsel, determines that such limitation is necessary in order to avoid a violation of applicable data protection laws and regulations and contractual bank secrecy obligations of the Issuer.
- (6) Any determination by way of a written certificate of the Expert will, in the absence of manifest error, be final and binding. The Trustee shall procure that the Expert delivers such written certificate to the Trustee with a copy to the Issuer. Not later than on the third Business Day following the receipt of such written certificate from the Expert, the Trustee shall provide the Senior Swap Counterparty and the Class C Swap Counterparties with a copy thereof.

Clause 16
Expert for Determination of Appraised Values

- (1) Promptly upon receipt of the notice from the Issuer that determination of Appraised Value of a Defaulted Reference Claim is necessary for the purposes of Section 10 or Section 11 of the Terms and Conditions the Trustee shall appoint two appraisers each of which is an MAI (Member Appraisal Institute) and none of which is an affiliate (within the meaning of Section 13 of the German Stock Corporation Act (*Aktiengesetz*)) of the Issuer or the Trustee or has been involved as an Expert in connection with the same Reference Claim (the "**Valuation Experts**") to determine the Appraised Values of the Defaulted Reference Claims notified to the Trustee by the Issuer.
- (2) The Valuation Experts shall be selected by the Trustee in its reasonable discretion and after consultation with the Issuer, if practicable, having regard to the interest of the Transaction Creditors in the professional determination of the Appraised Values in a timely manner.
- (3) The Trustee shall promptly notify the identity of the Valuation Experts to the Issuer, the Senior Swap Counterparty, the Class C Swap Counterparties and each of the Rating Agencies.
- (4) Upon request from the Trustee and/or the Valuation Experts the Issuer will provide the Valuation Experts with such information and documents regarding the Defaulted Reference Claims and access as the Valuation Experts may reasonably require for determination of the Appraised Values. The Issuer may limit the access of the Valuation Experts to any information, facilities and documentation of the Issuer to the extent that the Issuer, based on advice of legal counsel, determines, that such limitation is necessary in order to avoid a violation of applicable data protection laws and regulations and contractual bank secrecy obligations of the Issuer.
- (5) Any determination by way of a written certificate of the Valuation Experts will, in the absence of manifest error, be final and binding. The Valuation Experts shall deliver such written certificate to the Trustee with a copy to the Issuer, the Senior Swap Counterparty and the Class C Swap Counterparties.

Clause 17
Obligation of the Trustee to Act

- (1) If the Trustee becomes aware on the basis of its check pursuant to Clauses 11(1) and 11(2) that the interests of the Transaction Creditors are at risk due to any failure of the Issuer duly to discharge its obligations under the Transaction Documents, the Trustee shall promptly give Notice to the Issuer, the Senior Swap Counterparty and the Class C Swap Counterparties and, at its commercially reasonable discretion and subject to paragraph (2) below, take or initiate any of the Procedures under this Agreement, appoint the Expert or the Valuation Experts or take such other action which the Trustee, in its professional judgement, considers desirable or expedient to protect the interests of the Transaction Creditors.
- (2) The Trustee shall only be obliged to intervene in accordance with paragraph (1) if, and to the extent that
 - (i) it is convinced (on reasonable grounds) that its fees pursuant to Clause 22(1) will be paid and it will be indemnified by the Issuer pursuant to Clause 24 to its satisfaction (either by reimbursement of costs or in any other way it deems appropriate) against all costs and expenses resulting from its activities (including fees for retaining an Expert or Valuation Experts, counsel, banks, auditors, or other experts as well as expenses incurred in retaining third parties to perform certain duties) and against all liability, obligations and attempts to bring any action in or out of court, (the "**Indemnification Claim**");
 - (ii) the Issuer has, upon the Trustee's request, paid an adequate advance for the Indemnification Claim.

Clause 18
Representations and Undertakings of the Trustee

- (1) The Trustee represents to the Issuer that it has the legal capacity and is in a position to perform the duties ascribed to it under the Transaction Documents and that, as at the time of concluding this Agreement, a

ground for terminating this Agreement pursuant to Clause 26(1) has neither occurred nor is foreseeable.

- (2) The Trustee undertakes, in connection with its resignation pursuant to Clause 26(1), (i) to give the Issuer a reasonable advance notice of its intention to give the Resignation Notice to the Noteholder pursuant to Section 11.1(iii) (Early Redemption for Default – Default Events) of the Terms and Conditions and, if relevant, (ii) to give the Resignation Notice to the Noteholders pursuant to Section 11.1(iii) (Early Redemption for Default – Default Events) of the Terms and Conditions.
- (3) The Trustee hereby confirms that a copy of the Senior Swap and each Class C Swap is available to it and that it is familiar with the terms of the Senior Swap and each Class C Swap.

Clause 19 **Undertakings of the Issuer**

For as long as any present or future obligations of the Issuer under the Notes or the Senior Swap or a Class C Swap (collectively, the "**Transaction Obligations**") are outstanding, the Issuer shall:

- (i) as soon as practicable after publication and in any event no later than one hundred and eighty days after the end of each fiscal year make its latest annual financial statements available for inspection by the Transaction Creditors at the specified offices of the Issuer;
- (ii) subject to applicable law and banking secrecy obligations, permit the Trustee, the Expert and the Valuation Experts and their respective advisers to inspect the Issuer's books and records for the purposes of performance of the Trustee Duties, the duties under Clauses 15 and 16, respectively, to give any information necessary for such purposes and to make the relevant records available for inspection;
- (iii) subject to applicable law and banking secrecy obligations, execute such additional documents and take such further action, at any time and to the extent permitted by law, as the Trustee may reasonably consider necessary or appropriate to give effect to this Agreement and to ensure the validity, binding effect and enforceability of the Transaction Obligations;
- (iv) send or have sent to the Trustee, the Senior Swap Counterparty and any Class C Swap Counterparty a copy of any notice to be given to the Noteholders in accordance with the Terms and Conditions as soon as possible, but no later than on the day of the publication or dispatch, as relevant, of such notice;
- (v) notify the Trustee immediately if (A) it cannot discharge in full any obligation to make payments of principal or interest on the Notes or payments under the Senior Swap with respect to any Payment Date or (B) it is in breach of any other obligations under the Transaction Documents;
- (vi) notify the Trustee if the Issuer becomes aware that the interests of the Transaction Creditors with respect to the Reference Claims or the Reference Collateral are impaired or jeopardised by any action of a third party, and send to the Trustee a copy of any document on which the claim of the third party is based, as well as all further documents which are required or useful to enable the Trustee to file proceedings and take other actions in defence of the rights of the Transaction Creditors;
- (vii) procure that its standard credit and collection procedures for its assets similar to the Reference Claims at all times comply with the relevant provisions of the German Banking Act (*Kreditwesengesetz*).

Clause 20 **Actions of the Issuer Requiring Consent**

- (1) As long as any of the Transaction Obligations are outstanding, the Issuer is not authorised without prior written consent of the Trustee to apply any change in its credit and collection procedures and the Servicing Principles which is applicable to and, in the professional judgement of the Issuer, may adversely affect the Reference Claims, the determination of the Realised Losses and/or the determination of Credit

Events or Appraised Values from the perspective of the Transaction Creditors, unless, in each case, otherwise required by mandatory provisions of law.

- (2) If the Issuer requests that the Trustee grants its consent pursuant to paragraph (1) above, the Trustee may grant or withhold the requested consent at its reasonable discretion, taking into account the interests of the Transaction Creditors. If the Trustee grants its consent pursuant to paragraph (1) above, the Trustee shall (i) promptly notify the Rating Agencies and the Senior Swap Counterparty and the Class C Swap Counterparties of such consent, and (ii) provide each of the Rating Agencies and the Senior Swap Counterparty and the Class C Swap Counterparties with a copy of such amendment or supplement to the credit and collection procedures or the Servicing Principles, as relevant.

Clause 21 **Retaining of Third Parties**

- (1) The Trustee may delegate the performance of its Trustee Duties, in whole or in part, to vicarious agents (*Erfüllungsgehilfen*, § 278 of the German Civil Code). A more extensive delegation of the Trustee Duties is not permitted.
- (2) The Trustee shall promptly notify the Rating Agencies of every retainer of a third party made pursuant to paragraph (1).
- (3) For the purposes of appointment of the Expert or the Valuation Experts, the Trustee shall only be liable for the exercise of due care in the selection of the Expert and/or the Valuation Experts. The Trustee shall not be liable for performance of the Expert and/or the Valuation Experts.
- (4) The Issuer may transfer its functions, subject to prior written consent of the Trustee, pursuant to Section 17 of the Terms and Conditions. Prior to giving his consent, the Trustee shall obtain written confirmation by each of the Rating Agencies that such delegation will not adversely affect the then current rating of the Notes.

Clause 21a **Advisors**

- (1) The Trustee is authorised, in connection with the performance of its duties under this Agreement, at its own discretion, to seek information and advice from legal counsel, financial consultants, banks and other experts (each an "**Advisor**") at market prices (if appropriate, after obtaining several offers).
- (2) The Trustee may rely on such information and advice without having to make its own investigations. The Trustee shall not be liable for any damages or losses caused by its acting reasonably in reliance on information or advice of the Advisors. The Trustee shall not be liable for any negligence of the Advisors. The Trustee shall only be liable for the exercise of due care in the selection of any Advisor.

Clause 22 **Fees and Reimbursement of the Trustee**

- (1) For the performance of the Trustee Duties the Issuer will pay the Trustee a fee which shall be (together with other details) separately agreed between the Issuer and the Trustee.
- (2) The Issuer shall bear all reasonable costs and disbursements (including costs incurred in obtaining legal advice and the costs of other experts and advisers) incurred by the Trustee in connection with the performance of the Trustee Duties, including without limitation the costs and disbursements in connection with the Procedures and the appointment of the Expert or the Valuation Experts.

Clause 23 **Fees and Expenses of the Expert and Valuation Experts**

The Issuer shall reimburse the Trustee for all reasonable fees, costs and disbursements (including costs of the Expert's and Valuation Experts' advisers) payable by the Trustee to the Expert and/or the Valuation

Experts.

Clause 24
Right to Indemnification

The Issuer shall indemnify the Trustee against all losses, liabilities, obligations (including any taxes), actions in and out of court and costs and disbursements incurred by the Trustee in connection with this Agreement, unless such losses, liabilities, obligations, actions, costs and disbursements are incurred by the Trustee due to a breach of the standard of care provided for in Clause 27.

Clause 25
Taxes

- (1) The Issuer shall pay all stamp duties, registration or other taxes to which any of the Transaction Documents or any part of the Transaction may at any time be subject.
- (2) All payments of fees and reimbursements of expenses to the Trustee shall include any turnover taxes, value added taxes or similar taxes, other than taxes on the Trustee's overall income or gains, which are imposed in the future on the services under this Agreement.

Clause 26
Termination; Replacement

- (1) Without prejudice to Clause 26(4), the Trustee may resign from its role as Trustee for good cause (*aus wichtigem Grund*) at any time.
- (2) Without prejudice to Clause 26(4), the Issuer shall be authorised and obliged to revoke the appointment of the Trustee as trustee under this Agreement (i) for good cause (*aus wichtigem Grund*), or (ii) after having been (A) so instructed in writing by Noteholders representing at least 25% of the aggregate Note Principal Amounts of the Notes then outstanding upon the occurrence of good cause or (B) so instructed in writing by the Senior Swap Counterparty or a Class C Swap Counterparty upon the occurrence of good cause or (C) informed by any of the Rating Agencies that the continued appointment of the Trustee in its capacity hereunder would result in the downgrading or withdrawal of the then current rating of any Class of Notes by such Rating Agency. The institution of any insolvency proceedings in respect of the Trustee shall constitute good cause for the purpose of paragraph (i) above.
- (3) In case of insolvency, bankruptcy, winding-up or liquidation of the Issuer, the Trustee shall be obliged to resign if (i) so instructed in writing by Noteholders representing at least 25% of the aggregate Note Principal Amounts of the Notes then outstanding, or (ii) so instructed in writing by the Senior Swap Counterparty or a Class C Swap Counterparty or (iii) informed by any of the Rating Agencies if the continued appointment of the Trustee in its capacity hereunder would result in the downgrading or withdrawal of the then current rating of any Class of Notes by such Rating Agency.
- (4) Any resignation by the Trustee in accordance with Clause 26(3)(i), (ii) or (iii) or any revocation of the appointment of the Trustee in accordance with Clause 26(2)(ii) shall become effective only upon (i) the appointment by the Issuer (or in the case of Clause 26(3), by the Trustee) of a successor trustee which must be a bank, a financial services institution or an auditing firm of recognised standing which has its principal office in Germany and with respect to which each of the Rating Agencies that had assigned ratings to the Notes prior to such resignation or replacement confirms that the appointment of such successor trustee will not result in a withdrawal of the rating in respect of, or downgrading of the Notes, (ii) the transfer to such successor trustee of all authorities and powers granted to the Trustee hereunder, and (iii) the acceptance by such successor trustee of such appointment and of the rights and obligations under the Transaction Documents. In the case of Clause 26(1), the Trustee shall use all reasonable efforts to appoint a successor trustee not later than on the Trustee Resignation Effective Date and for as long as no successor trustee has been appointed, the Issuer shall have the right, in consultation with the Trustee, to appoint a successor trustee not later than the 2nd Business Day prior to the Trustee Resignation Effective Date. In the case of Clause 26(2)(i), the Issuer shall use all reasonable efforts to appoint a successor trustee within 30 Business Days after the revocation notice has been delivered to the Trustee by

the Issuer.

- (5) The costs incurred in connection with replacing the Trustee pursuant to Clauses 26(1) or 26(2) or 26(3) shall be borne by the Issuer. If the replacement pursuant to Clause 26(2) or 26(3) is due to the Trustee's conduct, the Issuer shall be entitled, without prejudice to any additional rights, to demand damages from the Trustee in the amount of such costs.
- (6) The successor trustee appointed in accordance with Clause 26(4) shall give notice of the appointment, including its address, without delay to the Issuer, the Senior Swap Counterparty and the Class C Swap Counterparty, as relevant, in accordance with this Agreement, and to the Noteholders in accordance with the Terms and Conditions, or, if this is not possible, in any other appropriate way.
- (7) The Trustee shall provide the successor trustee with a reasonably detailed report regarding its activities under or in connection with this Agreement.
- (8) Upon the effectiveness of any replacement of the Trustee pursuant to Clause 26(4), the Trustee shall be released from the Trustee Duties but shall continue to be entitled to payments due to it under this Agreement and outstanding as of the date of the effective replacement of the Trustee. For the avoidance of doubt, the replacement of the Trustee shall not release the Trustee from its obligations under this Agreement arising prior to or in connection with the replacement.
- (9) Notwithstanding the resignation of the Trustee pursuant to Clause 26(1), the Trustee
 - (i) shall be obliged to hold and transfer and assign to a successor trustee, if any, appointed in accordance with Clause 26(4) any collateral then existing and held by the Trustee, and
 - (ii) upon the occurrence of the Trustee Resignation Effective Date shall exercise its rights in respect of the collateral and redemption of the Notes in accordance with Section 11 (Early Redemption for Default) of the Terms and Conditions.

Clause 27 Standard of Care

The Trustee shall be liable for breach of its obligations under this Agreement only if and to the extent that it fails to meet the standard of care of a prudent merchant (*Sorgfalt eines ordentlichen Kaufmanns*).

Clause 28 Extent of Liability

Without prejudice to the provisions of Clause 17 and Clause 27, the Trustee shall not be liable for: (i) any action or failure to act of the Issuer, (ii) the Notes or the Reference Claims being legal, valid, binding, or enforceable, or for the fairness of the provisions of the Terms and Conditions, (iii) a loss of documents related to the Reference Pool and the Reference Claims not attributable to negligence of the Trustee, and (iv) the Issuer's breach of its obligations to submit any Report and any other documents, information or to provide access and facilities to the Trustee or an Expert or Valuation Experts.

Clause 29 Confidentiality

- (1) The Trustee shall ensure that the Experts and/or Valuation Experts appointed under this Agreement, its auditors, its Advisors and any agent appointed pursuant to Clause 21(1) shall treat as confidential any information concerning the Borrowers and the providers of the Reference Collateral or the business operations of the Issuer obtained in connection with the performance of this Agreement. This shall not apply (i) to disclosure of the necessary information to the Expert or Valuation Experts duly appointed under this Agreement, (ii) to information which is or becomes generally known in a manner not attributable to the Trustee, (iii) if the Trustee is legally required to disclose information or requested to do so by a competent public authority, (iv) if the disclosure of information by the Trustee is legally permissible and necessary to enforce rights arising from the Notes or the other Transaction Documents, or

- (v) to the disclosure of necessary information to the Rating Agencies.
- (2) The Trustee shall ensure that each Expert and Valuation Expert appointed under this Agreement, each auditor of the Trustee (if relevant), each Advisor of the Trustee and each agent appointed pursuant to Clause 21(1) which is to perform any duty pursuant to this Agreement, prior to the commencement thereof, signs a confidentiality undertaking in such form as the Trustee may, in its professional judgement, require having regard to the nature of the relevant matter, for the benefit of the Trustee and the Issuer to the effect that the Expert, the Valuation Expert, the auditor, the Advisor or the agent, as relevant, shall treat as confidential any information concerning the Borrowers and the providers of the Reference Collateral and the business operations of the Issuer obtained in connection with the performance of its duties in connection with this Agreement.
- (3) Notwithstanding paragraph (2) above, the Issuer may, at its sole discretion and at any time, request each Expert and Valuation Expert appointed under this Agreement, each auditor of the Trustee (if relevant), each Advisor of the Trustee and each agent appointed pursuant to Clause 21(1) which is to perform any duty pursuant to this Agreement to sign a confidentiality undertaking in such form as the Issuer may, in its professional judgement require to the effect that the Expert, the Valuation Expert, the auditor, the Advisor or the agent, as relevant, shall treat as confidential any information concerning the Borrowers and the providers of Reference Collateral and the business operations of the Issuer in connection with the performance of its duties in connection with the Agreement.

Clause 30 Communications

- (1) All communications under this Agreement shall be made by e-mail, by mail or by facsimile, *provided that* notices regarding the termination of this Trust Agreement or the replacement of the Trustee given by e-mail or by facsimile shall promptly be confirmed by mail.
- (2) Any communication under this Agreement shall be in German language, *provided that* (i) any communications with any of the Rating Agencies shall be in English language or in German language with an English language translation and (ii) the Issuer will, at its own cost, provide the Trustee with an English language translation of any communication under this Agreement upon reasonable request.
- (3) Subject to written notification of any change of address, all notices under this Agreement to the parties set out below shall be directed to the following addresses:

- (a) for the Issuer:

Hypo Real Estate Bank International AG
Büchsenstrasse 26
70174 Stuttgart
Germany

Attn.: Securitisation
Telephone: +49 711 2096-226
Facsimile: +49 711 2096-1520
E-mail: S-MBS@hypointernational.com

- (b) for the Trustee:

Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft
Schwannstrasse 6,
40476 Düsseldorf
Germany

Attn.: Geschäftsführung
Telephone: +49 211 8772 2449
Facsimile: +49 211 8772 2441
E-mail: SecuritisationDE@deloitte.de

(c) for Fitch:

Fitch Ratings
Surveillance CMBS
101 Finsbury Pavement
London EC2A 1RS
United Kingdom

Attn.: Surveillance Director
Telephone: +44 20 7417 3523
Facsimile: +44 20 7417 6262
E-mail: sf_surveillance@fitchratings.com

(d) for S&P:

Standard and Poor's
55 Water Street
41st Floor
New York, NY 10041
United States of America

Attn.: Eric Thompson
Telephone: +1 212 438 2620
Facsimile: +1 212 438 2662
E-mail: eric_thompson@standardandpoors.com

(e) for the Senior Swap Counterparty and the Class C Swap Counterparties:

the address(es) identified to the Trustee in a side letter delivered to the Trustee on the date hereof.

Clause 31 Partial Invalidity

If any provision of this Agreement is or becomes invalid in whole or in part, the remaining provisions shall remain unaffected thereby.

Clause 32 Amendments

This Agreement may only be amended in writing with the consent of the parties hereto, of the Senior Swap Counterparty and the Class C Swap Counterparty. The Trustee shall only give its consent in mutual agreement with the Rating Agencies.

Clause 33 Governing Law; Place of Performance; Jurisdiction

- (1) This Agreement shall be governed by, and construed in accordance with, the laws of the Federal Republic of Germany.
- (2) Place of performance for the obligations of all parties is Stuttgart.
- (3) The place of jurisdiction for any action or other legal proceedings arising out of or in connection with this Agreement shall be the District Court (*Landgericht*) in Stuttgart (non-exclusive jurisdiction). The Issuer

hereby submits to the jurisdiction of such court.

Clause 34
Condition Precedent

This Agreement and the rights and obligations hereunder are subject to the condition precedent that the Notes will be issued on the Issue Date.

Clause 35
Counterparts

This Agreement may be executed in one or more counterparts. Each signed counterpart shall constitute an original. Annexes and Schedules attached hereto constitute integral part of this Agreement.

DESCRIPTION OF THE REFERENCE POOL

APPENDIX B

The Reference Pool is constituted in accordance with and must comply with the Reference Pool Provisions. The following is the text of the Reference Pool Provisions which are attached as Appendix B to the Terms and Conditions and constitute an integral part of the Terms and Conditions. In case of any overlap or inconsistency in the definition of a term or expression in the Reference Pool Provisions and elsewhere in this Prospectus, the definition in the Reference Pool Provisions will prevail.

Reference Pool Provisions

1. General

The Reference Pool consists of certain loan claims and certain portions of loan claims of the Issuer for the payment of principal and interest (each such loan claim, a "**Reference Claim**") arising from certain commercial mortgage loans, including syndicated loans (each, a "**Reference Loan**"). The Reference Claims are specified pursuant to Provision 2.1 (Reference Claims - Identification). As of the close of the business day (in Stuttgart) on November 30, 2005 (the "**Cut-off Date**") the aggregate principal amount of the Reference Pool was approximately USD 341,373,394 (the "**Initial Aggregate Principal Balance**").

2. Reference Claims

2.1 Identification

Each Reference Claim is identified in Schedule 1 to the Trust Agreement (the "**Reference Claim List**") by reference to:

- (i) the account number attributed in the records of the Issuer to the Reference Claim,
- (ii) the outstanding principal amount of the Reference Claim as of the Cut-off Date,
- (iii) the repayment characteristics of the Reference Claim (bullet or amortising),
- (iv) the legal maturity date of the Reference Claim as of the Cut-off Date.

Further details regarding each Reference Claim and the related Mortgages and other collateral are contained in the related records of the Issuer. Such records are attributable to the relevant Reference Claim by reference to the account number referred to in (i) above.

2.2 Debt Restructuring, Payment Rescheduling - Replacement

If, as a result of debt restructuring or payment rescheduling in compliance with the Servicing Standards, any loan claim representing a Reference Claim is replaced by a new claim by way of novation, refinancing or consolidation with one or more other claims (the "**New Claim**"),

- (i) such Reference Claim shall be substituted by a portion of the New Claim (such portion, the "**New Reference Claim**") the principal amount of which shall be equal to the Outstanding Nominal Amount of the relevant Reference Claim immediately prior to such replacement,
- (ii) for the purposes of allocating payments received on such New Reference Claim, any fees, disbursements, costs and expenses in respect of the New Claim, including as a result of such replacement, any such amounts shall be allocated to the New Reference Claim in the same proportion as the principal amount of the New Reference Claim bears to the principal amount of the New Claim, and
- (iii) the New Reference Claim shall be treated, as from the substitution, for all purposes as if it were such Reference Claim and therefore, a Credit Event which had occurred in respect of such Reference Claim prior to the substitution shall be deemed to have occurred on the New Reference Claim, any Loss Allocation with respect to the New Reference Claim shall be subject to the compliance of the Reference Claim replaced by such New Reference Claim with the Eligibility Criteria as of the Cut-off Date and the Servicing Standards in accordance with Provision 8 (Non-compliance with Eligibility Criteria or

Servicing Standards), and, if relevant, a Realised Loss in respect of such New Reference Claim shall include any amount of principal of such Reference Claim forgone in accordance with the Servicing Standards.

3. Reference Mortgages

Each Reference Loan is or, subject to the requirements set forth in Provision 6 (Eligibility Criteria), will be secured by one or more mortgages or deed of trust (each such mortgage or deed of trust securing a Reference Loan, a "**Mortgage**") on one commercial property (each a "**Mortgaged Property**"). The Mortgaged Properties are distributed throughout the United States. The portion of such Mortgage or Mortgages which is allocable for the purpose of the Loss Allocation to a Reference Claim (each, a "**Reference Mortgage**") is determined by the allocation of Enforcement Proceeds pursuant to Provision 5(b).

4. Additional Reference Collateral

A Reference Claim may be secured by certain additional collateral. If a Reference Loan is secured by any collateral other than a Mortgage, such collateral, except to the extent such collateral was neither a condition for nor taken in connection with the extension or continuation of the Reference Loan relating to such Reference Claim, is referred to as "**Additional Collateral**". The portion of any Additional Collateral securing a Reference Claim which is allocable to such Reference Claim for the purpose of Loss Allocation pursuant to Provision 5(b) is referred to as the "**Additional Reference Collateral**" and together with the Reference Mortgage(s) allocable to such Reference Claim, the "**Reference Collateral**".

5. Allocation of Payments and Enforcement Proceeds

(a) Allocation of Payments

Subject to paragraphs (b) and (c) below and any binding allocation of a payment to a particular claim by the relevant payor, in the event that the Issuer receives a payment on a Reference Loan or payment on any other claim against the Borrower of such Reference Loan and such payment is less than the total amount then due under such Reference Loan and such other claims, the payment received shall be allocated for the purpose of Loss Allocation in accordance with the Issuer's standard business practice.

(b) Allocation of Enforcement Proceeds

(i) The Issuer shall allocate the Enforcement Proceeds received from the Enforcement of any Mortgage or Additional Collateral in the following order of priority, *provided that*, (aa) in the case of a syndicated Reference Loan such proceeds received shall, subject to clause (bb) below, only comprise the share of proceeds allocable to the Outstanding Nominal Amount of such Reference Claim in accordance with the terms and conditions of such Reference Loan, and (bb) in the case of any Mortgage or Additional Collateral securing *pari passu* a Reference Claim and one or more other claims of the Issuer arising under the same Reference Loan (whether such Reference Loan is syndicated or not) such proceeds received shall only comprise the share of proceeds allocable to the Outstanding Nominal Amount of such Reference Claim on a *pari passu* basis:

- (A) *first*, to the Enforcement Costs and Accrued Interest relating to such Reference Claim,
- (B) *second*, towards reducing the outstanding principal amount of such Reference Claim,
- (C) *third*, to any other claims (whether for principal, interest and enforcement costs or otherwise) secured by such Mortgage or Mortgages or Additional Collateral.

(ii) The Issuer shall allocate the Enforcement Proceeds received from the Enforcement of any other collateral, if and to the extent the other collateral secures a Reference Claim under the relevant agreement with the collateral provider, in the following order of priority:

first, towards satisfying any other claims of the Issuer,

second, towards reducing the Enforcement Costs and Accrued Interest in relation of such Reference

Claim, and satisfying the outstanding principal amount of the relevant Reference Claim.

For the purposes of the foregoing, any set-off rights of the Issuer against any obligation of the Issuer shall be deemed to constitute Additional Collateral and be treated in accordance with paragraph (b)(i) above, if such obligation is directly related to the relevant Reference Claim or any related Reference Collateral; otherwise such set-off rights shall be deemed to constitute other collateral.

"**Enforcement**" means, with respect to any Mortgage, any other mortgage or deed of trust on the related Mortgaged Property, any Additional Collateral or any other collateral securing a Reference Claim, the enforcement by or on behalf of the Issuer on any such Mortgage, any such other mortgage, deed of trust, any such Additional Collateral or any such other collateral.

"**Enforcement Proceeds**" means the gross proceeds of Enforcement, without deduction of any foreclosure costs whether such deduction is made by any competent judicial authority or otherwise.

(c) Non-compliance with Allocation Rules

In the event that the Issuer fails to comply with paragraph (a) or (b) above (as applicable), allocation of the relevant payments or Enforcement Proceeds shall be effected as if paragraph (a) or (b) above (as applicable) were complied with.

6. Eligibility Criteria

As of the Cut-off Date the following criteria with respect to each Reference Claim (the "**Eligibility Criteria**") shall be met:

- (i) the Issuer is the sole legal and beneficial creditor of such Reference Claim and the sole holder of the related Reference Collateral and, in the case of syndicated loans, the Reference Claim and the related Reference Collateral are such portions of the syndicated loan claim and the related collateral, respectively, as have been allocated to the Issuer under the terms and conditions of the syndicated loan; such Reference Claim and the related Reference Collateral are free of third party rights other than (a) rights to re-transfer such Reference Collateral upon full payment of such Reference Claim and (b) rights of the servicers to receive servicing fees and reimbursements to which they are entitled under the servicing agreements relating to such Reference Claim;
- (ii) such Reference Claim has been originated by the Issuer, including by way of acquisition, in the ordinary course of its business and in compliance with the German Banking Act (*Kreditwesengesetz* – the "**Banking Act**"), the German Covered Bonds Act (*Pfandbriefgesetz* – the "**Covered Bonds Act**") and with all other applicable legal provisions and the standard credit and collection procedures of the Issuer effective at the time of origination and consistently applied and all required consents, approvals and authorisations have been obtained in respect thereof, and in respect of the Issuer's ability to undertake such business;
- (iii) such Reference Claim is legally valid, binding and enforceable in accordance with its terms and applicable provisions of law, and such Reference Claim constitutes an unconditional, irrevocable, binding and enforceable obligation of the borrower under such Reference Claim identified in the records of the Issuer as the counterparty of the Issuer under the relevant Reference Loan (the "**Borrower**") to pay its full face amount, and is not subject to any defence, dispute, enforcement order or, except for the repayment of prepayment premiums, late charges, default interest and similar amounts following default to the extent expressly set forth in the applicable co-lender or inter-creditor agreement, subordinated in priority of payments in any way;
- (iv) such Reference Loan under which the Reference Claim arises is secured by one or more Mortgages on the fee simple title to one commercial property located in the United States, which are in an aggregate nominal amount equal to, or in excess of, the Outstanding Nominal Amount of the respective Reference Claim and which rank prior or, to the extent provided in the applicable co-lender or inter-creditor agreement, equal to any mortgage or deed of trust in favour of any other party, and is further secured by a perfected first priority assignment of leases and rents, and a title insurance policy insuring the lien of the Mortgage issued to the Issuer or the agent in case of syndicated loans (the "**Title Policy**") is in place;

- (v) the principal amount of the initial advance in respect of such Reference Claim secured by one or more Mortgages plus, subject to co-lender or inter-creditor agreement, the principal amount of any loans secured, on a *pari passu* basis, by the same Mortgages as such Reference Claim, as of the Cut-off Date was not more than 52% (such 52%, the "**Maximum LTV**") of the market value (the "**Property Value**") of the relevant Mortgaged Property in the opinion of an external valuation expert appointed by the Issuer or the agent in case of syndicated loans as certified in a Valuation Report prepared in accordance with (vi) below;
- (vi) prior to draw-down by the Issuer, a valuation of the Mortgaged Property as is reasonably required by a prudent lender was undertaken by an external valuation expert appointed by the Issuer or the agent in case of syndicated loans; a formal valuation report (each a "**Valuation Report**") regarding the Mortgaged Property has been obtained from such external valuation expert which includes (a) an assessment of the local market environment, (b) a review of the rent rolls and property expenses, (c) disclosure of unusual tenancy terms, (d) photographs of the relevant property, (e) comparable information in respect of the value determination, and the Valuation Report or other independent third party due diligence reports obtained by the Issuer or an agent in case of syndicated loans confirm adequate disclosure with respect to the engineering and environmental condition of the property as contained in such reports; and the Issuer, or the agent in case of syndicated loans, taking into account the comments and results of the Valuation Report prior to draw-down, has conducted a due diligence investigation in respect of any disclosure in the Valuation Report in respect of any engineering reports or environmental reports and unusual tenancy terms;
- (vii) to the best of the Issuer's knowledge, no Mortgaged Property is subject to any engineering or environmental risks not adequately addressed in the related Reference Loan documentation by way of property reserves, covenants, guarantees or other measures acceptable to prudent institutional lenders, and the Issuer has obtained, not more than 12 months before the Cut-off Date, a property condition report and phase 1 environmental site assessment in respect of the Mortgaged Property from an independent engineer;
- (viii) based upon customary due diligence for prudent commercial mortgage lenders, the Issuer has no notice that the Mortgaged Property relating to such Reference Claim is located in a flood hazard area as defined by the Federal Emergency Management Agency;
- (ix) based upon customary due diligence for prudent commercial mortgage lenders, the Issuer has no notice that the Mortgaged Property relating to such Reference Claim does not have adequate rights of access to public ways or is not served by utilities, including, without limitation, adequate water, sewer, electricity, gas, telephone, sanitary sewer, and storm drain facilities, or that any public utilities necessary to the continued use and enjoyment of such Mortgaged Property as used and enjoyed on the Cut-off Date are not located in the public right-of-way abutting such Mortgaged Property, or that any such utilities are not connected so as to serve such Mortgaged Property without passing over other property, or that any roads necessary for the full use of such Mortgaged Property for its current purpose have not been completed and dedicated to public use and accepted by all governmental authorities or are not the subject of access easements for the benefit of such Mortgaged Property;
- (x) the Mortgaged Property relating to such Reference Claim is covered by an American Land Title Association (ALTA) (or comparable) lender's title insurance policy insuring that the Mortgage is a valid first lien on the Mortgaged Property, subject only to the permitted exceptions none of which has a material adverse effect upon the value of the related Mortgaged Property, and the following are true with respect to such policy: (a) the policy is in full force and effect in favour of the Issuer; (b) the premium for such policy was paid in full; (c) such policy is issued by a title insurance company licensed to issue policies in the state in which the related Mortgaged Property is located; (d) no claims have been made under any title insurance policy or other action taken that would materially impair such policy; and (e) such policy insures that the related Mortgaged Property has access to a public road and affirmatively insures (unless the related Mortgaged Property is located in a jurisdiction where such affirmative insurance is not available) that the area shown on the survey, reviewed, or prepared in connection with the origination of the related Reference Loan, is the same as the legal description of the property contained in the related Mortgage;

- (xi) the Issuer has proper documentation in place for such Reference Claim, indicating, in particular, the amounts outstanding thereunder from time to time and identifying the related Reference Collateral, and such Reference Claim can be easily identified as part of the Reference Pool;
- (xii) neither the Issuer nor the Borrower has the right to unilaterally increase the principal balance of such Reference Claim or extend its term;
- (xiii) the amount of principal outstanding from the Borrower under such Reference Claim does not exceed USD 141,373,394;
- (xiv) no Reference Claim is or will be repayable later than September 2025;
- (xv) such Reference Claim is denominated in USD;
- (xvi) subject to (xvii) below, the Issuer is not aware of (a) any breach by any Borrower of any of its obligations pursuant to the underlying loan agreement which has not been remedied or cured, or (b) any breach of any third-party security agreement by the owner of any Reference Collateral, where in either case (a) or (b) any such breach would have a material adverse effect on the ability of the Borrower to repay the Reference Claim;
- (xvii) no scheduled payment of interest or principal in respect of a Reference Claim is delinquent on the Cut-off Date or has been overdue for more than 30 days within 12 months prior to the Cut-off Date;
- (xviii) no litigation is pending with respect to such Reference Claim or such Reference Collateral nor, to the best of the Issuer's knowledge, is any such litigation threatened, except, in either case, litigation that has been filed relating to accidents or injuries on the related Mortgaged Property or relating to work performed by contractors on the Mortgaged Property or similar property related matters, none of which would have a material adverse effect on the ability of the Borrower to repay the Reference Claim;
- (xix) neither any of the Borrowers nor any of the providers of the Reference Collateral (a) is in bankruptcy, insolvency, administration, liquidation, receivership, moratorium or any other similar proceedings, or (b) has generally stopped its payments;
- (xx) (a) the Reference Claims and the Reference Collateral comply with the information (including information with respect to the account number, principal balance, interest rate payment and maturity date) provided in respect of the Reference Pool in the prospectus dated April 10, 2006 published in relation to the issue of the Notes (the "**Prospectus**") and in the Reference Claim List and (b) the information supplied to the Trustee on or about the Issue Date in the data file ESTATE US-1_Gesamtportfolio_3.xls (A) on the Reference Loans concerning percentage of '100% senior facility' being securitised, loan maturity date, '100% senior facility' balance at cut-off, 'securitised senior loan' balance at cut-off, fully fixed/partially fixed/or floating, annual interest rate before margin, loan margin, date of expiry of fixed rate, 'securitised senior loan' balance at maturity, debt service cover, loan to value, cash reserve amount, information regarding assignment of leases, current debt service amount, (B) on the mortgaged properties concerning 100% property value, date of valuation, (C) on the tenants concerning tenant name, approximate net lettable area, payable rent per annum, lease expiry date, date of first break, and (D) on the amortisation schedule concerning principal payments, is consistent with the data shown in the record of the Issuer;
- (xxi) such Reference Claim and the related Reference Collateral can be identified in the files of the Issuer on the basis of the Reference Claim List and information provided therein is true, accurate and complete;
- (xxii) no agreement has been concluded or is being negotiated for any Reference Claim which has resulted in such Reference Claim being modified, rescheduled, restructured or adjusted or any default waived as a result of financial difficulties of the Borrower;
- (xxiii) the Issuer has not commenced or prepared enforcement proceedings against the Borrower or relevant provider of the Reference Collateral;
- (xxiv) each Mortgaged Property is insured in compliance with the insurance requirements specified in the related loan agreements for the Reference Claim with a reputable insurance company under a policy that

a prudent lender would deem sufficient to cover its exposure in relation to the relevant Mortgaged Property in terms both of the amount insured and the risks covered;

- (xxv) neither the Issuer nor any person affiliated with it carries direct or indirect obligations or liability for the performance of such Reference Claim or for any related Reference Collateral;
- (xxvi) the note, the Mortgage and the assignment of the claims for lease payments relating to such Reference Claim contain enforceable (subject to bankruptcy, insolvency, or creditor rights laws generally, and principles of equity generally) provisions so as to render the rights and remedies of the holder thereof adequate for the practical realisation against such Mortgaged Property of the principal benefits of the security, including (a) realisation by judicial or, if applicable, non-judicial foreclosure, and there is no exemption available to the respective Borrower that would interfere with such right to foreclose, and (b) if the related Mortgaged Property is subject to any leases, the appointment of a receiver for rents or the right of the mortgagee to enter into possession to collect the rent or providing for rents to be paid directly to mortgagee in the event of a default;
- (xxvii) all taxes and governmental assessments which, in all such cases, were directly related to the subject Mortgaged Property and could constitute liens on the subject Mortgaged Property prior to the lien of the related Mortgage, and that prior to the Cut-off Date became due and payable in respect of, and materially affect, any related Mortgaged Property, have been paid or are not yet delinquent, or an escrow of funds in an amount sufficient to cover such payments has been established or will, upon an event of default under the loan documentation relating to such Reference Claim, be established with the Issuer or, in the case of syndicated loans, the agent;
- (xxviii) as of the Cut-off Date, the Issuer has not received any notice that there were or are any proceedings pending or threatened for the total or partial condemnation or similar taking of any portion of the Mortgaged Property that would materially affect the Borrower's performance under the related Reference Claim, or the use, value, or operation of the related Mortgaged Property;
- (xxix) if the Reference Mortgage relating to such Reference Claim is a deed of trust, a trustee, duly qualified under applicable law to serve as such, has been properly designated and currently so serves and is named in the deed of trust, and no fees or expenses are or will become payable to the trustee under the deed of trust, except in connection with the sale or release of the Mortgaged Property following default or payment of the Reference Claim;
- (xxx) based upon customary due diligence for prudent commercial mortgage lenders, the Issuer has no notice that, any of the improvements included for the purpose of determining the appraised value of the Mortgaged Property at the time of the origination of the Reference Claim lies outside of the boundaries and building restriction lines of the Mortgaged Property except for discrepancies and encroachments disclosed in the Title Policy that will not have a material adverse effect on the use, value or operation of the Mortgaged Property and a Title Policy is in place which insures against any losses of the Issuer resulting from such discrepancies or encroachments;
- (xxxi) based upon customary due diligence for prudent commercial mortgage lenders, the Issuer has no notice that any improvements on the related Mortgaged Property do not comply with applicable zoning laws and/or set-back ordinances in force when improvements were constructed except to the extent of non-compliance that will not have a material adverse effect on the use, value or operation of the related Mortgaged Property; and
- (xxxii) to the Issuer's knowledge, each Mortgaged Property constitutes one or more separate tax parcels and does not constitute a portion of any other tax lot not a part of the Mortgaged Property and a title insurance is in place which covers any losses of the Issuer resulting from the Mortgaged Property not constituting a separate tax parcel.

Compliance with the Eligibility Criteria as of the Cut-off Date is, subject to Provision 8 (Non-compliance with Eligibility Criteria or Servicing Standards), a condition to Loss Allocation and does not constitute an obligation of the Issuer.

7. Servicing Standards

- (a) The administration, collection and enforcement of each Reference Claim, including the Enforcement on the Reference Collateral, shall be carried out by the Issuer (in such capacity, the "**Servicer**", this term shall include any substitute Servicer appointed in accordance with the Terms and Conditions) or by the agent in respect of a syndicated Reference Loan (each such agent, a "**Servicing Agent**"). Servicing Agents shall only be involved in the servicing in relation to syndicated Reference Loans where the Issuer is not the agent. The Servicer will:
- (i) service each Reference Claim in accordance with its standard credit and collection procedures for similar assets as in effect and amended from time to time (in the case of syndicated loans subject to the servicing conditions under such syndicated loan documentation) to the extent it is responsible for the servicing of a Reference Claim, and
 - (ii) monitor in accordance with its standard credit and collection procedures that the Reference Claims serviced by the Servicing Agents are serviced in accordance with the documentation governing the Reference Loan,

subject, in each case, to the servicing principles set out in Appendix C to the Terms and Conditions (the "**Servicing Principles**"). The procedures under (i) above and the Servicing Principles are together referred to as the "**Servicing Standards**".

- (b) The Servicing Principles constitute an integral part of the Terms and Conditions. The Issuer and the Trustee may agree at any time to amend or supplement the Servicing Principles, *provided that* any such amendment or supplement does not materially affect the interests of the Noteholders or the Senior Swap Counterparty or the Class C Swap Counterparty and the Rating Agencies receive notice thereof from the Issuer, unless otherwise required by mandatory provisions of law. The Servicer shall comply with the standard of care of a prudent lender and, in particular, apply reasonable procedures and take all measures it deems necessary or appropriate in its due professional discretion to administer, collect and enforce the Reference Claims and the Reference Collateral or which are necessary to comply with supervisory requirements and to refrain from acting when so required by regulatory requirements.
- (c) The Issuer is entitled to delegate its servicing function with respect to the Reference Pool to a third party servicer which is either a banking institution or a servicing company specialised in the servicing and administration of loans provided that, in the professional judgement of the Issuer and confirmed by the Trustee such delegation will not adversely affect the interests of the Transaction Creditors, and subject to confirmation by the Rating Agencies that such delegation will neither result in a withdrawal of the rating in respect of, nor in a downgrading of, any Class of Notes, *provided that* such third party servicer assumes all of the Servicer's servicing obligations under the Transaction Documents. Notwithstanding the foregoing sentence, the Servicer is entitled to delegate certain functions in connection with the administration, collection and enforcement of the Reference Claims and the enforcement of the Reference Collateral, in whole or in part, to agents if the Servicer remains responsible for any act or omission of any such agent as if such act or omission were its own.
- (d) In administering, collecting and enforcing the Reference Claims and enforcing the Reference Collateral in accordance with the Servicing Standards, the Servicer will act at all times in the interest of the Noteholders, the Senior Swap Counterparty and the Class C Swap Counterparty only and, in the case of any conflict between interests of the Noteholders or the Senior Swap Counterparty or the Class C Swap Counterparty and the interests of the Issuer or third parties, the Servicer will not place the Noteholders' or the Senior Swap Counterparty's or the Class C Swap Counterparty's interests in a less favourable position than the interests of the Issuer or any third party or its own interests, subject to the terms and conditions of the relevant obligations of any Borrower and any related collateral.
- (e) Compliance with the Servicing Standards is a condition to Loss Allocation as provided in Section 8 (Loss Allocation) of the Terms and Conditions and does not constitute an obligation of the Servicer.

8. Non-compliance with Eligibility Criteria or Servicing Standards

- (a) If in respect of a Reference Claim (i) any of the Eligibility Criteria as of the Cut-off Date, or (ii) at any time after the Issue Date, any of the Servicing Standards is not complied with in any material respect with regard to the interests of the Noteholders or the Senior Swap Counterparty or the Class C Swap Counterparty (as defined in the Trust Agreement attached as Appendix A to the Terms and Conditions) (collectively, the "**Transaction Creditors**") at the relevant time in relation to any Reference Claim or any Reference Collateral, such Reference Claim shall not qualify for the allocation of a Realised Loss ("**Loss Allocation**") pursuant to Section 8.1 of the Terms and Conditions and the Issuer may remove such Reference Claim from the Reference Pool in accordance with the procedures set out in Clause 13 of the Trust Agreement, *provided*, however, *that* if not removed, such Reference Claim shall qualify for the allocation of Realised Losses if the Trustee confirms pursuant to Clause 13 of the Trust Agreement that:
- (A) such non-compliance does not adversely affect the interests of the Transaction Creditors,
- or (if the non-compliance can be fully remedied by the Issuer)
- (B) the Issuer has fully remedied such non-compliance (and any adverse effects of such non-compliance on the interest of the Transaction Creditors) (i) within 30 calendar days after it becomes aware of such non-compliance (whether by notification from the Trustee or otherwise) and (ii) prior to occurrence of a Credit Event in relation to the relevant Reference Claim;
- provided that,*
- (i) if the Trustee confirms that such non-compliance affects only part of a Reference Claim or Reference Collateral and none of the exceptions under (A) and (B) apply, the Issuer may remove such part of the Reference Claim from the Reference Pool and the remaining portion of the Reference Claim shall qualify for the allocation of Realised Losses pursuant to Section 8.1 of the Terms and Conditions; for the avoidance of doubt, the Outstanding Nominal Amount of such Reference Claim shall be reduced by an amount equal to the portion of the Reference Claim removed,
- (ii) even where the conditions set forth in (A) and/or (B) above do not apply, a Realised Loss (or any portion thereof) may nevertheless be allocated to the Notes to such extent that the Trustee confirms that the non-compliance of the Issuer has not resulted in or contributed to such Realised Loss, and
- (iii) in the case of breach of the Eligibility Criterion under Provision 6 (xiv) (Eligibility Criteria - Reference Claim final maturity criterion) or the Servicing Principles relating to the extension of the maturity of the Reference Claims, the relevant Reference Claim shall qualify for the Loss Allocation if the Credit Event in respect of such Reference Claim occurred on or before the end of the Collection Period immediately preceding the Final Scheduled Payment Date.
- (b) If any of the Eligibility Criteria or Servicing Standards is not complied with in respect of the Reference Pool (as opposed to a specific Reference Claim) paragraph (a) above shall apply to all Reference Claims affected by such non-compliance. If such non-compliance can be fully remedied by removing one or more Reference Claims from the Reference Pool, the Issuer may effect such removal in accordance with the Trust Agreement and such removal shall constitute full remedy of such non-compliance pursuant to paragraph (a)(B) above. The relevant Reference Claims will be removed from the Reference Pool based on their respective contribution to the non-compliance, beginning with the Reference Claim which, in the opinion of the Issuer, contributed to the non-compliance to the greatest extent so that the removal of such Reference Claim in the opinion of the Issuer cures such non-compliance in the most efficient manner.
- (c) If (i) under any Eligibility Criterion the outstanding principal amount or number of Reference Claims is required not to exceed a given amount or number as of a given time, (ii) such Eligibility Criterion is not complied with, (iii) such non-compliance is not remedied pursuant to paragraph (a) or (b) above, and (iv) a Realised Loss occurs in respect of one or more of such Reference Claims (each, an "**Affected Reference Claim**"), then an Affected Reference Claim shall not qualify for Loss Allocation to the extent that the removal of such Affected Reference Claim (or any portion thereof) together with all other then existing Affected Reference Claims from the Reference Pool immediately after the Cut-off Date would not

have remedied the non-compliance of such Eligibility Criterion.

- (d) Except as set forth in paragraph (a), (b) and (c) above, there shall be no recourse against the Issuer for any non-compliance referred to in paragraph (a), (b) or (c) above. To the extent that a Realised Loss may not be allocated in respect of any Reference Claim pursuant to paragraph (a), (b) or (c) above, such Reference Claim shall be referred to herein as a "**Non-qualifying Reference Claim**".
- (e) The Issuer shall notify the Noteholders pursuant to Section 14.2 (Notification - Noteholder Report) of the aggregate Outstanding Nominal Amount of all Reference Claims removed from the Reference Pool pursuant to paragraph (a) or (b) above during a given Collection Period and the Notes will be redeemed in accordance with Section 10.1 on the Payment Date immediately following the receipt of the Pool Report by the Trustee in which the Issuer has declared to remove such Reference Claim.

Information Tables regarding the Initial Reference Pool

The following tables set out, as of the Cut-off Date, the number, aggregate principal balance and other characteristics of the Reference Claims, including partial claims. (The sum of the amounts of the aggregate principal balances and the percentages in the following tables may not equal the totals due to rounding).

A Reference Claim may cease to exist or be removed from the Reference Pool prior to the Issue Date as a result of principal prepayment thereof in full or if, as a result of late payments or otherwise, the Issuer deems such exclusion necessary or desirable. See "DESCRIPTION OF THE REFERENCE POOL - Reference Pool Provisions".

This may result in changes to certain characteristics of the Reference Pool set out in this Prospectus. In the event that any of the characteristics of the Reference Pool on the Issue Date vary materially from those described herein, revised information regarding the Reference Pool will be made available to the purchasers of the Notes on or before the Issue Date.

Summary

The Reference Claims are expected to have the following approximate aggregate characteristics as of the Cut-off Date.

Number of Reference Loans:	3
Number of Mortgaged Properties:	3
Total Current Balance:	USD 341,373,394
Average Current Balance:	USD 113,791,131
Weighted Average Seasoning:	0.24 (in years)
Weighted Average Remaining Term:	19.74 (in years)
Weighted Average LTV:	48.92%

In the case of syndicated loans, the Reference Claim and the related Mortgaged Property are such portions of the syndicated loan claim and the related mortgaged property, respectively, as have been allocated to the Issuer under the terms and conditions of the syndicated loan.

Definitions

The following definitions have been used in preparing the tables shown below.

"Balance at Cut-off" means the outstanding balance of the Reference Claim as of the Cut-off Date.

"Loan-to-Value" or **"LTV"** means the Balance as of Cut-off as defined above plus outstanding balances of any other claim secured by an equal ranking mortgage or deed of trust on the same Mortgaged Property, divided by the Property Value.

"Property Value" means the market value of Mortgaged Property in the opinion of an external valuation expert appointed by the Issuer or the agent in case of syndicated loans, at the inception of the loan or the most recent valuation.

"Remaining Term" means the term between the Cut-off Date and the Maturity Date of each Reference Claim.

"Maturity Date" means the date on which the Issuer no longer has any obligation to continue financing the Reference Claim.

"Seasoning" means the term between the date the loan underlying the Reference Claim was originated and the Cut-off Date.

An **"Amortising"** loan is a loan in respect of which the principal amount is scheduled to be repaid in full through instalments.

"Partially Amortising Loan" means a loan, the principal amount of which does not fully amortise prior to its maturity.

A "**Bullet**" loan is a loan in respect of which the entire principal amount is scheduled to be repaid through one principal payment at the maturity of the loan.

"**Interest Coverage Ratio**" ("**ICR**") means the Net Property Cash Flow of the Mortgaged Property(ies) securing the Reference Claim (assumed to remain constant over time) divided by the aggregate amount of interest payments which would be due during that same period calculated with reference to the then outstanding principal balance excluding any undrawn commitments, assuming that the interest rate applicable to the Reference Claim during such period is set, if a variable rate loan, relative to the index levels prevailing as of the Cut-off Date as would be required by the contractual terms of the loan underlying the Reference Claim.

"**Debt Service Coverage Ratio**" ("**DSCR**") means the Net Property Cash Flow of the Mortgaged Property(ies) securing the Reference Claim (assumed to remain constant over time) divided by the sum of (a) the aggregate amount of principal amortisation payments due during the full year commencing with the Cut-off Date, and (b) the aggregate amount of interest payments which would be due during that same period calculated with reference to the then outstanding principal balance excluding any undrawn commitments, assuming that the interest rate applicable to the Reference Claim during such period is set, if a variable rate loan, relative to the index levels prevailing as of the Cut-off Date as would be required by the contractual terms of the loan underlying the Reference Claim. Balloon payments, defined as large payments exceptional to the regular amortisation schedule for each Reference Claim, and, if the relevant loan agreement provides that cash sweeps will be applied to amortisation payments, such cash sweeps, defined as the excess (if any) of the annual rental income generated by the relevant Mortgaged Property(ies) over the aggregate amount of interest payments due for the same annual period under the Reference Claim, have been excluded for the purpose of this calculation.

"**Net Property Cash Flow**" means the net annualised operating income currently generated by a Mortgaged Property or Mortgaged Properties.

"**Property Type**" means the primary usage type of the Mortgaged Property(ies).

Information Tables regarding the Reference Pool and the Reference Loans

Loan Description

Loan Number	Balance at Cut-off (in USD)	Interest Rate	Interest Coverage Ratio (ICR)	Debt Service Coverage Ratio (DSCR)	Loan to Value (LTV) (in %)	Maturity Date	Balance at Maturity (in USD)	Seasoning (in years)	Exit Yield (in %)	Property Town	Relevant Property Value (in USD)	% of Relevant Net Property Cash Flow	No. of Distinct Tenants	Tenant Rated BBB or better (in % of Relevant Rent)
1	100,000,000	Fixed	2.15	2.15	43.28	2025-08-09	74,878,413	0.31	18.51	New York	231,075,697	30.97	22	44.66
2	100,000,000	Fixed	1.76	1.76	50.40	2025-08-09	76,306,331	0.31	14.57	New York	198,412,698	25.30	31	69.02
3	141,373,394	Fixed	2.11	1.61	51.86	2025-09-12	96,888,943	0.13	21.95	Washington D.C.	272,616,124	43.73	2	98.92
Total	341,373,394										702,104,520	100.00		
Average	113,791,131		2.02	1.81	48.92			0.24						

Rating Diversification in Tenants

Rating *	% of Relevant Rent
Public / AAA	38.79
AA+ to AA-	3.70
A+ to A-	19.08
BBB+ to BBB-	10.07
BB+ to BB-	0.35
B+ to B-	0.04
NR	27.96
Total	100.00

* (Rated either by Fitch, Moody's or Standard & Poor's)

REFERENCE POOL SERVICING

The Servicer will service the Reference Claims and act towards the Servicing Agents servicing the Reference Loans in accordance with the following Servicing Principles and the procedure under Provision 7(a)(i) (Servicing Standards) of the Reference Pool Provisions. The Servicing Principles are attached as Appendix C to the Terms and Conditions and constitute an integral part of the Terms and Conditions.

APPENDIX C

Servicing Principles

1. General

The administration, collection and enforcement of the Reference Claims, including the Enforcement on the Reference Collateral, shall be carried out by the Issuer (in such capacity, the "**Servicer**") or by the agent in respect of a syndicated Reference Loan (each such agent, a "**Servicing Agent**").

The Issuer acting as the Servicer will (i) service each Reference Claim in accordance with its standard credit and collection procedures for similar assets as in effect and amended from time to time (in the case of syndicated loans subject to the servicing conditions under such syndicated loan documentation) to the extent it is responsible for the servicing of a Reference Claim, and (ii) monitor in accordance with its standard credit and collection procedures that the Reference Claim serviced by the Servicing Agents is serviced in accordance with the documentation governing the Reference Loan, subject, in each case, to the Servicing Principles set out below.

2. Administration, Collection and Enforcement of the Reference Claims

The Servicer will comply with the standard of care of a prudent lender and, in particular, apply reasonable procedures and take all measures it deems necessary or appropriate in its due professional discretion to administer, collect and enforce the Reference Claims (including Reference Claims forming part of a syndicated loan claim) and the Reference Collateral or which are necessary to comply with supervisory requirements and to refrain from acting when so required by regulatory requirements and act at all times in the interests of the Transaction Creditors only, and, in the case of any conflict between interests of the Noteholders or the Senior Swap Counterparty or the Class C Swap Counterparty and the interests of the Issuer or third parties, the Servicer will not place the Noteholders' or the Senior Swap Counterparty's or the Class C Swap Counterparty's interests in a less favourable position than its own interests or the interests of the Issuer or any third party, but will treat the conflicting interests on a *pari passu* basis, subject to the terms and conditions of the relevant obligations of any Borrower and any related collateral. Such a conflict could arise in a case where the Issuer has transferred to third parties the risk with respect to a new loan that was extended to the same Borrower, for instance by virtue of another transaction similar to this one relating to a pool that includes such new loan. In such a situation the Reference Claim and the claim arising under the new loan would be treated as separate "stand-alone transactions" and the performance of one claim would not impact the other. A "stand-alone transaction" should be defined as a transaction where all payments or proceeds attributable to the performance of a claim or, in the event of the Borrower's failure to perform, arising by virtue of enforcement of the security of such claim are applied in satisfaction of all obligations arising under or in connection with the loan related to such claim. In the case of a conflict of interest among the interests of the Senior Swap Counterparty, the Noteholders and the Class C Swap Counterparty, the Servicer will give priority to the interests of the Senior Swap Counterparty and the interests of the holder of the Class A1+ Notes, then among the holders of the Class A2 Notes, the Class B1 Notes, Class B2 Notes, Class B3 Notes to the interests of the Noteholders of the Class which then ranks most senior for the purposes of the Loss Allocation and then among the holders of the Class C1+ Notes, Class C2+ Notes, Class C3+ Notes and the Class C Swap Counterparty, to the interests of the holders of such Class or Classes of Notes that rank most senior for the purposes of Loss Allocation and to the interest of the Class C Swap Counterparty with regard to the part of the credit protection corresponding to such class of Notes, *provided that* the interests of the Senior Swap Counterparty and the Class A1+ Noteholders will rank *pari passu*, the interests of the Class C Swap Counterparty with regard to the part of the credit protection corresponding to the Class C1+ Notes and the interests of the holders of the Class C1+ Notes will rank *pari passu*, the interests of the Class C Swap Counterparty with regard to the part of the credit protection

corresponding to the Class C2+ Notes and the interests of the holders of the Class C2+ Notes will rank *pari passu* and the interests of the Class C Swap Counterparty with regard to the part of the credit protection corresponding to the Class C3+ Notes and the interests of the holders of the Class C3+ Notes will rank *pari passu*.

3. Allocation of Payments

Subject to mandatory rules of applicable law with respect to the allocation of a payment to a particular claim by the relevant payor, in the event that the Servicer receives a payment on a Reference Loan or any other payment claim against the Borrower of such Reference Loan and such payment is less than the total amount then due under such Reference Loan and such other claims, the payment received shall be allocated pursuant to the relevant loan agreement(s) or, in the absence of provisions on the allocation of payments in such agreement(s), according to the binding instruction of the relevant payor. Failing any such provision or instruction, the Servicer will allocate the payment in the proportion which the amount of principal due under such Reference Claim bears over the total amount of principal due under such other claims. For the purposes of such allocation, such Reference Claim and such other claims will be deemed due immediately upon the occurrence of a Credit Event in respect of such Reference Claim or non-payment of any such other claim for more than 90 days, regardless of any acceleration.

4. Prepayment of the Reference Claims

Without prejudice to the legal and contractual termination rights of the Borrower, the Servicer may approve the partial or full early repayment of a Reference Claim. The Issuer will usually be indemnified by the Borrower for any interest loss and the cost of unwinding the hedging arrangements (if any). In addition, the Borrower may be subject to prepayment penalties charged by the Servicer on a case-by-case basis. In exceptional cases only, prepayment penalties will be charged by the Servicer to cover lost margin. Prepayment penalties will be typically reduced in one or more steps from the first annual period to final maturity of the Reference Claim.

5. Reporting

With respect to each Collection Period, the Issuer will provide the Trustee and each of the Rating Agencies with a report (the "**Pool Report**") on the performance of the Reference Pool and the determination of the Realised Losses. Further, the Issuer will deliver to the Trustee such other reports and information at such times as specified in the Terms and Conditions and/or the Trust Agreement.

See "TERMS AND CONDITIONS OF THE NOTES - Notifications" and "THE MAIN PROVISIONS OF THE TRUST AGREEMENT".

6. Payments in Arrears from Borrowers

The administration and monitoring of the Reference Claims by the Servicer is based on a computer supported payment tracking system.

Following a draw-down or interest rollover under an approved loan, all relevant information regarding that particular transaction is entered into an in-house IT system. This system is a comprehensive tailor-made programme containing the relevant data regarding the transaction, including the borrowers, syndicate members, financial information such as interest rate fixings, final maturity, repayments and the like. The internal payment tracking system calculates the amounts due from the Borrowers and those calculations are used to verify the calculations which are made manually by the Department Markets and Origination UK/IRL/USA/E ("**M&O USA**"). If delinquencies occur, the Borrower appears on an electronically generated watchlist, which is monitored by the Credit Risk Management ("**CRM**") and the M&O USA. The CRM analyses the reasons for the arrears and tries to receive immediate payment.

Senior management of the Issuer will determine on a case-by-case basis whether and what action will be taken in respect of a Reference Claim in default. Such action will be based upon the particular circumstances of the default and the likelihood of remedy, such as the financial situation of the Borrower and, if appropriate, other providers of Reference Collateral, the value of the Mortgaged Property and any Additional Reference

Collateral, and the future prospects. It may be necessary to undertake a review of the Reference Collateral. Certain security may, in accordance with applicable law, need to be protected, including, without limitation, the perfection of rent pledges.

7. Payment Rescheduling and Debt Restructuring

If a Borrower falls into payment default with respect to a Reference Claim, the Servicer will be entitled, subject to the restrictions (if relevant) applicable to Reference Claims forming part of a syndicated loan claim, to declare the Reference Claim immediately due and payable. In accordance with the Issuer's standard procedures and subject to Section 8 (Common Principles) of the Servicing Principles below, the Servicer is also authorised to agree to a payment rescheduling and/or debt restructuring (including, but not limited to, as described in the definition of the Restructuring Event) with a Borrower in arrears. In doing so, the Servicer may in particular forgo the repayment of a portion of the relevant Reference Claim if the Servicer is convinced, in its reasonable judgement, that the aggregate amount of collections on such Reference Claim will be higher than the aggregate amount it would collect thereon had it not agreed to forgo such portion of the Reference Claim. The Servicer will notify the Rating Agencies (subject to any applicable data protection and banking secrecy laws) if payment rescheduling and/or debt restructuring as described in this paragraph occurs.

For the avoidance of doubt, without prejudice to the Eligibility Criteria and any other conditions for the Loss Allocation, a Restructuring Event will constitute a Credit Event whether or not the Servicing Standards were complied with in connection with such Restructuring Event.

8. Common Principles

In all cases of payment rescheduling or debt restructuring, the Servicer shall adequately safeguard the interests of the Noteholders, the Senior Swap Counterparty and the Class C Swap Counterparty in the fullest performance of the Reference Claims at all times and minimise Realised Losses, notwithstanding its right to forgive a portion of the relevant Reference Claim, and, in a conflict of interest situation, will not place such interests in a less favourable position than its own interests in relation to the same Borrower.

The Servicer will only agree to payment rescheduling or debt restructuring of a Reference Claim, if the Reference Claim, under the altered repayment schedule or as restructured, is due to be repaid in full before the end of the Collection Period immediately preceding the Final Scheduled Payment Date at the latest.

9. Security Enforcement

The action to be taken by the Servicer in recovering defaulted Reference Claims will be decided by senior management on a case-by-case basis. Collateral enforcement requires very close co-operation between loan managers of the M&O USA, the CRM and the external co-operation partners (external agent, external local solicitors, etc.). In each case, the Servicer establishes a specific recovery procedure for the distressed loan with a view to maximising recoveries.

Before exercising security on the Mortgaged Property, the primary concern is to protect cash flow generated by the asset. To this end, the Servicer may use external property managers or surveyors to administer the property and to collect rent which is transferred directly to the Servicer.

The Mortgaged Property will be sold on the free market or by way of a forced sale, subject to an internal or external valuation and subject to applicable legal requirements in the relevant jurisdiction.

10. Adjustment of Loan Rates

In the case of floating rate Reference Claims, the interest rate will be typically based on LIBOR or base rate plus a margin. In the case of fixed rate Reference Claims, the Servicer will negotiate any interest rate reset, including the conversion of a fixed rate into a floating interest rate, with the Borrower in accordance with its standard procedures, taking into account the prevailing market conditions and the interests of the Noteholders. Hedging arrangements required by the Servicer will be agreed with the Borrower on a case-by-case basis. The Servicer will notify the Rating Agencies if an adjustment of the loan rates as described in this paragraph occurs.

11. Replacement of Borrowers

It is to be expected that during the term of the Notes, some Borrowers will sell their Mortgaged Property to a third party or that for other reasons (e.g., compulsory auction following foreclosure) a change will occur in the ownership of such Mortgaged Property. The Servicer will be entitled to approve replacement of a Borrower (the "**Former Borrower**") by a new Borrower (the "**New Borrower**"), subject to the following conditions:

- (a) The New Borrower assumes the debt of the Former Borrower, *provided that* this will not result in a deterioration in rank or value of the Mortgages.
- (b) The replacement is made in connection with the change in title to the Mortgaged Property (including by way of forced sale) to the New Borrower or a third-party collateral provider, and extends to all loan claims which are secured by real property liens on such Mortgaged Property.
- (c) The existence, content, priority and enforceability (including any immediate executability) of the Reference Claim and the related Mortgage will not be adversely affected by the replacement.
- (d) The replacement complies with all applicable legal requirements as well as the standard procedures of the Issuer; in particular, the New Borrower must fulfil all requirements which the Servicer applies for extension of loans in accordance with its loan conditions; in this regard, no lesser requirements may be applied in relation to the fact that the Reference Claim is included in the Reference Pool.
- (e) The Trustee and the Rating Agencies receive prompt notice of any such replacement.
- (f) The then current rating of the Notes will not be adversely affected as a result of any such replacement.
- (g) Any such replacement may only be made with due regard to the interests of the Transaction Creditors.

12. Substitution of Reference Collateral

In connection with the defeasance of a Reference Loan pursuant to the underlying Reference Loan documentation, the Servicer shall release some or all Mortgages securing such Reference Loan if the Borrower under such Reference Loan grants a first priority security interest in respect of certain government obligations of the United States of America and an account with an eligible institution where such government obligations are held in custody, in each case for the benefit of the Issuer to secure at least scheduled interest and principal payments of the Issuer arising under such Reference Loan until the date from which on no prepayment fee is payable, *provided that* such government obligations provide payments in the amounts (or a portion thereof corresponding to the amount of the released Mortgage if not all Mortgages securing such Reference Loan are released) and on or prior to the payment dates under such Reference Loan and such substitution is effected pursuant to the underlying Reference Loan documentation. The Servicer has no right to allow a Borrower to substitute a Mortgaged Property by another property.

13. Further Advances

The Servicer may agree with a Borrower on further advances with respect to a Reference Loan. In such case, the Servicer will not place the Transaction Creditors' interests in a less favourable position than its own interests and to the extent that the Reference Collateral is used as collateral for further advances, the interests of the Issuer will be fully subordinated to the interests of the Transaction Creditors in respect of such further advances and no enforcement action may be taken, including, without limitation, by way of acceleration of payments or enforcement against the Reference Collateral securing such further advance prior to enforcement action being taken in respect of the corresponding Reference Loan. Any mortgages or deed of trust on the Mortgaged Property(ies) securing such further advance shall be deemed not to constitute Mortgages and, for the avoidance of doubt must be subordinated to the relevant Reference Mortgage(s). The payment claims arising from such further advances will constitute separate loan claims which will not form part of the Reference Pool.

14. Other Changes to the Conditions of Reference Claims

Except as provided under Section 4 (Prepayment of the Reference Claims), Section 6 (Payments in Arrears from Borrowers), Section 10 (Adjustment of Loan Rates), Section 11 (Replacement of Borrowers) and Section 13 (Further Advances) of the Servicing Principles and in accordance with the terms of the Reference Claim and Reference Collateral documentation, the Servicer shall be authorised to take action in the context of servicing the Reference Claims and the Reference Collateral (in particular to amend contractual provisions of the loan contracts and to accept security over the Reference Collateral relating to a Reference Claim to secure a claim other than such Reference Claim) only if doing so will, in due professional judgement of the Servicer acting as a prudent lender, neither (i) adversely affect the validity and enforceability of the Reference Claims and the Reference Collateral or (ii) reduce the value of the Reference Claims or the Reference Collateral, nor result in Realised Losses or otherwise materially adversely affect the interests of the Transaction Creditors.

15. Use of Third Parties by the Servicer

The Servicer may delegate the performance of its duties in the context of enforcing the Reference Claims and foreclosing on the Reference Collateral, in whole or in part, to vicarious agents (*Erfüllungsgehilfen*) pursuant to § 278 of the German Civil Code (*Bürgerliches Gesetzbuch*). A more extensive delegation of duties by the Servicer in the context of servicing the Reference Claims is not permitted.

In connection with servicing the Reference Claims the Servicer may retain outside consultants and experts to the extent it deems necessary in its due professional judgement. The Servicer will select and monitor such consultants and experts with the care expected of a prudent bank.

16. Reference Claims serviced by Servicing Agent

16.1 Responsibility for Servicing Agents

The servicing of a Reference Claim arising out of syndicated loans may be carried out by a Servicing Agent. The Issuer, as a syndicate bank, shall monitor the compliance of the Servicing Agent with the servicing requirements under the applicable Reference Loan documentation.

16.2 Enforcement

The Issuer, as a syndicate bank, shall take all actions necessary, in its professional judgement, to ensure that the relevant Servicing Agent complies with its respective servicing obligations under the relevant Reference Loan documentation. Such actions will include enforcement of rights of the Issuer in respect of such Reference Loan.

16.3 Actions

The Issuer will not agree with the relevant Servicing Agent and/or other syndicate banks, if applicable, on any servicing principle, rule or action, or otherwise act in a manner, which, in the professional judgement of the Issuer, is inconsistent with the Servicing Standards.

17. Compliance with the Servicing Standards

Compliance with the Servicing Standards as from the Cut-off Date is, subject to Provision 8 (Non-compliance with Eligibility Criteria or Servicing Standards) of the Reference Pool Provisions, a condition to the Loss Allocation and does not constitute an obligation of the Issuer.

ORIGINATION AND UNDERWRITING

1. Origination of Commercial Mortgage Loans

HI originates its US business through Hypo Real Estate Capital Corporation ("**HRECC**"), a New York based company, and through the so called "Württembergischer Hypo Platform" ("**WH Platform**"), based in Stuttgart. The above mentioned units differ in the products they offer. HRECC is doing senior-lending, leveraged and structured finance whereas WH Platform is doing senior-lending only. The following comments are in respect of WH Platform only, as the loans in the Reference Pool are originated by this unit.

US senior mortgage loans are originated by both, an independent external agent with a high experience in originating commercial mortgage loans in the United Kingdom and in the United States (hereinafter also referred to as the "**External Agent**"), and the Department Markets & Origination UK / IRL / USA/ E ("**M&O USA**") based in the headquarters in Stuttgart. The External Agent is a company based in London with a staff of six persons acting as WH Platform's representative office. This company has been working on a commission basis for HI and its precursor Württembergische Hypothekenbank AG since 1997. The External Agent is consigned to gather data from the borrower and to pass it to HI's headquarters in Stuttgart, but it does not take part in the credit decision process, which is solely performed by the headquarters. M&O USA consists of specially trained loan managers with experience in US commercial senior lending.

Credit approval authority for foreign lending is HI's Management Board and M&O USA respectively, together with the Credit Risk Management ("**CRM**") at the bank's head office in Stuttgart. Credit process is as follows: credit application (with all necessary documentation and information) is forwarded by the External Agent to M&O USA or prepared by M&O USA. Loan applications have to meet HI's standard underwriting criteria for US commercial senior loans (as described below) based on a cash flow analysis and an analysis of collateral quality as well as the borrower's creditworthiness. If the lending criteria are met the application will be processed.

M&O USA structures the credit approval documents and negotiates terms and conditions of the loan. After counter-signature of an indicative term sheet, loan application is discussed with the regional responsible member of the Management Board. The responsible loan manager of M&O USA evaluates and prepares a formal credit application and gives a first positive vote. Afterwards credit application and documents will be reviewed and assessed by CRM. After a second positive vote by the CRM officer application is presented to the person or persons with appropriate credit approval authority as detailed below. Application contains at least the following items: borrower information and his (management) experience, details of loan terms, loan structure, security information, property information, property value, LTV, cash flow information, borrower's creditworthiness, tenants' creditworthiness, final opinion of the loan manager and the credit department, recommendations for the credit decision.

Credit approval competences are as follows: For single loans below or equal to €1.5 million and for supplemental loans up to 10% of the original loan balance provided that the total loans to one borrower do not exceed €3 million by members of M&O USA together with the positive vote of CRM. For single loans up to €3.75 million and supplemental loans up to 10% of the original loan balance (but not more than €0.5 million and not increasing the loan to more than €3.75 million) by the head of M&O USA together with the positive vote of CRM provided that the total loans to one borrower do not exceed €7.5 million. For single loans up to €7.5 million credit approval authority by one member of the Management Board provided that the total loans to one borrower do not exceed €15 million. For single loans up to €15 million by regional responsible member of the Management Board together with one other member of the Management Board provided that the total loans to one borrower do not exceed €25 million. Loans above €15 million are approved by the Management Board. All competences have only validity in combination with a positive vote of CRM.

In its US commercial senior mortgage lending HI participates in transactions with other banks and insurance companies only. The bank accepts only first lien mortgages, deeds of trust, an own promissory note for its share in the loan transaction, pledges over shares covering the SPV and an assignment of rental income as collateral for real estate financing. Additional means of collateral are sometimes provided.

2. Underwriting Criteria

Concerning legal issues, HI co-operates with renowned lawyers and appraisers in the US with whom the credit documentation is drafted. Loan documentation is governed by local law and incorporates key performance triggers such as interest coverage covenants as well as LTV and Net Worth covenants depending on individual credit structures. Prior to disbursement of the loan HI demands a legal opinion on, or equivalent confirmation of the enforcement of the contracts, in a form which is acceptable to a prudent lender, by a renowned lawyer. Appropriate title insurance documents must be available. All regulatory requirements to prevent money laundering, i.e. identification and proof of validity of borrower's signatures, or requirements occurring through the USA Patriot Act have to be met.

During the loan application process, appraisal reports, as well as environmental and structural reports are requested.

HI's credit analysis focuses strongly on the cash flow generating potential of the property and its capital value. Supported by an IT-tool, cash flows are analysed in stress scenarios. The property's cash flow has to be positive after deduction of head rents (where applicable), service charges or management costs (where applicable), debt service and amortisation.

Each property must be covered by comprehensive buildings insurance in accordance with local market standards. Properties are generally insured against elementary risks such as fire, water, explosion, affects due to neighboured properties and, if regarded as applicable, terrorism and earth quakes. Additionally loss of rent has to be covered.

3. Property Appraisal

All properties are inspected and valued by carefully selected external appraisers. A property value (herein also referred to as "**Market Value**") is determined for each property. The valuation is based on an investment return that is expected to be periodic and sustained and on a yield assumed to be adequate, taking into consideration factors which could influence the expected return such as location, equipment, quality or intended use of the property as well as local and general economic conditions, infrastructure, maintenance costs (where applicable), the remaining economic life of the property, a review of the rent rolls, disclosure of unusual tenancy terms, comparable information and disclosure of any engineering reports or any environmental reports.

The external valuations are cross-checked and adjusted if appropriate. The underlying valuation guidelines of HI are approved by the Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*, the "**BAFin**"). The final decision on the property value is made by delegation of the Management Board to the head of M&O USA and/or CRM. All valuations must be acceptable to a prudent lender.

ARREARS AND ENFORCEMENT PROCEDURES

The main objective of the credit risk management is to avoid or minimise losses for HI.

If a Borrower is in arrears with a due payment, the Issuer will proceed in accordance with its standard procedures. If such standard procedures do not generally provide for the specific case at hand, the Issuer will handle the case as would a prudent creditor in the protection of its own interests.

Quality Control

Control of individual commitments takes place throughout the life of the loan. Active and timely risk management is guaranteed by detailed lists of delayed payments, monitoring of warning signs indicating potential problems and monthly reports from all management teams. In addition, HI has an IT-system to support all controlling activities.

HI's Internal Audit Department randomly checks audit samples for proper documentation, procedural compliance and credit policy compliance. HI's mortgage loans are also subject to annual review on a sample basis by their certified public accountants.

Furthermore, regular audits of Pfandbrief cover (*Deckungsprüfungen*) are undertaken by external auditors on behalf of the BAFin.

To the extent Reference Claims are owned other than by the Issuer, the Servicer will enter into an agreement with such third party to enable the Servicer to perform the arrears and enforcement in respect of such Reference Claims and related Reference Collateral substantially as if the Issuer continued to be the owner.

WEIGHTED AVERAGE LIFE OF THE NOTES

Weighted Average Life refers to the average amount of time that will elapse from March 31, 2006 to the date of payment of principal to the Noteholders (assuming no losses). The Weighted Average Lives of the Notes will be influenced by, among other things, the actual rate of repayment of the Reference Loans.

The model used in this Prospectus for the Reference Claims employs an assumed constant per annum rate of prepayment each month relative to the then Outstanding Principal Balance of a pool of mortgage loans. Constant Prepayment Rate ("**CPR**") is a presumed constant rate of payments of principal not anticipated by the scheduled amortisation of the loan which when compounded monthly results in a reduction in the expected pool balance of the stated percentage each year without regard to prepayment penalties. CPR does not purport to be either an historical description of the prepayment experience of any pool of mortgage loans or a prediction of the expected rate of prepayment of any mortgage loans, including the Reference Loans to be included in the Reference Pool.

The following table has been prepared based on the characteristics of the Reference Claims to be included in the Reference Pool and the following additional assumptions:

- (a) There are no Reference Loans in arrears or in default as of the Cut-off Date.
- (b) The initial Class Principal Amounts relate to the Cut-off Date.
- (c) Each repayment of principal is received only on the last day of a calendar month.
- (d) Other than the stated CPR amount, it is assumed that there is no other form of prepayment.

The actual characteristics and performance of the Reference Claims are likely to differ from the assumptions used in constructing the tables set forth below. The numbers contained in the following table are purely indicative and provided only to give a general sense of how the principal cash flows might behave under varying prepayment scenarios (e.g., it is not expected that the Reference Claims will prepay at a constant rate until maturity). Furthermore, it is not expected that all of the Reference Claims will prepay at the same rate or that there will be no defaults or delinquencies on the Reference Claims. Any difference between such assumptions and the actual characteristics and performance of the Reference Claims will cause the Weighted Average Lives of the Notes to differ (which difference could be material) from the corresponding information in the table for each indicated percentage of CPR.

CPR = 0%

Note	Size	WAL Final Scheduled	WAL 10% Clean-up Call	WAL Time Call
A1+	0.21%	17.4	17.4	5.2
A2	4.19%	19.5	19.5	5.2
B1	1.49%	19.5	19.5	5.2
B2	2.14%	19.5	19.5	5.2
B3	2.81%	19.5	19.5	5.2
C1+	0.21%	19.5	19.5	5.2
C2+	0.21%	19.5	19.5	5.2
C3+	0.21%	19.5	19.5	5.2

CPR = 10%

Note	Size	WAL Final Scheduled	WAL 10% Clean-up Call	WAL Time Call
A1+	0.21%	5.9	5.9	3.8
A2	4.19%	13.4	13.4	5.2
B1	1.49%	14.0	13.9	5.2
B2	2.14%	14.3	14.0	5.2
B3	2.81%	14.8	14.0	5.2
C1+	0.21%	15.2	14.0	5.2
C2+	0.21%	15.5	14.0	5.2
C3+	0.21%	15.9	14.0	5.2

CPR = 15%

Note	Size	WAL Final Scheduled	WAL 10% Clean-up Call	WAL Time Call
A1+	0.21%	4.1	4.1	3.2
A2	4.19%	10.9	10.9	5.2
B1	1.49%	11.5	11.4	5.2
B2	2.14%	11.8	11.5	5.2
B3	2.81%	12.3	11.5	5.2
C1+	0.21%	12.8	11.5	5.2
C2+	0.21%	13.1	11.5	5.2
C3+	0.21%	13.4	11.5	5.2

Senior Swap and Class C Swaps constitute approximately 88.5% of the transaction amount.

THE ISSUER

1. History and Ownership

HI, formerly known as Württembergische Hypothekenbank AG ("WürttHyp"), emanated from the restructuring process of the Hypo Real Estate Group ("Hypo RE Group") that took place during the second half of the year 2005.

WürttHyp was established in 1867 and is one of the oldest banks in Germany that is active in mortgage business. The company's shares were admitted to trading on the official market of the stock exchange in Stuttgart from 1871 to July 2005. From 1922 on WürttHyp was majority owned by Bayerische Hypotheken- und Wechsel-Bank AG and by its successor Bayerische Hypo- und Vereinsbank AG ("HVB AG"). From September 2003 to May 2005 WürttHyp was majority owned by Hypo Real Estate Holding AG ("Hypo RE Holding"). With the effectiveness of the squeeze-out of minority shareholders on July 21, 2005 Hypo RE Holding holds 100 per cent of the company's shares.

On December 16, 2005, the Extraordinary Shareholder's Meeting of WürttHyp decided to change the name into "Hypo Real Estate Bank International AG". In addition it decided to transfer the entire international real estate financing business from Hypo Real Estate Bank International puc, Dublin ("HI Dublin") with effect from January 1, 2006 to the Issuer.

The Issuer has its registered office at Büchsenstraße 26, 70174 Stuttgart, Germany. HI is registered in the Commercial Register of the Local Court (*Amtsgericht*) of Stuttgart under No. HRB 103.

2. The Hypo Real Estate Group

Since September 2003 the Hypo RE Group is independent from the HVB AG. The spin-off of the foreign commercial real estate business of HVB AG and of some of HVB AG's subsidiaries into a new independent entity was approved on May 14, 2003 in the ordinary shareholders' meeting of HVB AG and became legally effective on September 29, 2003.

With effect from January 1, 2006 the Hypo RE Group was restructured in order to increase the effectiveness in the markets and to reduce the overall level of complexity in the group.

The changes mainly affect the international real estate financing business by concentrating this business within HI. German financing arrangements were transferred from the issuer to Hypo Real Estate Bank AG, Munich ("Hypo Germany"), as the second pillar of the Group who is to be responsible for all domestic business.

The central legal entity of Hypo RE Group is Hypo RE Holding. Hypo RE Holding is a financial holding company as defined by the KWG (Gesetz über das Kreditwesen – German Banking Act), and does not conduct operations itself.

After restructuring Hypo RE Holding fully owns the following three business units: (i) Hypo Real Estate Systems Munich, (ii) Hypo Germany and (iii) HI and its direct and indirect subsidiaries and affiliated and associated companies. HI and Hypo Germany, the two operating units operate independently from each other in different market segments with an independent identity and separate credit ratings.

Hypo RE Group is one of the leading international providers of commercial real estate financing. The key real estate markets for the business strategy of Hypo RE Group are Germany, France, the UK and the USA.

Hypo RE Group also has operations in Denmark, Hong Kong, Italy, Luxembourg, the Netherlands, Portugal, Sweden, Switzerland, Spain, Japan and several countries of Central and Eastern Europe.

3. Business of HI

HI is a specialised bank with more than 130 years of tradition. It has the mission within the Hypo RE Group to continue the successful international lending business. The main products of the bank include structured and real estate financing for commercial real estate costumers, capital markets products as well as syndication and placing of individual investments and parts of portfolios.

HI has a network of branches and subsidiaries in Europe, America and Asia. The global network comprises inter alia branches and subsidiaries in Hong Kong, France, Italy, Spain, Sweden, the Netherlands, Japan, the USA and the UK.

The defined risk-strategy emphasises independence on interest rate risks as well as portfolio diversification. HI undertakes active portfolio management, including early recognition and response to cyclical risk on international markets. The bank employs a high rated controlling of profitability and risk exposure. HI has an efficient funding base (incl. Pfandbriefe) complimented by treasury activities, issuance of senior debt and securitisation.

4. IT-System of HI

HI uses a flexible and efficient IT-system that was developed by WürttHyp at the start of the 1990's and has been specially tailored to meet the need of mortgage banks. The system was successfully readapted and supplemented by new components to the new requests that emerge from the transfer of the commercial real estate financing business from HI Dublin to the Issuer.

5. Executive Bodies

The composition of the Supervisory Board and the Management Board is as follows:

Supervisory Board

Name and Position	Other Mandates**
<p>Georg Funke <i>Chairman</i> CEO of the Management Board of Hypo Real Estate Holding AG, Munich</p>	<p>Chairman of the Supervisory Board of Hypo Real Estate Bank AG, Munich</p>
<p>Dr. Markus Fell <i>1st Deputy Chairman</i> Member of the Management Board of Hypo Real Estate Holding AG, Munich</p>	<p>Member of the Supervisory Board of Hypo Real Estate Bank AG, Munich Director of Hypo Real Estate Capital Ltd., London Non-Executive Member of the Board of Directors of Hypo Public Finance Bank Dublin puc, Dublin Director of Hypo Real Estate Capital Japan Corp., Tokyo</p>
<p>Rudi Schühle <i>2nd Deputy Chairman</i> Deputy Chairman of the Management Board of DZ-Bank AG, Frankfurt/Stuttgart, retired</p>	<p>Chairman of the Supervisory Board of BWG Baugesellschaft Württembergische Genossenschaften GmbH, Stuttgart Chairman of the Supervisory Board of Stuttgarter Volksbank AG, Stuttgart</p>
<p>Jörg Menno Harms Executive Director of Menno Harms GmbH, Stuttgart</p>	<p>Chairman of the Supervisory Board of Hewlett Packard GmbH, Böblingen Member of the Supervisory Board of Heraeus Holding GmbH, Hanau Member of the Supervisory Board of Jenoptik AG, Jena Member of the Supervisory Board of Dürr AG, Stuttgart Member of the Administrative Board of CA Leuze GmbH & Co. KG, Reutlingen Deputy Chairman of the Supervisory Board of Groz</p>

Supervisory Board

Name and Position	Other Mandates**
	Beckert KG, Albstadt/Ebingen Member of the Administrative Board of Management Partner GmbH, Stuttgart
Dr. Frank Heintzeler Speaker of the Management Board of Baden-Württembergische Bank AG, Stuttgart, retired	Chairman of the Supervisory Board of Walter AG, Tübingen Member of the Supervisory Board of BWK GmbH Unternehmensbeteiligungsgesellschaft, Stuttgart Chairman of the Advisory Board of Dr. Haas GmbH, Mannheim
Horst Hofmann* Employee, Waiblingen	-
Gerhard Huber* Employee, Waiblingen	-
Dr. Karl-Hermann Lowe Member of the Management Board of Allianz Deutschland AG, Munich	Member of the Supervisory Board of MAN Ferrostaal AG, Essen Member of the Supervisory Board of RWE Solutions AG, Neu-Isenburg Member of the Supervisory Board of Allianz Capital Partners GmbH, Munich Member of the Supervisory Board of Deutscher Investment Trust, dit, Frankfurt Member of the Supervisory Board of Allianz Dresdner Global Investors Deutschland GmbH, Frankfurt Member of the Administrative Board of Allianz Immobilien GmbH, Stuttgart Non-Executive Member of the Board of Directors of Allianz Cornhill Insurance plc., London
Martina Peterhofen General Manager of Hypo Real Estate Holding AG, Munich	-
Dr. Manfred Scholz Executive Director of Augsburg Airways GmbH & Co. KG, Augsburg	Chairman of the Supervisory Board of ASSTEL Lebensversicherung AG, Köln Chairman of the Supervisory Board of Gothaer Lebensversicherung AG, Göttingen Deputy Chairman of the Supervisory Board of Pfeiderer AG, Neumarkt Member of the Supervisory Board of Gothaer Finanzholding AG, Köln

Supervisory Board

Name and Position	Other Mandates**
	Member of the Supervisory Board of Gothaer Versicherungsbank VVaG, Köln
	Member of the Advisory Board of Citigroup Deutschland AG, Frankfurt
	Member of the Supervisory Board of MediGene AG, Munich
Wolfgang Schopf *	-
Employee, Schorndorf	
Nicole Seiz*	-
Employee, Stuttgart	

* Employee representative

** Mandate: Membership of other Supervisory Boards and comparable boards with a supervisory function in Germany and abroad

Management Board

Name and Position	Function	Other Mandates**
Dr. Paul Eisele <i>CEO</i>	Finance, Human Resources, Risk Control/General Secretary	Member of the Management Board of Hypo Real Estate Holding AG, Munich Deputy Chairman of the Supervisory Board of Hypo Real Estate Bank AG, Munich Chairman of the Board of Directors of Hypo Public Finance Bank puc, Dublin
Jürgen Fenk	Platform Asia, Europe and US, Marketing& Business Development, Treasury Operations/Credit Administration	Non-Executive Member of the Board of Directors of Hypo Real Estate Capital Corporation, New York Non-Executive Member of the Board of Directors of Hypo Real Estate Capital Limited, London Non-Executive Member of the Board of Directors of Hypo Real Estate Capital Japan Corporation, Tokyo Chairman of the Board of Directors of Hypo Property Services Limited, London Chairman of the Board of Directors of Hypo Property Investment (1992) Limited, London Chairman of the Board of Directors of Hypo Property Participation Limited,

Management Board

Name and Position	Function	Other Mandates**
		<p>London</p> <p>Chairman of the Board of Directors of Hypo Property Investment Limited, London</p> <p>Chairman of the Board of Directors of Hypo Real Estate Investment Banking Limited, London</p> <p>Director Hypo Real Estate Capital Hong Kong Corporation Limited, Hong Kong</p> <p>Chairman of the Board of Directors of The Greater Manchester Property Enterprise Fund Limited, London</p>
<p>Dr. Robert Grassinger <i>Deputy CEO</i></p>	<p>Funding & Liquidity Management, Treasury, Securitisation, IT & Organisation</p>	<p>Member of the Supervisory Board of Hypo Real Estate Systems GmbH, Stuttgart</p>
<p>Friedrich-Wilhelm Ladda (until 31.03.2006)</p>	<p>-</p>	<p>-</p>
<p>Bettina von Österreich</p>	<p>Operating Office, Credit Executives Senior Lending Europe, Credit Executives Leveraged & Structured Finance Europe, North America and Asia, Intensive Care Department, Workout</p>	<p>Non-Executive Member of the Board of Directors of Hypo Real Estate Capital Corporation, New York</p> <p>Non-Executive Member of the Board of Directors of Hypo Public Finance Bank puc, Dublin</p>
<p>Manfred Weil</p>	<p>Internal Audit, Legal and Regulatory, Markets & Origination</p>	<p>-</p>

The business address of the members of the Management Board and the Supervisory Board is Büchsenstrasse 26, 70174 Stuttgart, Germany.

6. Auditors

The independent auditors of the Issuer for the financial years 2003 and 2004 were Ernst & Young AG Wirtschaftsprüfungsgesellschaft, Mittlerer Pfad 15, 70499 Stuttgart, Germany. Ernst & Young AG Wirtschaftsprüfungsgesellschaft is member of the Wirtschaftsprüferkammer.

At the date of this Prospectus, the independent auditors of the Issuer are KPMG Deutsche Treuhandgesellschaft Wirtschaftsprüfungsgesellschaft, Ganghoferstrasse 29, D-80339 Munich. KPMG Deutsche Treuhandgesellschaft Wirtschaftsprüfungsgesellschaft is member of the Wirtschaftsprüferkammer.

7. Fiscal Year

The fiscal year of the Issuer is the calendar year.

ANNUAL BALANCE SHEET AT DECEMBER 31, 2004

	EUR	EUR	31/12/2004 EUR	31/12/2003 in TEUR
ASSETS				
1. Cash reserve				
a) Cash on hand		20,838		4
b) Cash at central banks		29,807,924	29,828,762	41,915
including EUR 29,807,924 at the Deutsche Bundesbank				(41,915)
2. Public-sector notes and bills of exchange eligible for refinancing by central banks				
a) Treasury bills and non-interest-bearing treasury notes, together with similar public-sector notes including EUR - eligible for refinancing by the Deutsche Bundesbank		-		-
b) Bills of exchange including EUR - eligible for refinancing by the Deutsche Bundesbank		-	-	(-)
3. Receivables from credit institutes				
a) Mortgage loans		39,595,102		39,593
b) Municipal loans		3,119,196,778		2,553,351
c) Other receivables		2,935,404,104	6,094,195,984	2,792,386
including EUR 1,001,384,023 due daily				(998,369)
EUR - in loans secured against securities				(-)
4. Receivables from customers				
a) Mortgage loans		12,622,804,663		11,299,202
b) Municipal loans		4,386,373,460		5,213,203
c) Other receivables		9,790,442	17,018,968,565	10,985
including EUR - in loans secured against securities				(-)
5. Bonds and other fixed-interest securities				
a) Money market instruments				
aa) due from public-sector issuers including EUR - eligible as collateral at Deutsche Bundesbank		-		(-)
ab) due from other issuers including EUR - eligible as collateral at the Deutsche Bundesbank		-		(-)
b) Bonds and debentures				
ba) due from public-sector issuers including EUR 3,843,236,958 eligible as collateral at the Deutsche Bundesbank	3,843,236,958			3,136,437
bb) due from other issuers including EUR 4,278,764,109 eligible as collateral at the Deutsche Bundesbank	4,778,764,109	8,622,001,067		(3,128,317)
c) own debentures		99,259,427	8,721,260,494	3,414,793
nominal value EUR 98,057,615				(3,307,823)
6. Stocks and shares and other variable-interest securities			-	-
7. Investments/participations			514,285	514
including EUR 178,850 in other credit institutions				(179)
including EUR - in other financial service institutions				(-)
8. Shares in affiliated companies			132,757,437	132,757
including EUR - in other credit institutions				(-)
including EUR - in other financial service institutions				(-)
9. Fiduciary assets			128,421	4,722
including EUR 128,421 in fiduciary loans				(4,722)
10. Compensation payments due from the public-sector including bonds from resulting swap transactions			-	-
11. Intangible assets			2,078,974	-
12. Fixed assets			1,594,665	2,376
13. Outstanding contributions to subscribed capital including EUR			-	(-)
14. Bank's own shares or investment holdings nominal value EUR -			-	(-)
15. Other assets			224,624,903	128,957
16. Deferred items				
a) from issuing and lending business		88,745,064		106,501
b) from other sources		5,752,096	94,497,160	2,987
17. Capital deficit			-	-
TOTAL ASSETS			32,320,449,650	29,058,732

	EUR	EUR	31/12/2004 EUR	31/12/2003 in TEUR
LIABILITIES				
1. Payables to credit institutions				
a) Registered mortgage bonds issued		145,011,379		211,308
b) Registered public mortgage bonds issued		370,623,632		393,747
c) Other liabilities		<u>4,738,868,628</u>	5,254,503,639	1,903,888
including EUR 213,360,078 due daily				(46,796)
EUR - in registered mortgage bonds issued to the lender as security for loans taken up and EUR - as registered public mortgage bonds				(-)
				(-)
2. Payables to customers				
a) Registered mortgage bonds issued		667,883,528		938,092
b) Registered public mortgage bonds issued		1,680,284,336		1,522,324
c) Saving deposits				
ca) with an agreed withdrawal notice of 3 months	-			-
cb) with an agreed withdrawal notice of more than 3 months	-			-
d) Other liabilities		<u>1,933,287,619</u>	4,281,455,483	1,575,277
including EUR 22,586,059 daily				(23,575)
EUR 5,112,919 in registered mortgage bonds issued to the lender as security for loans taken up and				(8,692)
EUR 12,782,297 as registered public mortgage bonds				(33,234)
3. Secured liabilities				
a) Bonds issued				
aa) mortgage Pfandbriefe	4,464,984,270			3,702,747
ab) public Pfandbriefe	11,900,309,552			13,217,503
ac) other bonds	<u>5,132,088,757</u>	21,497,382,579		4,247,838
b) other secured liabilities		-	21,497,382,579	-
including EUR - in money market paper				(-)
4. Liabilities from fiduciary contracts			128,421	4,722
including EUR 128,421 in loans from fiduciary contracts				(4,722)
5. Other liabilities			101,654,565	124,459
6. Deferred income				
a) from issuing and lending business		29,823,683		34,270
b) Other		<u>34,020,189</u>	63,843,872	30,739
7. Provisions				
a) Pension provisions and similar obligations		21,098,157		20,029
b) Tax provisions		12,063,765		20,011
c) Other provisions		<u>17,164,758</u>	50,326,680	15,976
8. Untaxed reserves			-	-
9. Subordinated liabilities			173,463,464	206,983
10. Profit participation certificates			202,258,376	253,388
including EUR - due within 2 years				(51,129)
11. Funds for general banking risks			40,903,351	40,903
12. Equity capital				
a) Subscribed capital		45,811,449		45,811
b) Capital reserves		392,426,719		332,427
c) Unappropriated earnings				
ca) legal reserves	22,860,473			22,860
cb) reserves for own shares	-			-
cc) statutory reserves	-			-
cd) other unappropriated earnings	<u>193,404,365</u>	216,264,838	654,503,006	193,404
d) Retained income/accumulated losses			26,214	26
TOTAL LIABILITIES			32,320,449,650	29,058,732

	EUR	EUR	31/12/2004 EUR	31/12/2003 in TEUR
1. Contingent liabilities				
a) Contingent liabilities on rediscounted bills of exchange		-		-
b) From guarantees and indemnity agreements		21,157,892		26,905
c) Liabilities from the extension of collateral securities for third-party liabilities		<u>-</u>	21,157,892	-
2. Other obligations				
a) Repurchase obligations arising from optional sale and repurchase agreements		-		-
b) Placement and underwriting commitments		-		-
c) Irrevocable credit commitments		376,359,781	376,359,781	890,808

**PROFIT AND LOSS ACCOUNT FOR THE PERIOD FROM JANUARY 1 TO DECEMBER
31, 2004**

EXPENSES	EUR	EUR	2004 EUR	2003 in TEUR
1. Interest paid			2,155,671,362	2,006,225
2. Commissions paid			23,821,648	13,760
3. Net expenses on financial transactions			-	-
4. General administration expenses				
a) Staff costs				
aa) Wages and salaries	13,546,165			12,641
ab) Social security contributions, pensions and other benefits including EUR 2,371,996 for pensions	<u>4,114,905</u>	17,661,070		4,736
b) Other management expenses		<u>14,263,529</u>	31,924,599	13,604
5. Depreciation and value adjustments on intangible assets and fixed assets			917,821	1,261
6. Other operating expenses			1,727,729	11,581
7. Bad debt expenses and provisions against bad debts and certain securities and additions to provisions for loan transactions			25,202,568	25,893
8. Transfers to the Fund for General Bank Risks (§ 340g HGB)			-	-
9. Amortisation and reserves on participations, shares in affiliated companies and securities treated as fixed assets			-	-
10. Expenses on assumption of losses			-	-
11. Additions to untaxed reserves			-	-
12. Non-recurrent expenses			-	-
13. Taxes on income			695,808	4,338
14. Other taxes not included in item 6			-28,279	207
15. Profits transferred due to a profit pooling, profit transfer or partial profit transfer agreement			57,002,834	53,460
16. Net income			<u>-</u>	<u>-</u>
TOTAL EXPENSES			2,296,936,090	2,147,706

PROFIT AND LOSS ACCOUNT FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2004

	EUR	2004 EUR	2003 in TEUR
INCOME			
1. Interest income from			
a) Lending and money market transactions	2,061,685,232		1,885,487
b) Fixed-interest securities and registered debts	<u>204,638,223</u>	2,266,323,455	230,056
2. Current income from			
a) Shares and other variable interest securities	-		1
b) Participations	4,845		161
c) Shares in affiliated companies	<u>6,754,288</u>	6,759,133	1,027
3. Income from profit pooling, profit transfer or partial profit transfer agreements		-	-
4. Commission income		11,008,426	10,276
5. Net income from financial transactions		-	-
6. Income from revaluations of receivables and certain securities and from the release of bad debt provisions in the course of lending business		-	-
7. Income from revaluations of shares and participations in affiliated companies and from securities treated as fixed assets		11,460,873	-
8. Other operating income		1,384,203	20,698
9. Income from the release of contingency reserves		-	-
10. Non-recurrent income		-	-
11. Income from assumption of losses		-	-
12. Net loss for the year		<u>-</u>	<u>-</u>
TOTAL INCOME		2,296,936,090	2,147,706
1. Net income for the year / net loss for the year		-	-
2. Profits brought forward from the previous year		<u>26,214</u>	<u>26</u>
3. Transfers from capital reserves		<u>26,214</u>	<u>26</u>
4. Transfers from unappropriated earnings		<u>26,214</u>	<u>26</u>
a) from legal reserves	-		-
b) from the reserve for own shares	-		-
c) from statutory reserves	-		-
d) from other reserves	<u>-</u>	<u>-</u>	<u>-</u>
5. Withdrawals from profit-sharing certificates	-	<u>26,214</u>	<u>26</u>
6. Transfers to unappropriated earnings		<u>26,214</u>	<u>26</u>
a) to legal reserves	-		-
b) to the reserves for own shares	-		-
c) to statutory reserves	-		-
d) to other reserves	<u>-</u>	<u>-</u>	<u>-</u>
7. Replenishment of profit-sharing certificates		<u>26,214</u>	<u>26</u>
8. Retained income / accumulated losses		<u>26,214</u>	<u>26</u>

At December 31, 2004 the subscribed capital was €45,811,448.80 and was divided into 17,619,788 shares (class of shares: all no-par value bearer shares) which have been fully paid up. In addition to this there was authorised capital of €4,404,951.20.

The Issuer's indebtedness was neither secured nor guaranteed as at December 31, 2004.

Save as disclosed above, there have been the following changes which entered into effect from January 1, 2006:

- 1) In the context of the restructuring of Hypo RE Group, the extraordinary shareholder's meeting of the Issuer made the following decisions:
 - (i) The share capital of the Issuer was increased by contribution in kind from €45,811,448.80 by €94,188,551.20 to €140,000,000 by issuing 32,380,212 new no-par value bearer shares representing

a notional portion in the company's share capital of €94,188,551.20. The increase became effective on January 2, 2006 with the registration in the commercial register.

The authorised capital was increased to €70,000,000.00. Due to the increase of the authorised capital to €70,000,000.00, the subscribed capital is allowed to be increased to €210,000,000.

(ii) For the purpose of implementing the capital increase in kind, the Issuer entered into a framework agreement with HI Dublin in accordance to which HI Dublin transferred its entire international real estate financing business with effect from January 1, 2006, including, but not limited to:

- any assets and liabilities
- any credit agreements including the provided collaterals comprising preferential rights and ancillary rights related thereto
- any underwriting agreements entered into in relation to the credit agreements and other agreements and legal relationships specified in the Contribution Agreement
- its subsidiaries in the United Kingdom, the United States of America and Japan
- any assets, liabilities and contingent liabilities including low-value assets that are economically related to the international real estate financing business, which, however, do not have to be or can not be listed in the balance sheet.

(iii) The Issuer entered into a guarantee agreement with HI Dublin, then Hypo Public Finance Bank, relating to obligations of Hypo Public Finance Bank. The guarantee became effective from January 3, 2006, as the Hypo Public Finance Bank has become a subsidiary of the Issuer. Pursuant to the guarantee agreement, the Issuer guarantees the due and punctual performance by Hypo Public Finance Bank, of all its obligations, and agrees to pay, or cause to be paid, immediately and without deduction any sum or sums which are not duly and punctually paid by Hypo Public Finance Bank.

In addition to that, on December 16, 2005 the Issuer agreed with HI Dublin that the Issuer as the lender will make available to HI Dublin, then Hypo Public Finance Bank, as the borrower a perpetual subordinated facility in the amount of €200,000,000.

(iv) The Issuer entered into an agreement with Hypo Germany in accordance to which the Issuer transferred a loan portfolio governed by German law. The total loan portfolio had an aggregate nominal value of about €3.2 billion and contained two partial loan portfolios: One partial loan portfolio related to residential properties and the other partial loan portfolio related to commercial properties. The transfer became economically effective as of January 1, 2006 in such way that all benefits and encumbrances, changes and risks, profits and expenses are assumed by Hypo Germany, which, thus, became the beneficial owner of the total loan portfolio. For the partial loan portfolio related to the financing of residential properties a legal transfer is intended during the year 2006.

2) The above mentioned arrangements significantly affect positions in the balance sheet of the Issuer. The overall lending business of HI Dublin had nearly the same size as the lending business of the Issuer. Therefore the volume of the lending business of the Issuer nearly doubled. In addition, the core capital of HI Dublin had nearly double the size of the Issuer's core capital; consequently the core capital of the Issuer increased significantly. A similar development took place in relation to the risk-weighted assets that increased significantly as well.

THE PFANDBRIEF COLLATERAL

The payment obligations of the Issuer under the Class A1+ Notes, the Class A2 Notes, the Class B1 Notes, the Class B2 Notes, the Class B3 Notes, the Class C1+ Notes, the Class C2+ Notes and the Class C3+ Notes will be secured by USD 700,000 Floating Rate Public Sector Pfandbriefe of the Issuer (the "**Series A1+ Collateral**"), USD 14,300,000 Floating Rate Public Sector Pfandbriefe of the Issuer (the "**Series A2 Collateral**"), USD 5,100,000 Floating Rate Public Sector Pfandbriefe of the Issuer (the "**Series B1 Collateral**"), USD 7,300,000 Floating Rate Public Sector Pfandbriefe of the Issuer (the "**Series B2 Collateral**"), USD 9,600,000 Floating Rate Public Sector Pfandbriefe of the Issuer (the "**Series B3 Collateral**"), USD 700,000 Floating Rate Public Sector Pfandbriefe of the Issuer (the "**Series C1+ Collateral**"), USD 700,000 Floating Rate Public Sector Pfandbriefe of the Issuer (the "**Series C2+ Collateral**") and USD 700,000 Floating Rate Public Sector Pfandbriefe of the Issuer (the "**Series C3+ Collateral**"), respectively. The Issuer and the Trustee have agreed that the Pfandbrief Collateral will be held by the Trustee for security purposes for the benefit of the Class A1+, Class A2, Class B1, the Class B2, the Class B3, the Class C1+, the Class C2+ and the Class C3+ Noteholders in accordance with the Trust Agreement to secure the obligations of the Issuer under the Class A1+ Notes, Class A2 Notes, Class B1 Notes, the Class B2 Notes, Class B3 Notes, Class C1+ Notes, Class C2+ Notes and the Class C3+ Notes, respectively.

The Issuer will deliver the Pfandbrief Collateral to a security trust account No. 669625600 of the Trustee with Deutsche Bank AG, Düsseldorf, and the Trustee will immediately thereafter transfer the Pfandbrief Collateral to its security trust account No. 57392 with Deutsche Bank Luxembourg (in such capacity, the "**Custodian**") and keep the Pfandbrief Collateral in such account pursuant to a custody agreement (the "**Custody Agreement**") between the Trustee and the Custodian on the Issue Date. In the event that the short term unsecured debt of the Custodian is considered by Fitch of below an F-1 equivalent level or downgraded below the required rating of A-1 by S&P the Issuer shall within 10 calendar days after such downgrade propose to the Trustee a substitute Custodian having such required ratings or rating equivalents from each of the Rating Agencies and the Trustee shall within 20 calendar days after receipt of such proposal from the Issuer transfer or cause to be transferred the Pfandbrief Collateral to a security trust account with a new Custodian. See "THE MAIN PROVISIONS OF THE TRUST AGREEMENT".

The Pfandbrief Collateral (i) has denominations of USD 1,000, (ii) has the same rate of interest and the same interest payment dates as the Class A1+ Notes, the Class A2 Notes, the Class B1 Notes, the Class B2 Notes, the Class B3 Notes, the Class C1+ Notes, the Class C2+ Notes and the Class C3+ Notes, respectively, but has a fixed final maturity on the Legal Maturity Date, and (iii) ranks at least *pari passu* with all other public sector Pfandbriefe (*Öffentliche Pfandbriefe*) of the Issuer in accordance with the Covered Bonds Act (*Pfandbriefgesetz*).

On each Payment Date for the Class A1+ Notes, Class A2 Notes, Class B1 Notes, the Class B2 Notes, the Class B3 Notes, the Class C1+ Notes, the Class C2+ Notes and the Class C3+ Notes, the Pfandbrief Collateral will be released to the Issuer in an amount equal to the amount of payments of principal on the Class A1+ Notes, the Class A2 Notes, the Class B1 Notes, the Class B2 Notes, the Class B3 Notes, the Class C1+ Notes, the Class C2+ Notes and the Class C3+ Notes on such Payment Date in accordance with the Terms and Conditions of the Class A1+ Notes, the Class A2 Notes, the Class B1 Notes, the Class B2 Notes, the Class B3 Notes, the Class C1+ Notes, the Class C2+ Notes and the Class C3+ Notes (rounding the amount to be released to the nearest USD 1, with USD 0.5 being rounded downwards).

If a Foreclosure Event occurs, the Trustee will:

- (i) sell the Pfandbrief Collateral at market price in accordance with the Trust Agreement and apply any proceeds from such sale towards redeeming the Class A1+ Notes, the Class A2 Notes, the Class B1 Notes, the Class B2 Notes, the Class B3 Notes, the Class C1+ Notes, the Class C2+ Notes and the Class C3+ Notes, or
- (ii) if the proceeds from such sale would not be sufficient to redeem the Class A1+ Notes, the Class A2 Notes, the Class B1 Notes, the Class B2 Notes, the Class B3 Notes, the Class C1+ Notes, the Class C2+ Notes and the Class C3+ Notes at par plus accrued interest, the Trustee will transfer and deliver such Pfandbrief Collateral to each Class A1+, Class A2, Class B1, Class B2, Class B3, Class C1+, Class C2+ and Class C3+ Noteholder in full satisfaction of all obligations for the payment of

principal and accrued interest under the Class A1+ Notes, Class A2 Notes, Class B1 Notes, Class B2 Notes, Class B3 Notes, Class C1+ Notes, Class C2+ Notes and the Class C3+ Notes, respectively, *provided that* the Trustee will in each case transfer and deliver such number of Public Sector *Pfandbriefe* forming part of the Pfandbrief Collateral that the total principal amount of the Pfandbrief Collateral delivered to the Class A1+, Class A2, Class B1, Class B2, Class B3, Class C1+, Class C2+ and Class C3+ Noteholder will be equal to the total outstanding principal amount of the Class A1+ Notes, the Class A2 Notes, the Class B1 Notes, the Class B2 Notes, the Class B3 Notes, the Class C1+ Notes, the Class C2+ Notes and the Class C3+ Notes, respectively, as of the date of such transfer held by such Class A1+, Class A2, Class B1, Class B2, Class B3, Class C1+, Class C2+ and Class C3+ Noteholder (rounded upwards to the next USD). See "THE MAIN PROVISIONS OF THE TRUST AGREEMENT".

A "**Foreclosure Event**" shall occur when

- (i) the assets of the Issuer become subject to insolvency, moratorium or similar proceedings, which affect or prejudice the performance of obligations under any Class of Notes, or there is a refusal to institute such proceedings for lack of assets; or
- (ii) any Noteholder exercises the right of early redemption pursuant to Section 11 (Early Redemption for Default) of the Terms and Conditions.

The Issuer will notify the Trustee without delay of the occurrence of a Foreclosure Event and will provide reasonable details thereof. After it becomes aware of the occurrence of a Foreclosure Event the Trustee will without delay give notice to the Noteholders and the Rating Agencies of the same.

There is no guarantee that the market price of the Pfandbrief Collateral will be sufficient to redeem the Class A1+ Notes, Class A2 Notes, Class B1 Notes, the Class B2 Notes, the Class B3 Notes, the Class C1+ Notes, the Class C2+ Notes and the Class C3+ Notes at par plus accrued interest. The Pfandbrief Collateral will not be listed on any stock exchange and its market value will not be determined on a regular basis.

Notwithstanding the collateral, the amount of principal of, and interest on, the Class A1+ Notes, Class A2 Notes, Class B1 Notes, the Class B2 Notes, the Class B3 Notes, the Class C1+ Notes, the Class C2+ Notes and the Class C3+ Notes may be reduced as a result of losses incurred by the Issuer with respect to the Reference Pool, and only the obligations of the Issuer to pay any amount of principal and interest determined to be due to the Class A1+, Class A2, Class B1, the Class B2, Class B3, Class C1+, Class C2+ and the Class C3+ Noteholders, respectively, in accordance with the Terms and Conditions of the Notes, which may be reduced by such losses, will be secured by the Pfandbrief Collateral.

The Pfandbrief Collateral is expected to be rated AAA by S&P and considered AAA equivalent by Fitch. It is a condition of the issue of the Notes that the Pfandbrief Collateral receives the above ratings. In the event that the rating of the Pfandbrief Collateral is downgraded below AAA by S&P or Fitch considers that the creditworthiness falls below an AAA equivalent level, the Issuer shall, within 30 calendar days after such downgrade, supplement and/or substitute the Series A1+, the Series A2, the Series B1, the Series B2, the Series B3, the Series C1+, the Series C2+ and the Series C3+ Collateral with Supplementary Collateral in the form of security transfer (*Sicherungsübereignung*) of Supplementary Collateral to the Trustee, whereas there shall have been delivered to the Issuer a legal opinion relating to such security transfer of the Supplementary Collateral, and/or, at its discretion, take any other action, in such form and amount so that the Rating Agencies give the written confirmation to the Issuer and the Trustee that upon such substitution and/or supplement and/or other action the then current rating of the respective Notes would not, solely as a result of such downgrade of the Pfandbrief Collateral, be qualified downgraded or withdrawn.

LEGAL AND REGULATORY FRAMEWORK OF THE PFANDBRIEF COLLATERAL

German mortgage lending sector

The following description includes only a summary of the fundamental principles of the German law governing the Pfandbriefe and the German mortgage banks as well as a brief description of the German mortgage banking sector. It does not purport itself to be conclusive and is qualified by the applicable German laws, rules and regulations.

The German Mortgage Banking Sector

Prior to 19 July 2005 Pfandbriefe generally could only be issued by (i) German mortgage banks (Hypothekenbanken – the "**Mortgage Banks**"), which were specialized banks permitted to engage in mortgage lending, public sector lending and certain auxiliary business activities and to issue mortgage Pfandbriefe (*Hypothekendarlehen*) and/or public sector Pfandbriefe (*öffentliche Pfandbriefe*), and (ii) certain types of German banks organized under public law (public sector banks), such as the Landesbanken. Two German private universal banks were so-called mixed Mortgage Banks. Under grandfathered rights these banks were permitted to conduct both types of banking business.

The issuance of mortgage Pfandbriefe (*Hypothekendarlehen*) and of public sector Pfandbriefe (*öffentliche Pfandbriefe*) by as well as the business of Mortgage Banks, including the Issuer, was governed i.a. by the German Mortgage Bank Act (*Hypothekendarlehensgesetz*) (the "**Mortgage Bank Act**"). As of 19 July 2005 the Pfandbrief-issuance of Mortgage Banks, including the Issuer, is governed by the new German Pfandbrief Act (*Pfandbriefgesetz* – the "**Pfandbrief Act**"). As of this date, the legislation implementing the Pfandbrief Act rescinded among others the Mortgage Bank Act. In addition, any German bank is permitted, subject to the necessary authorisations and any legal requirements, to engage in the Pfandbrief-business and to issue Pfandbriefe. Such German bank is entitled to bear the title of Pfandbrief-Bank (*Pfandbriefbank*). According to the Pfandbrief Act, Mortgage Banks entitled to issue Pfandbriefe until 19 July 2005 were grandfathered with regard to their existing authorisation and became Pfandbrief-Banks. However, this is only the case, if and as far as they filed a comprehensive notification with the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht* - the "**BaFin**") no later than by 18 October 2005.

For the purpose of this summary, Mortgage Banks which as of 19 July 2005 have become Pfandbrief-Banks (*Pfandbriefbanken*) will be referred to as "**Pfandbrief-Banks**".

According to the Pfandbrief Act, the conservative principles of the Mortgage Bank Act, remained in place. While individual standards were eased (e.g. the abolition of the limit on the outstanding Pfandbrief-volume), stricter rules were introduced in other areas (e.g. transparency, trustees). This fundamental restructuring of the legal framework once again proves the German Pfandbrief segment's willingness and capability to adopt to changing market and investor needs and to implement reforms.

Characteristics of Pfandbriefe

Introduction

Pfandbriefe issued by Pfandbrief-Banks are debt securities issued under German law that must be secured ("covered") by mortgages or certain obligations of public sector debtors (or certain other qualifying assets) and whose terms must otherwise comply with the requirements and limitations imposed by the Pfandbrief Act. Such compliance is monitored by the BaFin.

Pfandbriefe are usually medium- to long-term bonds. Pfandbriefe are obligations of the issuing bank, and no separate vehicle is created for their issuance in general or for the issuance of any specific series of Pfandbriefe. Traditionally, Pfandbriefe have borne interest at a fixed rate, but Pfandbrief-Banks are also issuing zero-coupon and floating rate Pfandbriefe, in some cases with additional features such as step-up coupons, caps or floors. Most issues of Pfandbriefe are denominated in Euro. A Pfandbrief-Bank may, however, also issue Pfandbriefe in other currencies, subject to certain limitations. The terms of the Pfandbriefe may not give the holders any right to require redemption of the Pfandbriefe prior to their scheduled date of maturity.

The aggregate principal amount of the outstanding mortgage Pfandbriefe and public sector Pfandbriefe issued by a Pfandbrief-Bank must be covered by assets that qualify for use as cover under the provisions of the Pfandbrief Act. One single pool of assets covers outstanding mortgage Pfandbriefe (*Hypothekpfandbriefe*), and another pool of assets covers all outstanding public sector Pfandbriefe (*öffentliche Pfandbriefe*), of the issuing bank. The aggregate principal amount of assets in any cover pool must at all times be at least equal to the aggregate principal amount of the outstanding Pfandbriefe issued against such cover pool. Moreover, the aggregate interest yield on any such cover pool must at all times be at least equal to the aggregate interest payable on all Pfandbriefe relating to the cover pool. In addition, the coverage of all outstanding Pfandbriefe with respect to principal and interest must at all times be ensured on the basis of the present value (*Barwert*). Finally, the present value of the assets contained in each cover pool must exceed the total amount of liabilities from the corresponding Pfandbriefe and derivatives by at least 2 per cent. (*sichernde Überdeckung*). Such 2 per cent. excess cover must consist of highly liquid assets. As of 19 July 2005, the following assets qualify for inclusion in the excess cover: (i) debt securities of the German government, a special fund of the German government, a German state (*Land*), the European Communities, any state of the European Economic Area, Switzerland, the United States, Canada, Japan, any other European state with full OECD member status, the European Investment Bank, the IBRD-World Bank, the Council of Europe Development Bank, or the European Bank for Reconstruction and Development; (ii) debt securities guaranteed by any of the foregoing entities; and (iii) credit balances maintained with the European Central Bank, the central banks of the member states of the European Union and/or appropriate credit institutions.

Any Pfandbrief-Bank must establish an appropriate risk management system meeting the requirements specified in detail in the Pfandbrief Act and must comply with extensive quarterly and annual disclosure requirements, as set out in the Pfandbrief Act.

Under the Pfandbrief Act, each Pfandbrief-Bank must keep a separate cover register (*Deckungsregister*) for each of its cover pools (i.e. one cover register for the mortgage Pfandbriefe and one cover register for the public sector Pfandbriefe) and in which the assets included in each of the two cover pools are registered. In order to ensure that the cover pools provide adequate coverage for the outstanding Pfandbriefe, the registration is supervised and controlled by a trustee (*Treuhänder*) who is appointed by the BaFin after consultation with the Pfandbrief-Bank. In addition, the trustee also monitors the Pfandbrief-Bank's compliance with other provisions of the Pfandbrief Act. Together with the Pfandbrief-Bank, the trustee has joint custody of the assets included in the cover pools and of any documents evidencing such assets. The trustee may release such assets to the Pfandbrief-Bank only under circumstances expressly provided for by law. Moreover, the Pfandbrief-Bank may remove any assets from a cover pool only with the permission of the trustee. Any issuance of Pfandbriefe may take place only upon prior certification by the trustee that the relevant cover pool provides adequate coverage for the Pfandbriefe to be issued and the assets to be used as cover are listed in the relevant cover register (*Deckungsregister*). Accordingly, the holders of Pfandbriefe benefit indirectly from the monitoring activities conducted by the trustee. Although there is no judicial or administrative precedent in this respect, German opinion of authority holds that the holders of Pfandbriefe may bring a claim in tort for damages resulting from a negligent violation of the trustee's duties under the Mortgage Bank Act. In addition, it has been held that the trustee owes no fiduciary duty to the holders of Pfandbriefe.

In addition to the monitoring conducted by the trustee, the BaFin conducts audits of each cover pool in general every two years, which focus particularly on assets which were newly added to the pools. The BaFin also supervises the compliance of Pfandbrief-Banks with the provisions of the Pfandbrief Act including approval of valuation guidelines for mortgage property, approval of the principal characteristics of the provisions of the loans, the resolution of disputes between the bank and the trustee, and the enforcement of the limitations on the issuance of Pfandbriefe.

Cover Pool for mortgage Pfandbriefe (Hypothekpfandbriefe)

As of 19 July 2005 and in the case of mortgage Pfandbriefe (*Hypothekpfandbriefe*), mortgages (or portions thereof) up to the initial 60 per cent. of the value of their underlying property as assessed by experts, claims under certain swap and derivative transactions that meet certain requirements and certain other assets (up to certain thresholds) may qualify for inclusion in the cover pool. A mortgaged property must be situated in a state of the European Economic Area, Switzerland, the United States, Canada or Japan. Other assets qualifying for

inclusion in the cover pool for mortgage Pfandbriefe include among others (i) equalization claims converted into bonds, (ii) subject to certain qualifications, assets qualifying for the 2 per cent. excess cover as described below, up to a total sum of 10 per cent. of the aggregate principal amount of outstanding mortgage Pfandbriefe, and (iii) subject to certain thresholds, the assets which may also be included in the cover pool for public sector Pfandbriefe (*öffentliche Pfandbriefe*) referred to below, up to a total of 20 per cent. of the aggregate principal amount of outstanding mortgage Pfandbriefe.

Cover pool for public sector Pfandbriefe (öffentliche Pfandbriefe)

Under the Pfandbrief Act the assets qualifying for the cover pool for public sector Pfandbriefe (*öffentliche Pfandbriefe*) include among others payment claims under certain loans, bonds or similar transactions of states and other public entities, including, but not limited to (i) the German government as well as any German state, municipality or other qualifying public body in Germany, (ii) any state of the European Economic Area, Switzerland, the United States, Canada or Japan, (iii) any other European state with full OECD member status, (iv) regional governments and local territorial authorities (provided that certain solvability conditions are met), (v) non-profit administrative authorities controlled by central or regional governments or local territorial authorities of any of the states referred to in (ii) above (provided that certain solvability conditions are met), (vi) the European Investment Bank, the IBRD-World Bank, the Council of Europe Development Bank, or the European Bank for Reconstruction and Development, and (vii) any entity the obligations of which are guaranteed by a public entity referred to or mentioned in (i) through (iv) and (vi) above. In addition and subject to certain limitations, the cover pool for public sector Pfandbriefe may also include (i) equalisation claims converted into bonds, (ii) credit balances maintained with the European Central Bank, a central bank of any EU member state or a suitable credit institution, up to a total sum of the aggregate principal amount of outstanding public sector Pfandbriefe (*öffentliche Pfandbriefe*), and (iii) certain claims arising under certain derivative transactions.

Additional regulatory requirements

In addition to the provisions of the Pfandbrief Act Pfandbrief-Banks, like other types of German banks, are subject to governmental supervision and regulation in accordance with the German Banking Act (*Kreditwesengesetz* – the "**Banking Act**"). Supervision is primarily conducted by the BaFin. In addition, the Deutsche Bundesbank in its capacity as the German central bank also holds some supervisory powers. The BaFin has comprehensive powers to instruct German banks to take actions to comply with applicable laws and regulations. In addition, German banks, including Pfandbrief-Banks, are required to submit extensive confidential reports to the BaFin and the Deutsche Bundesbank, which include disclosure of the statistical and operational aspects of the banks' businesses. Within the scope of their oversight and regulatory capacities, each of the BaFin and the Deutsche Bundesbank may take immediate action whenever required.

In addition, under the new Pfandbrief Act, the supervision of Pfandbrief-Banks by the BaFin will gain significantly in importance, mainly the requirements concerning the transparency will increase.

Status and protection of the Pfandbrief-holders

The holders of outstanding Pfandbriefe rank *pari passu* among themselves, and have preferential claims with respect to the assets registered in the relevant cover register (*Deckungsregister*). With respect to other assets of a Pfandbrief-Bank, holders of Pfandbriefe rank *pari passu* with unsecured creditors of the Pfandbrief-Bank.

In the event of the opening of insolvency proceedings over the assets of a Pfandbrief-Bank, none of the cover pools falls within the insolvency estate. If, however, simultaneously with or following the opening of insolvency proceedings over the assets of a Pfandbrief-Bank, any of its cover pools becomes insolvent, insolvency proceedings will be instituted over the assets of such cover pool. In this case, holders of Pfandbriefe corresponding to such cover pool would have a preferential right over the assets of the respective cover pool. This right would also extend to interest in the Pfandbriefe accrued after the commencement of insolvency proceedings over the assets of the relevant cover pool. If and insofar as holders of Pfandbriefe suffer a loss following their recourse against the cover pool, they would have recourse to any assets of the Pfandbrief-Bank not included in the cover pools. In this case, Pfandbrief holders would rank equal with other unsecured and unsubordinated creditors of the Pfandbrief-Bank. According to the Pfandbrief Act and upon request of the BaFin, one or two administrators (*Sachwalter* - each an "**Administrator**") will be appointed in the case of insolvency of the Pfandbrief-Bank to administer each cover pool. The Administrators will act for the sole

benefit of the holders of Pfandbriefe. Each Administrator will be appointed by the court having jurisdiction over the head office of the Pfandbrief-Bank before or after the institution of insolvency proceedings. Each Administrator will be subject to the supervision of the court and of the BaFin with respect to the duties of the Pfandbrief-Bank arising in connection with the administration of the assets included in the relevant cover pool. The Administrators will be entitled to dispose of the cover pool's assets and receive all payments on the relevant assets to ensure full satisfaction of the claims of the holders of Pfandbriefe. To the extent, however, that those assets are obviously not necessary to satisfy such claims, the insolvency receiver of the Pfandbrief-Bank is entitled to demand the transfer of such assets to the insolvency estate.

Subject to the consent of the BaFin, the Administrators may transfer all or part of the cover assets and the liabilities arising from the Pfandbriefe issued against such assets to another Pfandbrief-Bank.

THE TRUSTEE

Pursuant to the Trust Agreement, the Trustee has agreed to serve in a fiduciary capacity to protect the interests of the Noteholders, the Senior Swap Counterparty and the Class C Swap Counterparty. In particular, the Trustee will (i) verify the determination and allocation of Realised Losses, (ii) make required appointments of third party experts, and (iii) perform such other functions as are specified in the Trust Agreement. See "The Trust Agreement".

The Trustee, Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, is an independent accounting firm pursuant to the law regulating the profession of certified public accountants in Germany (*Wirtschaftsprüferordnung*) and applicable regulations thereunder. Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft is a limited liability company incorporated under the laws of the Federal Republic of Germany, with its registered office at Rosenheimer Platz 4, 81669 Munich, and is registered in the Munich Commercial Register under HRB 83442.

Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, is part of the Deloitte & Touche Group. Deloitte & Touche Group is a leading group of German accounting, tax service and consulting firms with 18 branches and offices in Germany, about 3,400 employees, and a turnover for the period ending on June 30, 2005, of approximately €488 million.

Internationally, Deloitte & Touche is a member of Deloitte Touche Tohmatsu, one of the world's leading accounting firms, tax advisors and business consultants with a 12 month turnover of 18.2 billion U.S. dollars worldwide for the period ending on May 31, 2005. Deloitte Touche Tohmatsu provides expert advice to multinational companies, as well as to large German concerns, public administrations, and fast growing small-to medium-sized businesses.

Deloitte Touche Tohmatsu employs a team of over 120,000 persons, operating in 150 countries worldwide to serve the international activities of its clients wherever necessary.

The foregoing information regarding the Trustee has been provided by the Trustee, and the Issuer assumes no responsibility for its contents.

As compensation for its services under the Trust Agreement, the Trustee will be paid a fee as separately agreed with the Issuer.

RATING

The Class A1+ Notes, Class A2 Notes, Class B1 Notes, Class B2 Notes and Class B3 Notes are expected to be rated by each of Fitch and S&P.

The Class A1+ Notes are expected to be rated AAA by each of Fitch and S&P.

The Class A2 Notes are expected to be rated AAA by each of Fitch and S&P.

The Class B1 Notes are expected to be rated AA+ by each of Fitch and S&P.

The Class B2 Notes are expected to be rated AA by each of Fitch and S&P.

The Class B3 Notes are expected to be rated AA- by each of Fitch and S&P.

The Class C1+ Notes are expected to be rated A+ by each of Fitch and S&P.

The Class C2+ Notes are expected to be rated A by each of Fitch and S&P.

The Class C3+ Notes are expected to be rated A- by each of Fitch and S&P.

It is a condition of the issue of the Notes that the Rated Notes receive the above indicated rating.

The rating of the Notes addresses the likelihood of full and timely payments of interest and the ultimate repayment of principal to the holders of such Notes by no later than the Legal Maturity Date, as described herein. The rating of the Rated Notes addresses also the risk that a Realised Loss will be allocated to such Notes pursuant to the Terms and Conditions as described herein. The ratings assigned to the Rated Notes do not represent any assessment of the likelihood or level of principal prepayments. The ratings do not address the possibility that the holders of the Rated Notes might suffer a lower than expected yield due to prepayments.

The payment obligations of the Issuer under the Notes will be secured by Pfandbriefe of the Issuer. Accordingly, a withdrawal of the rating or a downgrading of the Pfandbriefe of the Issuer below the rating of the Class of Notes secured by it is expected to result in a corresponding withdrawal of rating or downgrading of the relevant Class of Notes. In the event that the rating of the Pfandbrief Collateral is downgraded below AAA by S&P or Fitch considers that the creditworthiness falls below an AAA equivalent level, the Issuer shall, within 30 calendar days after such downgrade, supplement and/or substitute the Series A1+, the Series A2, the Series B1, the Series B2, the Series B3, the Series C1+, the Series C2+ and the Series C3+ Collateral with Supplementary Collateral in the form of security transfer (*Sicherungsübereignung*) of Supplementary Collateral to the Trustee and/or, at its discretion, take any other action, in such form and amount so that the Rating Agencies give the written confirmation to the Issuer and the Trustee that upon such substitution and/or supplement and/or other action the then current rating of the respective Notes would not, solely as a result of such downgrade of the Pfandbrief Collateral, be qualified downgraded or withdrawn.

The ratings assigned to the Rated Notes should be evaluated independently from similar ratings on other types of securities. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal by the Rating Agencies at any time.

The Issuer has not requested a rating of the Rated Notes by any rating agency other than the Rating Agencies; there can be no assurance, however, as to whether any other rating agency will rate the Notes or, if it does, what rating would be assigned by such other rating agency. The rating assigned to the Rated Notes by such other rating agency could be lower than the respective ratings assigned by the Rating Agencies.

TAXATION

This section "Taxation" contains a general discussion of certain German tax consequences of the acquisition and ownership of Notes which should be read in conjunction with the section "Risk Factors". This discussion does not purport to be a comprehensive description of all tax considerations which may be relevant for the decision to purchase Notes. In particular, it does not consider any specific facts or circumstances that may apply to a particular purchaser of Notes. This summary is based on the laws of Germany currently in force and as applied on the date of this prospectus, which are subject to change, possibly with retroactive or retrospective effect.

Prospective purchasers of Notes are advised to consult their own tax advisors as to the tax consequences of the purchase, ownership and disposition of Notes, including the effect of any state or local taxes, under the tax laws of Germany and each country of which they are tax residents.

Taxation of Noteholders in Germany

Income Taxation / Trade Taxation

Tax Residents

Interest paid to Noteholders who are tax residents of Germany (*i.e.*, persons whose residence, habitual abode, statutory seat, or place of effective management and control is located in Germany) is subject to personal or corporate income tax (plus solidarity tax thereon currently at a rate of 5.5%). Such interest may also be subject to trade tax if the Notes form part of the property of a German trade or business. Where the Notes are kept in a custodial account maintained with a German financial institution or financial services institution (including a German branch of a non-German financial institution or financial services institution, but excluding a non-German branch of a German financial institution or financial services institution; the "**Institution**") such Institution is generally required to withhold a tax at a rate of 30% (plus solidarity tax thereon at a rate of 5.5%) of the gross amount of interest paid to a Noteholder resident in Germany; withholding tax is also imposed on accrued interest. Withholding tax (and the solidarity tax thereon) are credited as prepayments against the personal or corporate German income tax and the solidarity tax liability of the German resident. Amounts overwithheld may entitle the holder of a Note to a refund, based on an assessment to tax. In general, no withholding tax will be levied if the holder of a Note is an individual whose Note does not form part of the property of a German trade or business and who filed a withholding exemption certificate (*Freistellungsauftrag*) with the Institution but only to the extent the interest income derived from the Note together with other investment income does not exceed the maximum exemption amount shown on the withholding exemption certificate. Similarly, no withholding tax will be deducted if the holder of the Note has submitted to the Institution a certificate of non-assessment (*Nichtveranlagungsbescheinigung*) issued by the relevant local tax office.

Gains from the alienation of Notes, including gains derived by a secondary or any subsequent acquirer of the Notes upon redemption of the Notes at maturity, ("**Capital Gains**") derived by an individual Noteholder resident in Germany not holding the Notes as business assets are subject to personal income tax, regardless of the period between acquisition and alienation of the Notes, as the payment of interest on the Notes is contingent on an uncertain event. Capital Gains derived by an individual Noteholder resident in Germany holding Notes as a business asset are subject to personal income tax (plus solidarity tax thereon at a rate of 5.5%) and trade tax. Capital Gains derived by a corporate Noteholder resident in Germany are subject to corporate income tax (plus solidarity tax thereon at a rate of 5.5%) and trade tax. Losses incurred upon the sale or redemption of the Notes may give rise to negative income.

Non-Residents

Interest (including accrued interest) derived by a non-resident Noteholder is subject to German personal or corporate income tax (plus solidarity tax thereon at a rate of 5.5%) if the Notes form part of the business property of a permanent establishment in Germany (in which case such interest is also subject to trade tax) or a fixed base maintained in Germany by the Noteholder. Tax treaties concluded by Germany generally permit Germany to tax the interest income in this situation.

Where the non-resident Noteholder keeps the Notes in a custodial account maintained with a German

Institution such Institution is generally required to withhold a tax at a rate of 30% (plus solidarity tax thereon at a rate of 5.5%) of the gross amount of interest paid, *provided* the interest constitutes income from German sources (for instance, because the Notes form part of the business property of a permanent establishment which the Noteholder maintains in Germany). Such withholding tax is generally credited against the Noteholder's final liability for personal or corporate income tax.

Capital Gains derived by a non-resident Noteholder are, in principle, only subject to personal or corporate income tax (plus solidarity tax thereon at a rate of 5.5%) if the Notes form part of the business property of a permanent establishment (in which case such gains are also subject to trade tax) or fixed base maintained in Germany by the Noteholder. Where the Notes are kept in a custodial account maintained with a German Institution such Institution is generally required to withhold tax at a rate of an amount equal to 30% (plus solidarity tax thereon at a rate of 5.5%) of 30% of the proceeds from the alienation or redemption of the Notes, or, where such Institution has since acquiring or selling the Notes held such Notes in custody, of the excess of the sales or redemption proceeds over the purchase price for the Notes.

Tax treaties concluded by Germany generally do not permit Germany to tax the Capital Gains derived by a Noteholder resident in the other treaty country, unless the Notes form part of the business property of a permanent establishment or a fixed base maintained in Germany by the Noteholder. Where Germany is allowed to tax the Capital Gains, any tax withheld by the Institution may give rise to a refundable credit against the Noteholder's assessed liability for personal or corporate tax.

Inheritance and Gift Tax

The gratuitous transfer of a Note by a Noteholder as a gift or by reason of the death of the Noteholder is subject to German gift or inheritance tax if the Noteholder or the recipient is resident or deemed to be resident in Germany under German law at the time of the transfer. If neither the Noteholder nor the recipient is resident, or deemed to be resident, in Germany at the time of the transfer no German gift or inheritance tax is levied unless the Notes form part of the business property of a permanent establishment or fixed base maintained in Germany by the Noteholder. Tax treaties concluded by Germany generally permit Germany to tax the transfer in this situation.

Other Taxes

No stamp, issue, registration or similar taxes or duties will be payable in Germany in connection with the issuance, delivery or execution of the Notes. Currently, net assets tax is not levied in Germany.

EU Savings Tax Directive

On June 3, 2003 the Council of the European Union (Ecofin) adopted a directive regarding the taxation of savings income in the form of interest payments (the "EU Savings Tax Directive"). Accordingly, each EU Member State must require paying agents (within the meaning of such directive) established within its territory to provide to the competent authority of this state details of the payment of interest made to any individual resident in another EU Member State as the beneficial owner of the interest. The competent authority of the EU Member State of the paying agent (within the meaning of the EU Savings Tax Directive) is then required to communicate this information to the competent authority of the EU Member State of which the beneficial owner of the interest is a resident.

For a transitional period, Austria, Belgium and Luxembourg may opt instead to withhold tax from interest payments within the meaning of the directive at a rate of 15% starting January 1, 2005 if the provisions of the directive are applied as scheduled, of 20% as from January 1, 2008, and of 35% as from January 1, 2011. If the application of the provisions of the directive is delayed, these dates will be postponed accordingly.

In conformity with the pre-requisites for the application of the directive, Switzerland, Liechtenstein, San Marino, Monaco and Andorra have confirmed that from July 1, 2005 they will apply measures equivalent to those contained in such directive, in accordance with agreements entered into by them with the European Community. It has also been confirmed that certain dependent or associated territories (the Channel Islands, the Isle of Man and certain dependent or associated territories in the Caribbean) will apply from that same date an automatic exchange of information or, during the transitional period described above, a withholding tax in the described manner. Consequently, the Council of the European Union noted that the conditions have been

met to enable the provisions of the EU Savings Tax Directive to enter into force as from July 1, 2005.

By legislative regulations dated January 26, 2004 the Federal Government enacted the provisions for implementing the directive into German law. These provisions apply as from July 1, 2005.

SUBSCRIPTION AND SALE

Selling Restrictions

United States of America and its Territories. (1) The Notes have not been and will not be registered under the Securities Act and may not be offered, or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act. The Lead Manager represents and agrees that it has offered and sold the Notes, and will offer and sell the Notes (i) as part of its distribution at any time and (ii) otherwise until 40 days after the completion of the distribution of all the Notes only in accordance with Rule 903 of the Regulation S under the Securities Act. Neither the Lead Manager, its affiliates nor any persons acting on their behalf have engaged or will engage in any directed selling efforts with respect to the Notes, and they have complied and will comply with the offering restrictions requirements of Regulation S under the Securities Act. The Lead Manager also agrees that at or prior to confirmation of sale of Notes, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it during the restricted period a confirmation or notice to substantially the following effect:

"The Securities covered hereby have not been registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Securities as determined and certified by the Lead Manager, except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meaning given to them in Regulation S under the Securities Act."

Terms used in this clause (1) have the meaning given to them by Regulation S under the Securities Act.

(2) In addition, under U.S. Treas. Reg. § 1.163-5(c)(2)(i)(C) (the "**TEFRA C Rules**"), Notes in bearer form must be issued and delivered outside the United States and its possessions in connection with their original issuance. The Lead Manager has represented and agreed that it has not offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, the Notes within the United States or its possessions in connection with their original issuance.

Further, in connection with the original issuance of the Notes the Lead Manager represents and agrees that it has not communicated, and will not communicate, directly or indirectly, with a prospective purchaser if either of them is within the United States or its possessions or otherwise involve its U.S. office in the offer and sale of the Notes. Terms used in this paragraph have the meaning given to them by the U.S. Internal Revenue Code and regulations thereunder, including the TEFRA C Rules.

Terms used in this clause (2) have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder, including the TEFRA C Rules.

United Kingdom. The Lead Manager represents, warrants and agrees that: (i) it has not offered or sold and, prior to the expiry of the period of six months from the Issue Date, will not offer or sell any Notes to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing, or disposing of investments (as principal or agent) for the purpose of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995; (ii) it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 (the "**FSMA**") with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom; and (iii) 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.

As used herein, "**United Kingdom**" means the United Kingdom of Great Britain and Northern Ireland.

Germany. The Lead Manager confirms and agrees that, according to Section 2 the German Securities Prospectus Act (*Verkaufsprospektgesetz*), a sales prospectus for the Notes does not have to be deposited or published.

Japan. The Lead Manager acknowledges that it is aware that the Notes have not been and will not be registered under the Securities and Exchange Law of Japan (Law No. 25 of 1948) (as amended) (the "**Securities and Exchange Law**") and are subject to the Special Taxation Measures Law of Japan (Law No. 26 of 1957) (as amended) (the "**Special Taxation Measures Law**"). The Lead Manager represents and agrees that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell Notes in Japan or to any person resident in Japan for Japanese securities law purposes (including any corporation or other entity organised under the laws of Japan), except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law of Japan.

General. The Lead Manager represents and agrees that it will not offer, sell or deliver any of the Notes, directly or indirectly, or distribute this Prospectus or any other offering material relating to the Notes, in or from any jurisdiction except under circumstances that will to its best knowledge and belief result in compliance with the applicable laws and regulations thereof.

GENERAL INFORMATION

Use of Proceeds

The Issuer will use the net proceeds of USD 39,100,000 from the issue of the Class A1+ Notes, Class A2 Notes, Class B1 Notes, Class B2 Notes, Class B3 Notes, Class C1+ Notes, Class C2+ Notes and Class C3+ Notes for its general operations in accordance with its Articles of Association.

Subject of this Prospectus

This Prospectus relates to USD 39,100,000 aggregate principal amount of the Class A1+, Class A2, Class B1, Class B2, Class B3, Class C1+ Notes, Class C2+ Notes and Class C3+ Notes credit linked notes issued by HI, with Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Germany, as Trustee. Hypo Real Estate Bank International AG, Büchsenstrasse 26, 70174 Stuttgart, Germany acts as the servicer of the Reference Pool.

Authorisation

The issue of the Notes was authorised by a resolution of the Management Board of the Issuer on April 3, 2006.

Responsibility for the Contents of this Prospectus

The Issuer accepts responsibility for the information contained in this Prospectus and has taken all reasonable care to ensure that the facts stated in this Prospectus are true and accurate in all material respects and that there are no other material facts the omission of which would make misleading any statement in this Prospectus, whether of facts or opinion.

Litigation

Save as disclosed herein, there are, and during the last 12 months prior to the date of this Prospectus there has been, no litigation, arbitration or governmental proceedings against or affecting the Issuer nor is the Issuer aware of any pending or threatened proceedings, which are or might be material in the context of the issue of the Notes.

Material Change

Save as disclosed herein, there has been no material adverse change in the financial position or prospects of the Issuer since the date of its published audited financial statements for the year ended December 31, 2004.

Payment Information

In connection with the Notes listed on the market of the Luxembourg Stock Exchange appearing on the list of regulated markets issued by the European Commission, the Luxembourg Stock Exchange will be informed by the Issuer of all notifications regarding payments as defined in and in the manner described in Section 15 (Form of Notices) of the Terms and Conditions of the Notes.

Payments and transfers of the Notes will be settled through Euroclear and Clearstream, Luxembourg.

All notices regarding the Notes will be published in a newspaper with general circulation in Luxembourg, expected to be the *D'Wort*, on the website of the Luxembourg Stock Exchange (www.bourse.lu) or in such other publication or manner conforming to the rules of the Luxembourg Stock Exchange.

Luxembourg Listing

Application has been made to list the Class A1+ Notes, Class A2 Notes, Class B1 Notes, Class B2 Notes, Class B3 Notes, Class C1+ Notes, Class C2+ Notes and Class C3+ Notes on the official list of the Luxembourg Stock Exchange and trade on the regulated market, "Bourse de Luxembourg". The Issuer has appointed Deutsche Bank Luxembourg S.A., 2 Boulevard Konrad Adenauer, L-1115 Luxembourg, Luxembourg, as the initial Luxembourg intermediary (the "**Luxembourg Intermediary**") for the Luxembourg Stock Exchange.

Clearing Codes

Class A1+

WKNA0JFDC
ISIN XS0250403846
Common Code 25040384

Class A2

WKN A0JFDD
ISIN XS0250407912
Common Code 25040791

Class B1

WKN A0JFDE
ISIN XS0250409702
Common Code 25040970

Class B2

WKN A0JFDF
ISIN XS0250410544
Common Code 25041054

Class B3

WKN A0JFDG
ISIN XS0250411948
Common Code 25041194

Class C1+

WKN A0JFDH
ISIN XS0250550125
Common Code 25055012

Class C2+

WKN A0JFDJ
ISIN XS0250551446
Common Code 25055144

Class C3+

WKN A0JFDT
ISIN XS0250552253
Common Code 25055225

The Notes have been accepted for clearing by Euroclear and Clearstream Luxembourg.

Availability of Documents

Copies of the following documents may be obtained during customary business hours on any working day from the date hereof (or the date of publication of such document, as relevant) and so long as any of the Notes remain outstanding at the head office of the Issuer and as long as any of the Notes are listed on the market of the Luxembourg Stock Exchange appearing on the list of regulated markets issued by the European Commission they will be available (free of charge) to and may also be obtained (free of charge) at the head office of the Luxembourg Intermediary at 2 Boulevard Konrad Adenauer, L-1115 Luxembourg, Luxembourg:

- (i) the Articles of Association of the Issuer;
- (ii) the confirmation of the authorisation of the issue of the Notes by the Issuer;
- (iii) this Prospectus;
- (iv) the Trust Agreement dated April 10, 2006;
- (v) the terms and conditions of the Pfandbrief Collateral;
- (vi) the financial statements of the Issuer, and the auditor's opinion in relation thereto, for the financial year ended December 31, 2003 and December 31, 2004 (see "DOCUMENTS INCORPORATED BY REFERENCE");
- (vii) all future annual financial statements of the Issuer;
- (viii) the Noteholder Report and all other notices given to the Noteholders. The first Noteholder Report will be made available not later than on June 9, 2006.

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THE ISSUER

Hypo Real Estate Bank International AG
Büchsenstrasse 26
70174 Stuttgart
Germany

THE ARRANGER

Hypo Real Estate Bank International AG
Büchsenstrasse 26
70174 Stuttgart
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THE TRUSTEE

Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft
Schwannstrasse 6
40476 Düsseldorf
Germany

THE PRINCIPAL PAYING AGENT

Hypo Real Estate Bank International AG
Büchsenstrasse 26
70174 Stuttgart
Germany

THE LUXEMBOURG LISTING AGENT AND LUXEMBOURG INTERMEDIARY

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2 Boulevard Konrad Adenauer
L-1115 Luxembourg
Luxembourg