

PROSPECTUS

Estate Germany 2007-I Limited

(incorporated in Ireland)

Credit linked notes

€500,000

Class A+ Floating Rate Credit Linked Notes

Issue Price: 100%

€68,500,000

Class A Floating Rate Credit Linked Notes

Issue Price: 100%

€95,700,000

Class B Floating Rate Credit Linked Notes

Issue Price: 100%

€60,700,000

Class C Floating Rate Credit Linked Notes

Issue Price: 100%

€45,600,000

Class D Floating Rate Credit Linked Notes

Issue Price: 100%

€39,900,000

Class E Floating Rate Credit Linked Notes

Issue Price: 100%

€21,700,000

Class F Floating Rate Credit Linked Notes

Issue Price: 100%

The Class A+, Class A, Class B, Class C, Class D, Class E and Class F Notes (each class of Notes, a "**Class**", and all Classes collectively, the "**Issue**" or the "**Notes**") of Estate Germany 2007-I Limited (the "**Issuer**") are linked to the performance of a reference pool (the "**Reference Pool**") of certain loan claims for the payment of principal and interest (each such claim, a "**Reference Claim**") arising from certain fixed and/or floating rate, annuity, instalment or bullet residential and small commercial mortgage loans of Hypo Real Estate Bank AG ("**HRE**" or the "**Bank**") originated by HRE and its predecessors as well as Württembergische Hypothekenbank AG and serviced by the Servicer. Each Reference Claim is secured by one or more first priority or subordinated mortgages (each, either *Hypotheken* or *Grundsschulden*) (the "**Mortgages**") on one or more residential or small commercial properties located in Germany (each, a "**Mortgaged Property**") and in some cases by certain additional collateral. For the purposes of Loss Allocation such Mortgage or Mortgages and any other collateral will be 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 initial aggregate Outstanding Nominal Amount of the Reference Claims included in the Reference Pool as of the Cut-off Date was EUR 2,279,876,790.

Application has been made to the Commission de Surveillance du Secteur Financier (the "**CSSF**") for approval of this Prospectus for the purposes of 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 admit the Notes to listing on the official list of the Luxembourg Stock Exchange and trading on the regulated market of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange is a regulated market for the purposes of the Investment Services Directive 93/22/EC.

Hypo Public Finance Bank (the "**Lead Manager**") will purchase the Notes from the Issuer on October 8, 2007 (the "**Issue Date**") and will offer the Notes, from time to time, in negotiated transactions or otherwise at varying prices to be determined at the time of sale. The Class A+ Notes will be privately placed.

Particulars of the dates of, parties to and general nature of the material contracts are set out in various sections of this Prospectus.

Lead Manager

Hypo Public Finance Bank

The date of this Prospectus is October 4, 2007.

Given the complexity of the Terms and Conditions, an investment in the Notes is suitable only for experienced investors who understand and are in a position to evaluate the risks inherent therein. **For a discussion of certain significant factors affecting investments in the Notes, see "RISK FACTORS".** For the reference to the definitions of capitalised words and phrases appearing herein see "Index of Defined Terms".

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR ANY STATE SECURITIES LAWS, AND UNLESS SO REGISTERED MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. ACCORDINGLY, THE NOTES ARE BEING OFFERED AND SOLD ONLY TO PERSONS (OTHER THAN U.S. PERSONS) OUTSIDE THE UNITED STATES PURSUANT TO REGULATION S UNDER THE SECURITIES ACT. FOR A DESCRIPTION OF CERTAIN RESTRICTIONS ON REALES OR TRANSFERS, SEE "SUBSCRIPTION AND SALE" BELOW.

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 guarantee 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 under the Notes could even be reduced to EUR 1 per Note as a result of losses incurred in respect of the Reference Claims.

The payment obligations of the Issuer under the Notes will be secured *inter alia* by the public sector *Pfandbriefe* issued by the Bank.

On the Issue Date, the Issuer will pledge (*verpfänden*) to the Trustee the HRE *Pfandbriefe* as well as all its present and future claims and rights under the Transaction Documents (other than the Corporate Administration Agreement, the First Pledge Agreement, the Irish Security Agreement and the Senior Swap) to secure the Trustee Claim under the Trust Agreement. The Trustee Claim entitles the Trustee to demand that all present and future obligations of the Issuer under the Notes be fulfilled. See "THE TRUST AGREEMENT" and "THE COLLATERAL".

On the Issue Date, the Issuer will also pledge the HRE *Pfandbriefe* to the Bank as security for the Issuer's obligations under the Loss Guarantee as described herein. Such pledge will rank senior to the pledge in respect of the HRE *Pfandbriefe* granted to the Trustee pursuant to the Trust Agreement. See "THE TRUST AGREEMENT" and "THE COLLATERAL".

Notwithstanding the Collateral, the amount of principal of and, due to potential principal reductions, interest on the Notes may be reduced as a result of Realised Losses incurred with respect to the Reference Claims. In the event of such reduction, only the obligations of the Issuer to pay such reduced principal and interest will have the benefit of the Collateral.

Pursuant to the Trust Agreement the Trustee will, *inter alia*, verify the determinations and allocations of Realised Losses incurred in the Reference Pool in accordance with procedures set out in the Trust Agreement. See "THE NOTES - Loss Allocation" and "THE TRUST AGREEMENT".

The Notes will be governed by the laws of the Federal Republic of Germany ("**Germany**").

Each Class of Notes will be initially represented by a temporary global note in bearer form without interest coupons attached. The Temporary Global Note for each Class of Notes will be exchangeable, as described herein (see "THE NOTES - Notes") for a permanent global note in bearer form representing such Class of Notes without interest coupons attached. The Global Notes will be deposited with Deutsche Bank AG, London Branch, Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom (in such capacity, 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**"). The Temporary Global Notes will be deposited with the Common Depositary on or before the Issue Date.

The Notes may be transferred in book-entry form only. The Class A Notes, Class B Notes, Class C

Notes, Class D Notes, Class E Notes and Class F Notes will be issued in denominations of EUR 100,000 and the Class A+ Notes will be issued in denominations of EUR 50,000. The Global Notes will not be exchangeable for definitive securities.

Application has been made to list and to trade the Class A+ Notes, the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes on the official list of the Luxembourg Stock Exchange.

THE NOTES REPRESENT OBLIGATIONS OF THE ISSUER ONLY AND DO NOT REPRESENT AN INTEREST IN OR OBLIGATIONS OF THE LEAD MANAGER, THE TRUSTEE, ANY OF THE AGENTS, THE SERVICER, THE BANK OR ANY OF THEIR 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 LEAD MANAGER, THE TRUSTEE, ANY OF THE AGENTS, THE SERVICER, THE BANK OR ANY OF THEIR RESPECTIVE AFFILIATES OR BY ANY OTHER PERSON OR ENTITY EXCEPT AS DESCRIBED HEREIN. NEITHER THE LEAD MANAGER, NOR THE TRUSTEE, NOR ANY OF THE AGENTS, NOR THE SERVICER, NOR THE BANK, NOR ANY OF THEIR RESPECTIVE AFFILIATES, NOR ANY AFFILIATE OF THE ISSUER, NOR ANY OTHER THIRD PERSON OR ENTITY, ASSUMES ANY LIABILITY TO THE NOTEHOLDERS IF THE ISSUER FAILS TO MAKE A PAYMENT DUE UNDER THE NOTES.

<u>Class</u>	<u>Initial Class Principal Amount</u>	<u>Interest Rate</u>	<u>ISIN</u>
Class A+	EUR 500,000	EURIBOR* + 0.30%	XS0322844696
Class A	EUR 68,500,000	EURIBOR* + 0.30%	XS0322846048
Class B	EUR 95,700,000	EURIBOR* + 0.42%	XS0322847368
Class C	EUR 60,700,000	EURIBOR* + 0.63%	XS0322848333
Class D	EUR 45,600,000	EURIBOR* + 1.10%	XS0322848846
Class E	EUR 39,900,000	EURIBOR* + 3.90%	XS0322851477
Class F	EUR 21,700,000	EURIBOR* + 9.00%	XS0322857672

(*) As determined on each EURIBOR Determination Date. See "THE NOTES - Payments of Interest - Interest Rates".

Payments of interest and principal on the Notes to the Noteholders will be made on each Payment Date.

The Notes will be redeemed on the Scheduled Maturity Date unless earlier redeemed as described herein and *provided that* if as of the end of the Collection Period immediately preceding the Scheduled Maturity Date any Overdue Reference Claims are outstanding as to principal, certain Notes may remain outstanding after the Scheduled Maturity Date and payments of principal and interest will be made on such Notes on each Payment Date after the Scheduled Maturity Date as described herein. See "THE NOTES - Redemption", "- Early Redemption for Default" and "- Early Redemption by the Issuer".

Payments with respect to the Notes are to be made by the Issuer net of any withholding taxes required to be deducted by law and any withholding taxes imposed with respect to the amounts received under the HRE Pfandbriefe.

The Noteholders will not be entitled to gross-up payments in the event that payments on the Notes and/or payments under the HRE Pfandbriefe become subject to withholding taxes and/or payments under the Loss Guarantee become subject to any taxes and the Noteholders will not have the right to

require an early redemption of the Notes in such event. See "THE NOTES - Taxes".

The Issuer will redeem all of the Notes if the Bank in its sole discretion elects to have a Loss Guarantee Termination occur as a result of withholding or deduction for taxes with respect to payments on the Notes, the HRE Pfandbriefe, the Loss Guarantee, the Senior Swap or any other agreement relating to the Transaction. See "THE NOTES - Early Redemption by the Issuer".

In connection with the issue of the Notes, the Bank will enter into a loss guarantee agreement between the Issuer as protection seller and the Bank as protection buyer effective as of October 8, 2007 (the "**Loss Guarantee**"). Pursuant to the Loss Guarantee, the Issuer will pay to the Bank amounts equal to all Realised Losses incurred in the Reference Pool and allocated to the Notes pursuant to the Loss Allocation.

In addition, the Bank will enter into a credit default swap with a counterparty as protection seller (the "**Senior Swap Counterparty**") and the Bank as protection buyer effective as of October 8, 2007 (the "**Senior Swap**"). Pursuant to the Senior Swap, the Senior Swap Counterparty will pay to the Bank amounts equal to a specified multiple of the amounts by which the Note Principal Amounts of the Class A+ Notes are reduced as a result of any Loss Allocation.

The allocation of Realised Losses to the Notes as described herein will not be affected by the Senior Swap and the respective rights and obligations of the Bank and the Senior Swap Counterparty thereunder, *provided that* in the case of a conflict of interest between the interests of the Senior Swap Counterparty and the Noteholders, priority will be given to the interests of the Senior Swap Counterparty and the holders of the Class A+ Notes, and then among the other Noteholders, to the interests of the Noteholders of the Class of Notes which ranks most senior for the purposes of the Loss Allocation. See "THE TRUST AGREEMENT".

The Class A+, Class A, Class B, Class C, Class D and Class E Notes (the "**Rated Notes**") are expected to be rated by Fitch Ratings Ltd. ("**Fitch**") and Moody's Investors Service Limited ("**Moody's**", and together with Fitch, the "**Rating Agencies**"). It is a condition of the issue of the Notes that each Class of Rated Notes receives the rating indicated below:

<u>Class</u>	<u>Fitch</u>	<u>Moody's</u>
Class A+	AAA	Aaa
Class A	AAA	Aaa
Class B	AA	Aa2
Class C	A	A2
Class D	BBB	Baa2
Class E	BB+	Ba2

The rating of "AAA" is the highest rating that Fitch assigns to long term debt and the rating of "Aaa" is the highest rating that Moody's assigns to long term debt.

The ratings assigned by Moody's to each Class of Rated Notes address the expected losses in proportion to the initial Class Principal Amount of such Class of Rated Notes posed to investors by the Legal Maturity Date. The rating of each Class of Rated Notes by Fitch addresses the likelihood that the holders of such Class will receive all payments to which they are entitled, as described herein. The rating of each Class of Rated Notes by Fitch also addresses the risk that a Realised Loss will be allocated to such Class pursuant to the Terms and Conditions as described herein. The rating of all Rating Agencies takes into consideration the characteristics of the Reference Claims and the current structural, legal, tax and Issuer-related aspects associated with the Rated Notes. However, the ratings assigned to the Rated Notes do not represent any assessment of the likelihood of principal prepayments. The ratings do not address the possibility that the Noteholders might suffer a lower than expected yield due to prepayments.

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.

There can be no assurance as to whether any rating agency other than the Rating Agencies would rate the Rated Notes or, if it did, what rating would be assigned by such other rating agency. The ratings 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, *inter alia*, the Notes, the Issuer, the Bank, the Collateral and the Reference Pool.

The Issuer is responsible for the information contained in this Prospectus except that

- (a) the Trustee only is responsible for the information under "THE TRUSTEE"; and
- (b) the Bank only is responsible for the information under "OUTLINE OF THE TRANSACTION - The Reference Pool", "DESCRIPTION OF THE REFERENCE POOL", "REFERENCE POOL SERVICING", "THE COLLATERAL - Key Terms and Conditions of the HRE Pfandbriefe", "THE BANK" and "GENERAL INFORMATION - Luxembourg Listing".

Having taken all reasonable care to ensure that such is the case, the information contained in that part of the Prospectus for which the Issuer is responsible is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

Having taken all reasonable care to ensure that such is the case, the information contained in that part of the Prospectus for which the Trustee is responsible is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

Having taken all reasonable care to ensure that such is the case, the information contained in that part of the Prospectus for which the Bank is responsible is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

Subject to the following paragraphs, each of the Issuer, the Trustee and the Bank 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, the Bank, the Trustee or the Lead Manager.

Neither the delivery of this Prospectus nor any offering, sale or delivery of any Notes shall, under any circumstances, create any implication (i) that the information in this Prospectus is correct as of any time subsequent to the date hereof or, as the case may be, subsequent to the date on which this Prospectus has been most recently amended or supplemented, or (ii) that there has been no adverse change in the financial situation of the Issuer or of the Bank which is material in the context of the issue and offering of the Notes or with respect to the Reference Pool since the date of this Prospectus or, as the case may be, the date on which this Prospectus has been most recently amended or supplemented or (iii) that any other information supplied in connection with the issue of the Notes 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 or the Lead Manager other than as set out in this Prospectus that would permit a public offering of the Notes, or possession or distribution of this Prospectus or any other offering material 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 compliance with applicable laws, orders, rules and regulations, and the Lead Manager have represented that all offers and sales by them have been made on such terms.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the securities to which it relates or an offer to sell or the solicitation of an offer to buy any of the securities offered hereby in any circumstances in which such offer or solicitation is unlawful. The distribution of this Prospectus (or of any part hereof) and the offering and sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus (or any part hereof) comes are required by the Issuer and the Lead Manager 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. In particular, the Notes have not been and will not be registered under the Securities Act and may not be offered or sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

For a further description of certain restrictions on offerings and sales of the Notes and distribution of this Prospectus (or of any part hereof) see "SUBSCRIPTION AND SALE".

The investments described in this document are investment products designed for financially sophisticated investors with specialist knowledge of, and experience of investing in, such investments, who are capable of fully evaluating the risks involved in making such investments and who have an asset base sufficiently substantial as to enable them to sustain any loss that they might suffer as a result of making such investments.

Any person intending to invest in any investment described in this document should consult his professional advisor, including his stock broker, legal advisor and accountant, and ensure that he fully understands all the risks associated with making such an investment and has sufficient financial resources to sustain any loss that may arise from it.

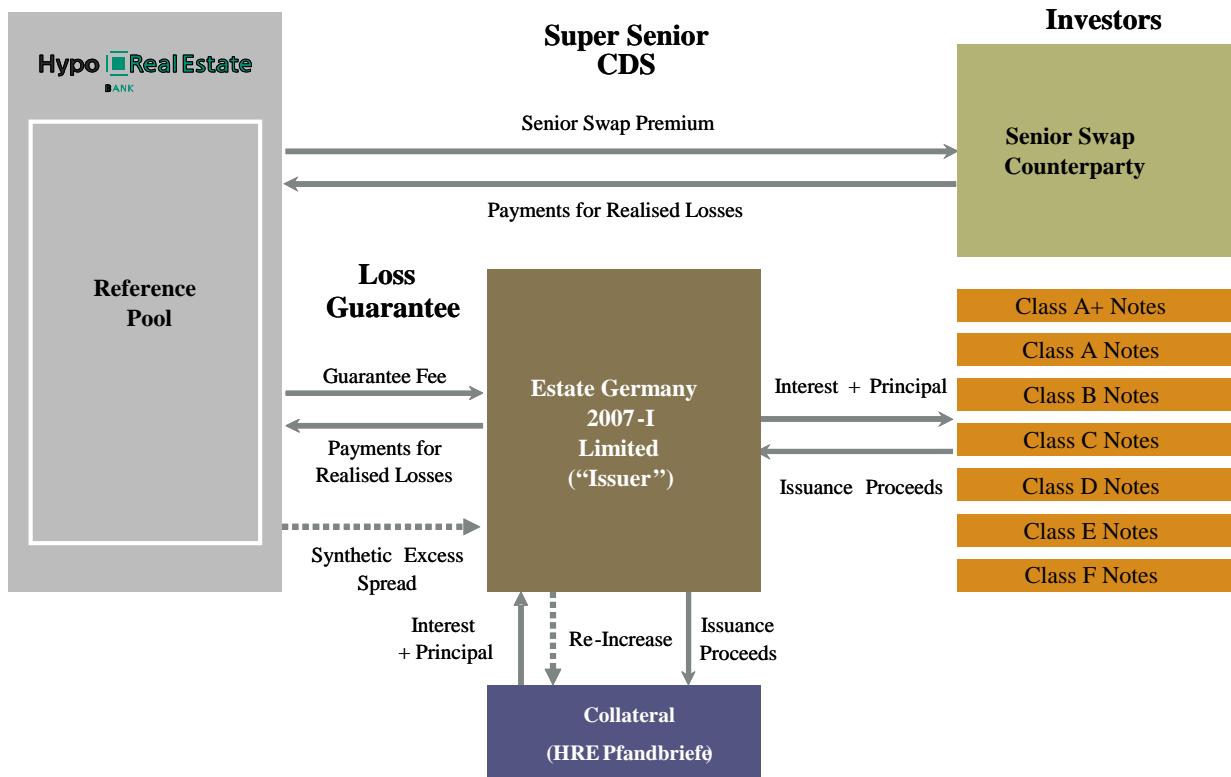
In connection with the issue and distribution of the Notes, the Lead Manager, or any person acting for it, may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Lead Manager or any person acting for it will undertake such action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 calendar days after the issue date of the Notes and 60 calendar days after the date of the allotment of the Notes.

TABLE OF CONTENTS

<u>Section</u>	<u>Page</u>
TRANSACTION OVERVIEW	8
OUTLINE OF THE TRANSACTION	9
RISK FACTORS	18
THE NOTES	27
THE TRUST AGREEMENT.....	55
DESCRIPTION OF THE REFERENCE POOL.....	85
REFERENCE POOL SERVICING.....	106
CREDIT AND COLLECTION POLICIES	111
THE LOSS GUARANTEE	115
THE COLLATERAL	124
ACCOUNTS AND CASH ADMINISTRATION.....	128
CORPORATE ADMINISTRATION	129
THE ISSUER.....	131
THE BANK	136
THE TRUSTEE	144
RATING	145
TAXATION.....	146
SUBSCRIPTION AND SALE	154
USE OF PROCEEDS	157
GENERAL INFORMATION.....	158
INDEX OF DEFINED TERMS.....	160

TRANSACTION OVERVIEW
(as of the close of business on the Issue Date)

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



OUTLINE OF THE TRANSACTION

The following general description of the transaction is qualified in its entirety by reference to the detailed information appearing elsewhere in this Prospectus.

The Issuer	Estate Germany 2007-I Limited, a private limited liability company incorporated under the laws of Ireland with registration number 439971 and having its registered office at 5 Harbourmaster Place, IFSC, Dublin 1, Ireland, telephone number:(+353) 1 680 6000. The Issuer has been established for the purpose of issuing the Notes, entering into the Loss Guarantee and into all other Transaction Documents to which it is a party. See "THE ISSUER".
The Notes	<p>The Notes are credit linked to the performance of a reference pool of certain loan claims for the payment of principal and interest arising from certain fixed and/or floating rate, annuity, instalment or bullet residential and small commercial mortgage loans of the Bank originated by the Bank and its predecessors as well as Württembergische Hypothekenbank AG and serviced by the Servicer. Each Reference Claim is secured by one or more first priority or subordinated mortgages (each, either <i>Hypotheken</i> or <i>Grundschulden</i>) on one or more residential or small commercial properties located in Germany and in some cases by certain additional collateral. See "THE NOTES".</p> <p>For the purpose of Loss Allocation, the mortgages securing a Reference Claim are allocated to such Reference Claim as collateral as described herein. See "THE NOTES" and "DESCRIPTION OF THE REFERENCE POOL".</p> <p>The rights and claims of the Noteholder under the Notes are set out, <i>inter alia</i>, in Section 7, Section 10 and Section 11 of the Terms and Conditions and in Clauses 2.2 and Clause 25 of the Trust Agreement.</p>
Status of the Notes	The Notes constitute direct and unsubordinated obligations of the Issuer, ranking <i>pari passu</i> among themselves and at least <i>pari passu</i> with all other current and future unsubordinated obligations of the Issuer, subject to Loss Allocation, allocation of Late Recoveries, Unjustified Loss Allocation and the Collateral and the redemption of the Notes in accordance with the Terms and Conditions, if applicable. The Notes constitute limited recourse obligations of the Issuer.
The Corporate Administrator	Deutsche International Corporate Services (Ireland) Limited, 5 Harbourmaster Place, IFSC, Dublin 1, Ireland.
The Cash Administrator	Deutsche Bank AG, London Branch, Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom.
The Transaction Account Bank	Deutsche Bank AG, Taunusanlage 12, 60325 Frankfurt am Main, Germany.

The Custodian	Hypo Real Estate Bank AG, Von-der-Tann-Strasse 2, 80539 Munich, Germany.
The Bank	Hypo Real Estate Bank AG, Von-der-Tann-Strasse 2, 80539 Munich, Germany.
The Servicer	The Bank. See "REFERENCE POOL SERVICING".
The Lead Manager	Hypo Public Finance Bank, 30 St. Mary Axe, London EC3A 8BF, United Kingdom.
The Trustee	Ernst & Young AG, Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Arnulfstrasse 126, 80636 Munich, Germany.
The Principal Paying Agent	Deutsche Bank AG, London Branch, Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom.
The Luxembourg Intermediary and Luxembourg Listing Agent	Deutsche Bank Luxembourg S.A., 2 Boulevard Konrad Adenauer, L-1115 Luxembourg, Luxembourg.
Cut-off Date	January 31, 2007
Issue Date	October 8, 2007
Payment Dates	Without prejudice to Section 11.2 (Early Redemption for Default - Method and Amount) of the Terms and Conditions, payments of principal and interest on the Notes will be made to the Noteholders quarterly in arrear, on the 26 th calendar day of February, May, August and November, or, if any such 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. The first Payment Date will be in November 2007.
Interest Accrual Period	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.
Payment of Interest	<p>On each Payment Date, the interest accrued during the applicable Interest Accrual Period at the per annum rate indicated herein for each Class of Notes will be payable on the Note Principal Amounts outstanding as of the immediately preceding Payment Date (after Loss Allocation, allocation of Late Recoveries, Unjustified Loss Allocation and payment of principal, if any, on such date) or the Issue Date (in the case of the first Payment Date) as described herein.</p> <p>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.</p>

See "THE NOTES - Payments of Interest" and "- Loss Allocation".

Payment of Principal

On each Payment Date, the Notes shall be redeemed in an amount equal to the Excess Amount as follows:

- (i) the Class A+ Notes shall be redeemed in an amount equal to the product of the Excess Amount and the A+ Reduction Factor;
- (ii) after the Class A+ Notes have been redeemed in full, the Class A, the Class B, the Class C, the Class D, the Class E and then the Class F Notes, in this order sequentially, shall be redeemed in an amount in aggregate equal to the Excess Amount,

provided that the redemption amount allocated to each Class of Notes will be, in each case, calculated after the reduction of the Note 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 the amounts standing to the credit of the Excess Spread Ledger, Late Recoveries and/or Unjustified Loss Allocation, if any, in each case, on the relevant Payment Date pursuant to Section 8 (Loss Allocation), Section 8.5 (Loss Allocation - Excess Spread Ledger), Section 8.2 (Loss Allocation - Late Recoveries) and Section 9 (Unjustified Loss Allocation) of the Terms and Conditions.

See "THE NOTES - Redemption - Amortisation of the Notes".

Redemption - Scheduled Maturity Date

The Payment Date falling in May 2063. The Notes will be redeemed on the Scheduled Maturity Date unless earlier redeemed as described herein, *provided that* if as of the end of the Collection Period immediately preceding the Scheduled Maturity Date any Overdue Reference Claims are outstanding, certain Notes may remain outstanding after the Scheduled Maturity Date and payments of principal and interest will be made on such Notes on each Payment Date after the Scheduled Maturity Date as described herein.

See "THE NOTES - Redemption - Scheduled Maturity".

Redemption - Legal Maturity Date

The Payment Date falling in May 2064. See "THE NOTES - Redemption - Legal Maturity".

Early Redemption

The Issuer shall redeem the Class or Classes of Notes before the Scheduled Maturity Date as described herein if a Loss Guarantee Termination occurs with respect to such Class or Classes of Notes or a Bank Event of Default occurs.

Loss Guarantee Termination occurs with respect to a Class of Notes: (A) on the Payment Date as of which the tranche of the Loss Guarantee corresponding to such Class of Notes is terminated by the Bank at its option (i) following the occurrence of a Regulatory Event, or (ii) following the reduction of the aggregate Outstanding Nominal Amount of the

Reference Claims to 10% of the Initial Aggregate Principal Balance, or (iii) falling in or after November 2012, *provided that* the Bank may exercise its termination option under the Loss Guarantee with respect to any tranche corresponding to a Class of Notes only concurrently with the termination option in respect of each tranche corresponding to an outstanding Class of Notes ranking senior to such Class of Notes for the purpose of the Loss Allocation; or (B) on the date as of which the termination of the Loss Guarantee occurred because of the occurrence of an Issuer Event of Default.

Bank Event of Default occurs if (i) the Bank defaults in the payment of any amount due under the Loss Guarantee and such default continues for 30 Business Days following delivery by the Issuer to the Bank of a notice under the Loss Guarantee requiring the same to be remedied, (ii) Loss Guarantee Bankruptcy occurs in respect of the Bank, or (iii) the Loss Guarantee is terminated by operation of law or under mandatory provisions of law.

See "THE NOTES - Early Redemption by the Issuer".

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 if a Default Event in respect of such Notes has occurred, *provided that* the right to declare the Notes due shall cease to exist if such Default Event has been cured before the right is exercised. In the event that any Noteholder exercises such right the Issuer will redeem the Notes as described herein.

See "THE NOTES - Early Redemption for Default".

Collection Period

With respect to the first Payment Date, the period from the Cut-off Date until the last calendar day of the calendar month immediately preceding the month in which the first Payment Date occurs (both days inclusive) and with respect to any subsequent Payment Date, the period from the calendar day immediately following the last day of the previous Collection Period until the last calendar day of the calendar month immediately preceding the month in which the relevant Payment Date occurs (both days inclusive).

Reference Pool

On the Cut-off Date, the Reference Pool consisted of certain loan claims for the payment of principal and interest arising from 4,861 fixed and/or floating rate, annuity, instalment or bullet residential and small commercial mortgage loans of the Bank with a calculated final maturity (as of the Cut-off Date) not extending beyond March 2063, originated by the Bank and its predecessors as well as Württembergische Hypothekenbank AG. The loans bear interest at rates initially fixed for a certain period, generally between 1 and 12 years, and at the end of this period the rate of interest is adjusted for a subsequent fixed rate period or changed to a floating rate. The Reference Claims had an aggregate Outstanding Nominal Amount as of the Cut-off Date of EUR 2,279,876,790.

Each Reference Claim is secured by one or more first priority or subordinated mortgages (*Hypotheken* or *Grundschulden*) on one or more residential or small commercial properties located in Germany, and in some cases certain other collateral. For the purpose of Loss Allocation, such mortgages are allocated to such Reference Claim as collateral as described herein. See "DESCRIPTION OF THE REFERENCE POOL - Reference Mortgages" and "- Allocation of Payments and Foreclosure Proceeds".

However, Reference Claims may be removed from the Reference Pool, or a substitution effective as of the Cut-off Date may be made for certain Reference Claims, *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 Bank deems such exclusion necessary or desirable. This may result in changes to certain of the Reference Pool characteristics 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.

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. The Reference Pool does not constitute a revolving pool of assets and therefore, it does not constitute an actively managed pool of assets. There have been no insurance policies provided for the direct benefit of the Issuer in relation to the Reference Claims.

For a detailed description of the Reference Pool, see "DESCRIPTION OF THE REFERENCE POOL - Reference Pool Provisions".

Servicing of the Reference Pool The Servicer will administer, collect and enforce the Reference Claims, including by way of Foreclosure on the related Reference Collateral. See "REFERENCE POOL SERVICING".

Servicing Standards The currently applicable standard credit and collection policies of the Servicer and certain specific servicing principles (the "**Servicing Principles**") are set out in this Prospectus. The Servicing Principles form part of the Terms and Conditions of the Notes. See "REFERENCE POOL SERVICING".

Loss Allocation On each Payment Date, any Realised Losses in respect of Reference Claims qualifying for the Loss Allocation will be allocated first to reduce the balance on the Excess Spread Ledger to zero, then to reduce the Note Principal Amounts of the Class F Notes to EUR 1 per Note, then to reduce the Note Principal Amounts to EUR 1 per Note of the Class E Notes, the Class D Notes, the Class C Notes, the Class B Notes and the Class A Notes, in this order sequentially. Realised Losses will

be allocated to reduce the Note Principal Amounts of the Class A+ Notes only after the Note Principal Amounts of the Class A Notes have been reduced to EUR 1 per Note, *provided that* only the product of the Realised Losses and the A+ Reduction Factor shall be allocated to reduce the Note Principal Amounts of the Class A+ Notes.

Realised Loss will include, *inter alia*, Accrued Interest and Enforcement Costs, in each case, in respect of each Reference Claim which becomes a Liquidated Reference Claim as described herein. See "THE NOTES - Loss Allocation".

Reference Claims with respect to which any of the Eligibility Criteria, Servicing Standards or, if relevant, the requirements for transfer of Reference Claims as set out in the Reference Pool Provisions are not complied with will not qualify for Loss Allocation, unless one of the exceptions described herein applies, and may be removed from the Reference Pool.

See "THE NOTES - Loss Allocation" and "DESCRIPTION OF THE REFERENCE POOL - Reference Pool Provisions - Non-compliance".

Excess Spread Ledger

The Bank will maintain for the purpose of the Loss Allocation an Excess Spread Ledger as set out in Section 8.5 (Excess Spread Ledger) of the Terms and Conditions.

As of any Payment Date, the Excess Spread Amount calculated in respect of the Related Collection Period will be credited to the Excess Spread Ledger. On each Payment Date, any amount standing to the credit of the Excess Spread Ledger shall, in the following order, (i) be reduced by Realised Losses to be allocated on such Payment Date, (ii) be allocated to reverse previous reductions of the Note Principal Amounts of any Class of Notes and (iii) be applied to pay interest on any Notes which have been reduced due to Loss Allocation prior to such Payment Date, in each case pursuant to Section 8.1 (Loss Allocation - Order and Conditions) of the Terms and Conditions. Any amount standing to the credit of the Excess Spread Ledger following the application of (i), (ii) and (iii) above shall be extinguished on such Payment Date.

"**Excess Spread Amount**" means (i) with respect to the first to the fourth Collection Period following the Cut-off Date, zero and (ii) with respect to any Collection Period thereafter, an amount in euro equal to the product of (a) 0.40% per annum, (b) the Aggregate Principal Balance as of the end of such Collection Period reduced by the aggregate Outstanding Nominal Amounts of all Reference Claims in relation to which a Credit Event has occurred as of the end of such Collection Period, and (c) the actual number of days in such Collection Period divided by 360.

See "THE NOTES - Loss Allocation - Excess Spread Ledger".

HRE Pfandbriefe

On the Issue Date, the Issuer will purchase Public Sector

Pfandbriefe (*Öffentliche Pfandbriefe*) of Hypo Real Estate Bank AG (the "**HRE Pfandbriefe**"). The HRE Pfandbriefe constitute direct, unconditional and unsubordinated obligations of Hypo Real Estate Bank AG ranking *pari passu* among themselves. The HRE Pfandbriefe are covered in accordance with the German Pfandbrief Act (*Pfandbriefgesetz*) and rank at least *pari passu* with all other obligations of Hypo Real Estate Bank AG arising from Public Sector Pfandbriefe (*Öffentliche Pfandbriefe*).

Each Series of HRE Pfandbriefe has terms and conditions matching with those of the Class of Notes secured by such Series, including with respect to principal and interest (except for the rate of interest), payment dates, re-increase as a result of allocation of the amounts standing to the credit of the Excess Spread Ledger, by Late Recoveries and/or as a result of the Unjustified Loss Allocation and maturity date. Allocation of any Realised Loss to any Class of Notes shall result in redemption of the principal amount of the corresponding Series of HRE Pfandbriefe in an amount equal to the amount by which the Class Principal Amount of the relevant Class of Notes has been reduced pursuant to Loss Allocation.

The Trustee Claim with respect to each Class of Notes will be secured by a pledge (*Pfandrecht*) for the benefit of the Trustee over a corresponding Series of HRE Pfandbriefe. The pledges over the HRE Pfandbriefe will be subject and rank junior to first ranking pledges (*Pfandrecht*) for the benefit of the Bank as security for the obligations of the Issuer under the Loss Guarantee towards the Bank. In addition, the Issuer will on the Issue Date pledge (*verpfänden*) to the Trustee all its present and future claims and rights under the Transaction Documents (other than the Corporate Administration Agreement, the First Pledge Agreement, the Irish Security Agreement and the Senior Swap) to secure the Trustee Claim under the Trust Agreement.

See "THE TRUST AGREEMENT" and "THE COLLATERAL".

Form and Denominations

Each Class of Notes will be initially represented by a Temporary Global Note in bearer form which will be exchangeable for a Permanent Global Note in bearer form representing the relevant Class of Notes as described herein. The Notes may be transferred in book-entry form only. The Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes will be issued in denominations of EUR 100,000 and the Class A+ Notes will be issued in denominations of EUR 50,000. The Global Notes representing the Notes will not be exchangeable for definitive securities. The Global Notes will be held in custody by Deutsche Bank AG, London Branch, Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom, as common depository for Euroclear and Clearstream, Luxembourg. See "THE NOTES - Notes".

Post-issuance Information

The Issuer will provide to the Noteholders quarterly prior to

each Payment Date certain information on the performance of the Reference Pool and the payments and reductions to be made with respect to the Notes. See "THE NOTES - Investor Notifications"

Trust Agreement

Pursuant to the Trust Agreement between the Issuer, the Bank and the Trustee for the benefit of the Noteholders and the Senior Swap Counterparty, the Trustee will confirm compliance, verify the Loss Allocation and will supervise and verify determinations and calculations and other actions of the Bank and the Issuer in connection with the Notes, the Loss Guarantee and the Senior Swap as described herein.

Pursuant to the Trust Agreement the Issuer will also be required to make certain security arrangements with respect to the Collateral as described herein.

See "THE TRUST AGREEMENT".

Issuer's Source of Income

The Issuer will receive the funds necessary for the payments under the Notes from the HRE Pfandbriefe and under the Loss Guarantee.

Under the Loss Guarantee, the Bank will pay to the Issuer in respect of each Payment Date an amount (the "**Guarantee Fee**") calculated as the sum of (i) the costs and expenses of the Issuer and (ii) the excess, if any, of (A) the aggregate Interest Amount payable by the Issuer on the Notes on such Payment Date, over (B) the aggregate amount of the interest amounts due (for the avoidance of doubt, prior to any withholding or deduction on account of taxes) under any Series of HRE Pfandbriefe on the relevant Payment Date. See "THE LOSS GUARANTEE".

Use of Proceeds

The net proceeds from the issue of the Notes are approximately EUR 332,600,000. The net proceeds are equal to the gross proceeds and will be used by the Issuer on the Issue Date to acquire the HRE Pfandbriefe. The HRE Pfandbriefe will be deposited in the Custody Account of the Issuer with the Custodian pursuant to the Custody Agreement.

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 and Admission to Trading

Application has been made to list each Class of Notes on the official list of the Luxembourg Stock Exchange and for admission to trading on the market of the Luxembourg Stock Exchange appearing on the list of regulated markets issued by the European Commission. The direct cost of the admission of the Notes to trading on the Luxembourg Stock Exchange amount to approximately EUR 55,400.

Settlement

It is expected that delivery of the Notes will be made on or about the Issue Date through the book-entry facilities of

Euroclear and Clearstream Luxembourg, against payment therefor in euro in immediately available funds.

Governing Law

The Notes will be governed by the laws of the Federal Republic of Germany.

Ratings

The Notes, other than the Class F Notes, are expected to be rated on the Issue Date by Fitch and Moody's. It is a condition of the issue of the Notes, that each Class of Notes, other than the Class F Notes, receives the ratings specified herein. See "RATING".

Taxation

Payments with respect to the Notes are to be made by the Issuer net of any withholding taxes required to be deducted by law and any withholding taxes imposed with respect to the HRE Pfandbriefe.

The Noteholders will not be entitled to gross-up payments in the event that payments on the Notes and/or payments under the HRE Pfandbriefe become subject to withholding taxes and/or payments under the Loss Guarantee become subject to any taxes, and the Noteholders will not have the right to require an early redemption of the Notes in such event. See "THE NOTES - Taxes".

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: prospective investors should carefully consider all of the information provided in this Prospectus and consult with their own professional advisers.

THE NOTES

Liability and Limited Recourse under the Notes

The Notes represent obligations of the Issuer only, and do not represent an interest in or obligations of the Lead Manager, the Trustee, any of the Agents, the Servicer, the Bank or any of their 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 Lead Manager, the Trustee, any of the Agents, the Servicer, the Bank or any of their respective affiliates or by any other person or entity except as described herein. Neither the Lead Manager, nor the Trustee, nor any of the Agents, nor the Servicer, nor the Bank, nor any of their respective affiliates, nor any affiliate of the Issuer, nor any other third person or entity, assumes any liability to the Noteholders if the Issuer fails to make a payment due under the Notes.

The Issuer's ability to satisfy its payment obligations under the Notes in full is dependent upon its receiving in full the amounts payable to it under the HRE Pfandbriefe and the Loss Guarantee or the amount of the proceeds resulting from enforcement of the security granted by the Issuer to the Trustee over the Collateral pursuant to the Trust Agreement. If the Trustee enforces the claims under the Notes, such enforcement will be limited to those assets of the Issuer over which the Trustee was granted security. To the extent that such assets, or the proceeds of the realisation thereof, prove ultimately insufficient to satisfy the claims of all Noteholders in full, then any shortfall arising shall be extinguished and neither any Noteholder nor the Trustee shall have any further claims against the Issuer, *provided that* the foregoing shall be without prejudice to any termination or early redemption rights. Such assets and proceeds shall be deemed to be "ultimately insufficient" at such time when, in the reasonable opinion of the Trustee, no further assets are available and no further proceeds can be realised therefrom to satisfy any outstanding claims of the Noteholders, and neither assets nor proceeds will be so available thereafter.

In particular, the Trustee, the Bank, the Lead Manager, the Agents, the Process Agent, the Corporate Administrator or the Transaction Account Bank shall not petition or take any other step or action for the winding up, examinership, liquidation or dissolution of the Issuer nor for the appointment of a liquidator, examiner, receiver or other person in respect of the Issuer or its assets.

Credit Linked Notes

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 guarantee 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 under the Notes could even be reduced to EUR 1 per Note as a result of losses incurred in respect of the Reference Claims.

Compliance with the Terms of the Transaction Documents and Realised Losses

Compliance with the Terms and Conditions, in particular the Eligibility Criteria and Servicing Standards, the Trust Agreement and other Transaction Documents is no guarantee or assurance that Realised Losses will not be incurred in respect of the Reference Claims and allocated to the Notes pursuant to Loss Allocation.

No Interest in the Reference Claims

Neither the Noteholders nor the Issuer will have any 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 Notes in accordance with the Loss Allocation. See "THE NOTES - Loss Allocation".

Leverage

The initial aggregate of the Class Principal Amounts of the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes will be EUR 332,100,000. However, the Initial Aggregate Principal Balance of the Reference Pool will be EUR 2,279,876,790. Upon the occurrence of any Realised Loss, the then current balance on the Excess Spread Ledger will be reduced to zero and thereafter such Realised Loss will be allocated to reduce the Note Principal Amounts of the Class F Notes to EUR 1 per Note, then to reduce the Note Principal Amounts of the Class E Notes to EUR 1 per Note, then to reduce the Note Principal Amounts of the Class D Notes to EUR 1 per Note, then to reduce the Note Principal Amounts of the Class C Notes to EUR 1 per Note, then to reduce the Note Principal Amounts of the Class B Notes to EUR 1 per Note, and then to reduce the Note Principal Amounts of the Class A Notes to EUR 1 per Note. Realised Losses will be allocated to reduce the Note Principal Amounts of the Class A+ Notes and the notional amount of the Senior Swap only after the Note Principal Amounts of the Class A Notes have been reduced to EUR 1 per Note. Accordingly, the Class F Notes, then the Class E Notes, then the Class D Notes, then the Class C Notes, then the Class B Notes and then the Class A Notes provide a first loss protection with respect to the Reference Pool. Since the Aggregate Principal Balance of the Reference Pool is expected, before the Scheduled Maturity Date, to exceed the aggregate of the Class Principal Amounts of the Notes, the Notes, other than the Class A+ Notes, provide protection for the Reference Pool on a leveraged basis and, as a result of such leverage, the loss risk in respect of the Notes, other than the Class A+ Notes, is a multiple of the loss risk in respect of the Reference Pool. This leverage increases the risk of loss to Noteholders.

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

Pursuant to the Trust Agreement the Trustee will carry out its duties thereunder as a trustee for the benefit of the Noteholders and the Senior Swap Counterparty. In the case of a conflict of interest among the interests of the Senior Swap Counterparty and the Noteholders, priority will be given to the interests of the Senior Swap Counterparty and the holders of the Class A+ Notes, then among the other Noteholders, to the interests of the Noteholders of the Class of Notes which ranks most senior for the purposes of the Loss Allocation.

Similarly, pursuant to the Servicing Principles, the Bank in its capacity as Servicer will, in the case of a conflict of interest among the interests of the Senior Swap Counterparty and the Noteholders give priority to the interests of the Senior Swap Counterparty and the holders of the Class A+ Notes, then among the other Noteholders, to the interests of the Noteholders of the Class of Notes which ranks most senior for the purposes of the Loss Allocation.

See "THE TRUST AGREEMENT" and "REFERENCE POOL SERVICING".

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 Collateral, may be inoperative. See "THE TRUST AGREEMENT".

Further, if no successor trustee is appointed by the Trustee Resignation Effective Date, 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. However, even in such circumstances the foreclosure on the Collateral needs to be carried out by the resigning Trustee holding the Collateral. Accordingly, the due and timely redemption of the Notes by foreclosure on the Collateral in accordance with the Trust Agreement may be adversely affected in such circumstances. See "THE NOTES - Early Redemption for Default" and "THE TRUST AGREEMENT".

Early Redemption by the Noteholders

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 if a Default Event in respect of such Notes 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. A Default Event occurs, *inter alia*, if the Trustee gives notice to the Noteholders that it will resign as Trustee pursuant to the Trust Agreement for good cause as set out herein unless a notice has been given to the Noteholders 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 as described herein. In the event that any Noteholder exercises such right, the Issuer will redeem the Notes as described herein. See "THE NOTES - Early Redemption for Default" and "THE TRUST AGREEMENT".

If no Noteholder exercises its early redemption right in such circumstances and the Trustee resigns as set out herein and no successor trustee is appointed, the Noteholders may lose the benefit of the Collateral and the protection of their rights by the Trustee generally.

Early Redemption by the Issuer

The Issuer shall redeem the Notes as described herein before the Scheduled Maturity Date: (A) on the Payment Date as of which the Loss Guarantee is terminated by the Bank at its option (i) following the occurrence of a Regulatory Event, or (ii) following the reduction of the aggregate Outstanding Nominal Amount of the Reference Claims to 10% of the Initial Aggregate Principal Balance, or (iii) falling in or after November 2012, *provided that* the Bank may exercise its termination option under the Loss Guarantee with respect to any tranche corresponding to a Class of Notes only concurrently with the termination option in respect of each tranche corresponding to an outstanding Class of Notes ranking senior to such Class of Notes for the purpose of the Loss Allocation; or (B) within 10 Business Days following (i) the date of termination of the Loss Guarantee because of the occurrence of an Issuer Event of Default or (ii) the occurrence of a Bank Event of Default.

See "THE NOTES - Early Redemption by the Issuer".

Collateral and Trustee Claim

On the Issue Date, the Issuer will pledge (*verpfänden*) the HRE Pfandbriefe as well as all its present and future claims and rights under the Transaction Documents (other than the Corporate Administration Agreement, the First Pledge Agreement, the Irish Security Agreement and the Senior Swap) to secure the Trustee Claim (*Treuhänderanspruch*) under the Trust Agreement. The Trustee Claim entitles the Trustee to demand that all present and future obligations of the Issuer under the Notes be fulfilled. See "THE TRUST AGREEMENT" and "THE COLLATERAL".

There is no authority to the effect that the Trustee Claim (*Treuhänderanspruch*) of the Trustee against the Issuer established by the Trust Agreement may not be validly secured by a pledge of the relevant Collateral pursuant to the Trust Agreement. However, as there is no specific authority confirming the validity of such pledge either, the validity of such pledge is subject to some degree of legal uncertainty.

Notwithstanding the Collateral, the amount of principal of and, due to potential principal reductions, interest on the Notes may be reduced as a result of Realised Losses incurred with

respect to the Reference Claims and only the obligations of the Issuer to pay any amount of principal and interest determined to be due to the Noteholders in accordance with the Terms and Conditions, which may be reduced by such Realised Losses, will have the benefit of the Collateral.

Senior Pledge of the Bank

The pledge of the HRE Pfandbriefe and any other security interest in respect of the HRE Pfandbriefe granted to the Trustee for the benefit of the Noteholders in accordance with the Trust Agreement will be subject to and rank junior to a pledge and other security interest in respect of the HRE Pfandbriefe for the benefit of the Bank as security for the Issuer's obligations under the Loss Guarantee as described herein.

Realisation of Collateral

If a Foreclosure Event occurs, the Trustee is required to foreclose or cause foreclosure on the relevant Collateral as set out in the Trust Agreement. In respect of the HRE Pfandbriefe, if the required Foreclosure Amount cannot be achieved through sale of such HRE Pfandbriefe in accordance with the procedure set out in the Trust Agreement, the Trustee will deliver such HRE Pfandbriefe to the relevant Noteholders, in exchange for and upon surrender of the relevant Notes, in full satisfaction of all payment obligations of the Issuer under such Notes, as set out in the Trust Agreement. As a result, such Noteholders may receive securities with characteristics that are different from the characteristics of the Notes they held before and that will have a market value at the time of the exchange that is lower than the nominal value of their claims under the Notes at such time. See "THE TRUST AGREEMENT" and "THE NOTES - Collateral".

Irish Law

It is unclear how the Irish courts would interpret the pledges purported to be created pursuant to the Trust Agreement. It is likely that, subject to the Trust Agreement constituting valid pledges (*Pfandrecht*) as a matter of their governing laws, the Irish courts would view these pledges as creating a fixed charge or a floating charge.

It is the essence of a fixed charge that the person creating the charge does not have liberty to deal with the assets which are the subject matter of the security in the sense of disposing of such assets or expending or appropriating the monies or claims constituting such assets. In particular, the Irish courts have held that, in order to create a fixed charge over receivables, it is necessary to oblige the chargor to pay the proceeds of collection of the receivables into a designated bank account and to prohibit the chargor from withdrawing or otherwise dealing with the monies standing to the credit of such account without the consent of the chargee.

Floating charges have certain weaknesses, including the following:

- (i) they have weak priority against purchasers (who are not on notice of any negative pledge contained in the floating charge) and chargees of the assets concerned and against lien holders, execution creditors and creditors with rights of set-off;
- (ii) they rank after certain preferential creditors, such as claims of employees and certain taxes on winding-up;
- (iii) they rank after certain insolvency remuneration expenses and liabilities;
- (iv) the examiner of a company has certain rights to deal with the property covered by the floating charge; and
- (v) they rank after fixed charges.

Geographical Distribution of the Mortgaged Properties

Although the Mortgaged Properties securing the Reference Claims are distributed throughout Germany, such Mortgaged Properties may be concentrated in certain locations, such as densely populated and highly industrialised areas. See "DESCRIPTION OF THE REFERENCE POOL - Information Tables Regarding the Initial Reference Pool - Reference Claims by Federal State". Any deterioration in prices in the residential and/or small commercial real property market in the areas in which the Mortgaged Properties are located and any deterioration in the economic conditions in such areas which adversely affects the ability of the Borrowers to make payments on the Reference Claims may increase the likelihood of losses on the Reference Claims. A concentration of the Mortgaged Properties in such areas may therefore result in a greater risk of loss than if such concentration had not been present. Such losses, if they occur, may have an adverse effect on the yield to maturity of the Notes.

The Subordinated Nature of Certain Reference Mortgages

Approximately 6.7% of the aggregate Outstanding Nominal Amount of all Reference Claims as of the Cut-off Date were secured by Reference Mortgages that are subordinated mortgages. If the Mortgaged Property is foreclosed upon, subordinated mortgages are more likely to suffer losses than senior ranking mortgages. As of the Cut-off Date the aggregate principal amount of all mortgages held by third parties or the Bank to which the Mortgages securing a Reference Claim are subordinated does not exceed EUR 97,718,750. While a subordinated mortgagee has the right to initiate foreclosure proceedings, the minimum purchase price in a forced sale need only satisfy the sum of all costs arising in connection with the forced sale and the secured claims of the senior ranking mortgagee(s) and may only, in the first foreclosure proceedings, together with such senior ranking costs and mortgages, be not lower than (i) 50% of the market value as determined by the court or (ii) 70% of the market value so determined by the court, upon objection by a creditor whose claim is not covered by the purchase price but whose claim would be covered if the purchase price amounted to 70% of the market value of the real estate. Therefore, subordinated mortgagees may receive from the proceeds less than the amounts due under their respective secured claims and, if the purchase price does not exceed the secured claim of the senior ranking mortgagee(s) (including, if applicable, for the payment of interest) plus costs, will not receive any part of the proceeds in a forced sale. The principal amount of any mortgage will be increased at a rate per annum specified in respect of such mortgage (*dinglicher Zins*) which typically ranges between 10 and 20% per annum. The amount accrued on a mortgage at such rate will have the same priority (*Rang*) as such mortgage for the purposes of the allocation of the foreclosure proceeds in an amount equal to the sum of (a) current amounts (*laufende Beträge*) meaning the last amount due before the commencement of the foreclosure (*Beschlagnahme*) and all amounts due until the court order conferring title in the foreclosure (*Zuschlag*) or, in certain cases, the date on which the foreclosure proceeds are distributed (*Verteilungstermin*) and (b) amounts in arrears (*rückständige Beträge*) for the last two years prior to the last due date before the commencement of the foreclosure (*Beschlagnahme*). The principal amount as increased in accordance with the foregoing will typically secure any payment claim of the senior ranking mortgagee(s) against the relevant borrower (whether such claim arises under the loan for which such mortgage was primarily given or otherwise). Therefore, the subordination of such subordinated mortgagees could be substantially higher than the initial principal amount of the relevant senior ranking mortgage. If any mortgage securing a Reference Claim is subordinated to a senior ranking mortgage of a third party, the increase of that senior ranking mortgage as described in the foregoing may result in a corresponding reduction of the foreclosure proceeds allocable to such Reference Claim and, thus, a corresponding increase of any Realised Loss in respect of such Reference Claim. See "DESCRIPTION OF THE REFERENCE POOL - Reference Pool Provisions - Allocation of Payments and Foreclosure Proceeds". In addition, subordinated mortgages can be affected to a greater extent by a decline in the value of the real estate encumbered with such mortgage than first priority mortgages.

Reliance on the Creditworthiness of the Bank

The net proceeds from the issue of the Notes will be used to acquire public sector Pfandbriefe (öffentliche Pfandbriefe) issued by Hypo Real Estate Bank AG. The Bank will be obliged to pay the Guarantee Fees under the Loss Guarantee.

These are the Issuer's only sources of financing. Accordingly, the ability of the Issuer to meet its obligations under the Notes will depend on its receipt of payments under the HRE Pfandbriefe and the payment of the Guarantee Fee pursuant to the Loss Guarantee. In addition, termination of the Loss Guarantee, *inter alia*, as a result of the Bank's default under the Loss Guarantee, will result in early redemption of the Notes as described herein. See "THE NOTES - Early Redemption by the Issuer".

Limited Information

The Bank is under no obligation and will not provide to the Issuer, the Trustee or the Noteholders financial or other information with respect to the Reference Claims or the Borrowers except as specifically set out in the Notes and the Trust Agreement, subject to applicable law, regulations and contractual obligations of the Bank, in particular data protection laws and regulations, and subject to statutory, regulatory and contractual bank secrecy obligations of the Bank and the Servicer. Except as set out in the Notes and the Trust Agreement, the Issuer and the Bank will have no obligation and will not keep the Noteholders and/or the Trustee informed as to the performance of the Reference Claims, the compliance of the Reference Pool with the Reference Pool Provisions and as to matters arising in relation to the Borrowers or any other debtors or guarantors of the Reference Claims, including information on the Bank's other exposures to any Borrower or whether or not circumstances exist under which there is a possibility of the occurrence of a Credit Event and/or Realised Loss. Further, the Noteholders will have no right to inspect the internal records of the Bank or the Servicer.

No Independent Investigation

Neither the Lead Manager nor the Issuer nor the Trustee have conducted or will conduct any independent investigations of the Reference Pool. The Trustee will only conduct such reviews and verifications in respect of the Reference Pool as, and only to the extent, set out in the Trust Agreement.

Reliance on Administration and Collection Procedures

The Bank, in its capacity as Servicer will carry out the administration, collection and enforcement of the Reference Claims, including foreclosure on the related Reference Collateral, in accordance with the Credit and Collection Policies subject only to the Servicing Principles. See "REFERENCE POOL SERVICING".

Subject to certain conditions being met, the Bank may be substituted in its function as Servicer of a Reference Claim by another banking institution or servicing company specialised in the servicing and administration of loans or any other entity. See "REFERENCE POOL SERVICING - Change in Servicer".

Accordingly, the Noteholders are relying on the business judgement and practices of the Servicer in administering the Reference Claims and enforcing claims against Borrowers, including taking decisions with respect to enforcement and/or foreclosure on the related Reference Collateral.

Conflicts of Interest

The Bank is acting in a number of capacities in connection with the Transaction. The Bank acting 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 it or any of its subsidiaries or affiliates 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 Bank 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.

The Bank may hold and/or service other claims against the Borrowers other than the Reference Claims. The interests or obligations of the Bank in its respective capacities with respect to such other claims may in certain aspects conflict with the interests of the Noteholders.

The Bank may engage in commercial relationships, in particular, be lender and provide investment banking and other financial services to the Borrowers and other parties. In such relationships the Bank is not obliged to take into account the interests of the Noteholders. Accordingly, because of these relationships, potential conflicts of interest may arise out of the Transaction.

Limited Liquidity

There is currently no secondary market for the Notes. Application has been made to the Luxembourg Stock Exchange for admission of the Notes to trading 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

Payments with respect to the Notes are to be made by the Issuer net of any withholding taxes required to be deducted by law and any withholding taxes imposed with respect to the HRE Pfandbriefe.

The Noteholders will not be entitled to gross-up payments in the event that the payments on the Notes and/or payments under the HRE Pfandbriefe become subject to withholding taxes and/or payments under the Loss Guarantee become subject to any taxes, and the Noteholders will not have the right to require an early redemption of the Notes in such event. See "THE NOTES - Taxes".

The Issuer will redeem all of the Notes if the Bank in its sole discretion elects to have a Loss Guarantee Termination occur as a result of withholding or deduction for taxes with respect to payments on the Notes, the HRE Pfandbriefe, the Loss Guarantee, the Senior Swap or any other agreement relating to the Transaction. See "THE NOTES - Early Redemption by the Issuer".

See "TAXATION".

THE ISSUER

Preferred Creditors under Irish Law

Upon an insolvency of an Irish incorporated company such as the Issuer, when applying the proceeds of assets subject to fixed security which have been realised in the course of a liquidation or receivership, the claims of a limited category of preferential creditors will take priority over the claims of creditors holding the relevant fixed security. These preferred claims include the remuneration, costs and expenses properly incurred by any examiner of the company which have been approved by the Irish courts. See also "Examination" below.

The holder of a fixed security over the book debts of an Irish incorporated company which would include the Issuer may be required by the Irish Revenue Commissioners, by notice in writing, to pay to them sums equivalent to those which the holder thereafter receives in payment of debts due to it by the company. Where the holder of the security has given notice to the Irish Revenue Commissioners of the creation of the security within 21 days of its creation, the holder's liability is limited to the

amount of certain outstanding Irish tax liabilities of the company (including liabilities in respect of value added tax) arising after the issuance of a notice by the Irish Revenue Commissioners to the holder of the fixed security.

The Irish Revenue Commissioners may also attach any debt due to an Irish tax resident company by another person in order to discharge any liabilities of the company in respect of outstanding tax whether the liabilities are due on its own account or as an agent or trustee. The scope of this right of the Irish Revenue Commissioners has not yet been considered by the Irish courts and it may override the rights of holders of security (whether fixed or floating) over the debt in question.

In relation to the disposal of assets of an Irish tax resident company which are subject to security, a person entitled to the benefit of the security may be liable for tax in relation to any capital gains made by the company on a disposal of those assets on exercise of the security.

Notwithstanding the Collateral, the amount of principal of and, due to potential principal reductions, interest on the Notes may be reduced as a result of Realised Losses incurred with respect to the Reference Claims and only the obligations of the Issuer to pay any amount of principal and interest determined to be due to the Noteholders in accordance with the Terms and Conditions, which may be reduced by such Realised Losses, will have the benefit of the Collateral.

Examination

Examination is a court procedure available under the Companies (Amendment) Act 1990, as amended (the "1990 Act") to facilitate the survival of Irish companies in financial difficulties.

The examiner, once appointed, has the power to set aside contracts and arrangements entered into by the company after his appointment and, in certain circumstances, can avoid a negative pledge given by the company prior to his appointment. Furthermore, he may sell assets which are the subject of a fixed charge. However, if such power is exercised he must account to the holders of the fixed charge for the amount realised and discharge the amount due to them out of the proceeds of sale.

During the period of protection, the examiner will compile proposals for a compromise or scheme of arrangement to assist the survival of the company or the whole or any part of its undertaking as a going concern. A scheme of arrangement may be approved by the High Court when at least one class of creditors has voted in favour of the proposals and the High Court is satisfied that such proposals are fair and equitable in relation to any class of members or creditors who have not accepted the proposals and whose interests would be impaired by implementation of the scheme of arrangement.

In considering proposals by the examiner, it is likely that secured and unsecured creditors would form separate classes of creditors. In the case of the Issuer, if the Trustee represented the majority in number and value of claims within the secured creditor class (which would be likely given the restrictions agreed to by the Issuer in the Notes), the Trustee would be in a position to reject any proposal not in favour of the holders of Notes. The Trustee would also be entitled to argue at the High Court hearing at which the proposed scheme of arrangement is considered that the proposals are unfair and inequitable in relation to the holders of the Notes, especially if such proposals included a writing down to the value of amounts due by the Issuer to the holders of Notes.

The primary risks to the holders of Notes if an examiner were to be appointed with respect to the Issuer are as follows:

- the potential for a scheme of arrangement being approved involving the writing down of the debt due by the Issuer to the holders of Notes as secured by the Trust Agreement and the Irish Security Agreement (as defined below);
- the potential for the examiner to seek to set aside any negative pledge in the Notes, the Trust

Agreement or the Irish Security Agreement, prohibiting the creation of security or the incurring of borrowings by the Issuer to enable the examiner to borrow to fund the Issuer during the protection period; and

- in the event that a scheme of arrangement is not approved and the Issuer subsequently goes into liquidation, the examiner's remuneration and expenses (including certain borrowings incurred by the examiner on behalf of the Issuer and approved by the Irish High Court) will take priority over the amounts secured by the security granted pursuant to the Trust Agreement and the Irish Security Agreement. See "RISK FACTORS - Preferred Creditors under Irish Law".

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 THE REFERENCE CLAIMS AS SET OUT IN SECTION 8 (LOSS ALLOCATION) AND SECTION 9 (UNJUSTIFIED LOSS ALLOCATION).

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

NEITHER THE NOTEHOLDERS NOR THE ISSUER SHALL HAVE ANY 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 NOTES IN ACCORDANCE WITH THE LOSS ALLOCATION.

THE NOTES REPRESENT OBLIGATIONS OF THE ISSUER ONLY, AND DO NOT REPRESENT AN INTEREST IN OR OBLIGATIONS OF THE LEAD MANAGER, THE TRUSTEE, ANY OF THE AGENTS, THE SERVICER, THE BANK OR ANY OF THEIR 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 LEAD MANAGER, THE TRUSTEE, ANY OF THE AGENTS, THE SERVICER, THE BANK OR ANY OF THEIR RESPECTIVE AFFILIATES OR BY ANY OTHER PERSON OR ENTITY EXCEPT AS DESCRIBED HEREIN. NEITHER THE LEAD MANAGER, NOR THE TRUSTEE, NOR ANY OF THE AGENTS, NOR THE SERVICER, NOR THE BANK, NOR ANY OF THEIR RESPECTIVE AFFILIATES, NOR ANY AFFILIATE OF THE ISSUER, NOR ANY OTHER THIRD PERSON OR ENTITY, ASSUMES ANY LIABILITY TO THE NOTEHOLDERS IF THE ISSUER FAILS TO MAKE A PAYMENT DUE UNDER THE NOTES.

1. NOTES

1.1 Principal Amounts; Definitions

Estate Germany 2007-I Limited, incorporated under the laws of Ireland as a private limited company with its registered office at 5 Harbourmaster Place, IFSC, Dublin 1, Ireland (the "**Issuer**") 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 A+ Floating Rate Credit Linked Notes (the "**Class A+ Notes**") which are issued in an initial aggregate principal amount of EUR 500,000 and divided into 10 Class A+ Notes, each having an initial principal amount of EUR 50,000,
- (b) Class A Floating Rate Credit Linked Notes (the "**Class A Notes**") which are issued in an initial aggregate principal amount of EUR 68,500,000 and divided into 685 Class A Notes, each having an initial principal amount of EUR 100,000,

- (c) Class B Floating Rate Credit Linked Notes (the "**Class B Notes**") which are issued in an initial aggregate principal amount of EUR 95,700,000 and divided into 957 Class B Notes, each having an initial principal amount of EUR 100,000,
- (d) Class C Floating Rate Credit Linked Notes (the "**Class C Notes**") which are issued in an initial aggregate principal amount of EUR 60,700,000 and divided into 607 Class C Notes, each having an initial principal amount of EUR 100,000,
- (e) Class D Floating Rate Credit Linked Notes (the "**Class D Notes**") which are issued in an initial aggregate principal amount of EUR 45,600,000 and divided into 456 Class D Notes, each having an initial principal amount of EUR 100,000,
- (f) Class E Floating Rate Credit Linked Notes (the "**Class E Notes**") which are issued in an initial aggregate principal amount of EUR 39,900,000 and divided into 399 Class E Notes, each having an initial principal amount of EUR 100,000, and
- (g) Class F Floating Rate Credit Linked Notes (the "**Class F Notes**") which are issued in an initial aggregate principal amount of EUR 21,700,000 and divided into 217 Class F Notes, each having an initial principal amount of EUR 100,000.

Terms used but not defined in these Terms and Conditions have the same meaning as in Appendix A (The Trust Agreement), Appendix B (Reference Pool Provisions) 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 initially represented by a temporary global bearer note (each a "**Temporary Global Note**") without interest coupons. The Temporary Global Notes shall be exchangeable, as provided in Section 1.3 (Notes - Exchange of Temporary Global Notes), for permanent global bearer notes (each a "**Permanent Global Note**") without interest coupons representing each such Class. Each Permanent Global Note shall be kept in custody by Deutsche Bank AG, London Branch, Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom, or any successor as common depositary (in such capacity, 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 Class represented by it have been satisfied. Definitive Notes and interest coupons shall not be issued.

Each Permanent Global Note and each Temporary Global Note is also referred to herein as a "**Global Note**".

Copies of the form of the Global Notes representing each Class of Notes admitted to trading on the market of the Luxembourg Stock Exchange appearing on the list of regulated markets issued by the European Commission are available free of charge at the specified offices of the Principal Paying Agent and the Luxembourg Intermediary.

1.3 Exchange of Temporary Global Notes

The Temporary Global Notes shall be exchanged for the Permanent Global Notes on a date (the "**Exchange Date**") not earlier than 40 calendar days and not later than 180 calendar days after the date of issue of the Temporary Global Notes upon delivery by the relevant accountholders

(each a "**Euroclear Participant**" or a "**Clearstream, Luxembourg Participant**") of certificates in the form which forms part of the Temporary Global Notes and are available from the Principal Paying Agent for such purpose, to the effect that the beneficial owner or owners of the Notes represented by the relevant Temporary Global Note is not a U.S. person or are not U.S. persons other than certain financial institutions or certain persons holding through such financial institutions. Each Permanent Global Note delivered in exchange for the relevant Temporary Global Note shall be delivered only outside of the United States. "**United States**" means, for the purposes of this Section 1.3, the United States of America (including the States thereof and the District of Columbia) and its possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands).

Any exchange of a Temporary Global Note pursuant to this Section 1.3 shall be made free of charge to the Noteholders.

1.4 Execution

Each Global Note is manually signed by or on behalf of the Issuer and authenticated by the Principal Paying Agent.

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, allocation of Late Recoveries, Unjustified Loss Allocation and the Collateral pursuant to Section 3 (Collateral) and the redemption of the Notes in accordance with Section 10.1 (Redemption - Amortisation of the Notes) and Section 10.2 (Redemption - Scheduled Maturity), if applicable.

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 set out in Section 8 (Loss Allocation) and Section 9 (Unjustified Loss Allocation). There is no guarantee that the Noteholders shall receive the full principal amount of the Notes and interest thereon and ultimately the obligations of the Issuer to pay principal under the Notes could even be reduced to EUR 1 per Note as a result of losses incurred in respect of the 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 Lead Manager, the Trustee, any of the Agents, the Servicer, the Bank or any of their 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 Lead Manager, the Trustee, any of the Agents, the Servicer, the Bank or any of their respective affiliates or by any other person or entity except as described herein. Neither the Lead Manager, nor the Trustee, nor any of the Agents, nor the Servicer, nor the Bank, nor any of their respective affiliates, nor any affiliate of the Issuer, nor any other third person or entity, assumes any liability to the Noteholders if the Issuer fails to make a payment due under the Notes.

2.3 Limited Recourse

The Issuer's ability to satisfy its payment obligations under the Notes in full is dependent upon its receiving in full the amounts payable to it under the HRE Pfandbriefe and the Loss

Guarantee or the amount of the proceeds resulting from enforcement of the security granted by the Issuer to the Trustee over the Collateral pursuant to the Trust Agreement. If the Trustee enforces the claims under the Notes, such enforcement will be limited to those assets of the Issuer over which the Trustee was granted security. To the extent that such assets, or the proceeds of the realisation thereof, prove ultimately insufficient to satisfy the claims of all Noteholders in full, then any shortfall arising shall be extinguished and neither any Noteholder nor the Trustee shall have any further claims against the Issuer, *provided that* the foregoing shall be without prejudice to any termination or early redemption rights. Such assets and proceeds shall be deemed to be "ultimately insufficient" at such time when, in the reasonable opinion of the Trustee, no further assets are available and no further proceeds can be realised therefrom to satisfy any outstanding claims of the Noteholders, and neither assets nor proceeds will be so available thereafter.

2.4 No Interest in Reference Claims

Neither the Noteholders nor the Issuer shall have any 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 Notes in accordance with the Loss Allocation.

3. COLLATERAL

The Issuer shall:

- (i) pledge (*verpfänden*) to the Trustee the following securities:
 - (a) EUR 500,000 floating rate Public Sector Pfandbriefe (*Öffentliche Pfandbriefe*) of Hypo Real Estate Bank AG (the "**Series A+ Collateral**") to secure the Trustee Claim with respect to the payment obligations of the Issuer under the Class A+ Notes,
 - (b) EUR 68,500,000 floating rate Public Sector Pfandbriefe (*Öffentliche Pfandbriefe*) of Hypo Real Estate Bank AG (the "**Series A Collateral**") to secure the Trustee Claim with respect to the payment obligations of the Issuer under the Class A Notes,
 - (c) EUR 95,700,000 floating rate Public Sector Pfandbriefe (*Öffentliche Pfandbriefe*) of Hypo Real Estate Bank AG (the "**Series B Collateral**") to secure the Trustee Claim with respect to the payment obligations of the Issuer under the Class B Notes,
 - (d) EUR 60,700,000 floating rate Public Sector Pfandbriefe (*Öffentliche Pfandbriefe*) of Hypo Real Estate Bank AG (the "**Series C Collateral**") to secure the Trustee Claim with respect to the payment obligations of the Issuer under the Class C Notes,
 - (e) EUR 45,600,000 floating rate Public Sector Pfandbriefe (*Öffentliche Pfandbriefe*) of Hypo Real Estate Bank AG (the "**Series D Collateral**") to secure the Trustee Claim with respect to the payment obligations of the Issuer under the Class D Notes,
 - (f) EUR 39,900,000 floating rate Public Sector Pfandbriefe (*Öffentliche Pfandbriefe*) of Hypo Real Estate Bank AG (the "**Series E Collateral**") to secure the Trustee Claim with respect to the payment obligations of the Issuer under the Class E Notes; and

- (g) EUR 21,700,000 floating rate Public Sector Pfandbriefe (*Öffentliche Pfandbriefe*) of Hypo Real Estate Bank AG (the "**Series F Collateral**") to secure the Trustee Claim with respect to the payment obligations of the Issuer under the Class F Notes;
- (ii) pledge (*verpfänden*) all its present and future claims and rights under the Transaction Documents (other than the Corporate Administration Agreement, the First Pledge Agreement, the Irish Security Agreement and the Senior Swap) to the Trustee to secure the Trustee Claim under the Trust Agreement; the Trustee Claim entitles the Trustee to demand that all present and future obligations of the Issuer under the Notes be fulfilled, as set out in Appendix A to the Terms and Conditions; and
- (iii) charge and assign by way of security all its present and future claims, rights, title and interest in and to the corporate administration agreement (the "**Corporate Administration Agreement**") between the Issuer, the Trustee and Deutsche International Corporate Services (Ireland) Limited, 5 Harbourmaster Place, IFSC, Dublin 1, Ireland as corporate administrator of the Issuer (the "**Corporate Administrator**") dated September 24, 2007, as amended from time to time, (together with the collateral referred to under (i) above and the claims and rights pledged as set out under (ii) above, the "**Collateral**") to the Trustee as security for the Trustee Claim (*Treuhänderanspruch*) pursuant to an Irish security agreement between the Issuer and the Trustee dated October 8, 2007, as amended from time to time (the "**Irish Security Agreement**").

The pledges over the HRE Pfandbriefe will be subject and rank junior to first ranking pledges (*Pfandrecht*) for the benefit of the Bank as security for the obligations of the Issuer under the Loss Guarantee towards the Bank.

Notwithstanding the Collateral, the amount of principal of and, due to potential principal reductions, interest on the Notes may be reduced as a result of Realised Losses incurred with respect to the Reference Claims and only the obligations of the Issuer to pay any amount of principal and interest determined to be due to the Noteholders in accordance with the Terms and Conditions, which may be reduced by such Realised Losses, shall have the benefit of the Collateral.

4. TRUSTEE

4.1 Trust Agreement

For the benefit of the Noteholders and the Senior Swap Counterparty, the Issuer has entered into a trust agreement dated October 8, 2007, as amended from time to time (the "**Trust Agreement**") with Ernst & Young AG, Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Arnulfstrasse 126, 80636 Munich, Germany (the "**Trustee**") and the Bank. The text of the Trust Agreement (excluding the Schedules thereto) is attached as Appendix A to the Terms and Conditions and constitutes an integral part of the Terms and Conditions. The Notes, including the Terms and Conditions, the Trust Agreement, the Agency Agreement, the Cash Administration Agreement, the Corporate Administration Agreement, the Custody Agreement, First Pledge Agreement, the Irish Security Agreement, the Loss Guarantee, the Securities Purchase Agreement, the Senior Swap, the Subscription Agreement, and the Transaction Account Agreement are referred to as the "**Transaction Documents**". The Transaction Documents together with the conclusion and performance of the Transaction Documents as well as all other acts, undertakings and activities connected therewith are referred to as the "**Transaction**".

4.2 **Obligation to Maintain a Trustee**

As long as any Notes are outstanding the Issuer shall ensure that a trustee 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.

5. **REFERENCE POOL**

The payment of principal of and, due to potential principal reductions, interest on the Notes is conditional upon the performance of a reference pool of certain residential and small commercial mortgage loan claims (the "**Reference Pool**") as set out in Section 8 (Loss Allocation) and Section 9 (Unjustified Loss Allocation). The Reference Pool is constituted in accordance with and, pursuant to the Eligibility Criteria, must comply with certain requirements and conditions set out in Appendix B attached to the Terms and Conditions (the "**Reference Pool Provisions**"). The Reference Pool Provisions constitute an integral part of the Terms and Conditions.

6. **PAYMENTS**

6.1 **General**

Payments in respect of the Notes shall be made by wire transfer of same day funds to, or to the order of, the Principal Paying Agent for on-payment to Euroclear and Clearstream, Luxembourg, as relevant, for credit to the accounts held by the relevant Euroclear Participants and Clearstream, Luxembourg Participants upon due certification as provided in Section 1.3 (Notes - Exchange of Temporary Global Notes) for subsequent transfer to the Noteholders.

6.2 **Payments of Interest on Temporary Global Notes**

Payments of interest in respect of any Notes represented by a Temporary Global Note shall be made to Euroclear and Clearstream, Luxembourg, as relevant, for credit to the accounts held by the relevant Euroclear Participants and Clearstream, Luxembourg Participants upon due certification as provided in Section 1.3 (Notes - Exchange of Temporary Global Notes) for subsequent transfer to the Noteholders.

6.3 **Discharge**

All payments in respect of any Note made by or on behalf of 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.

The Issuer and the Principal Paying Agent may call and, except in the case of manifest error, shall be at liberty to accept and place full reliance on as sufficient evidence thereof a certificate or letter of confirmation issued on behalf of any clearing system or any form of record made by any of them to the effect that at any particular time or throughout any particular period any particular person is, was, or will be shown in the records as a Noteholder of a particular Note.

6.4 **Business Day**

If the date for any payment in respect of any Note is not a Business Day, such payment shall not be made until the next succeeding day which is a Business Day unless it would thereby fall into the next calendar month, in which case the payment shall be made on the immediately preceding Business Day. "**Business Day**" means a day which is a TARGET Settlement Day, a Munich Business Day, a Luxembourg Business Day and a London Business Day. "**TARGET**

Settlement Day" means a day on which TARGET (the Trans-European Automated Real-time Gross settlement Express Transfer system) is open. "**Munich Business Day**" means a day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) and foreign exchange markets settle payments in Munich, Germany. "**Luxembourg Business Day**" means a day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) and foreign exchange markets settle payments in Luxembourg, and on which TARGET is open. "**London Business Day**" means a day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) and foreign exchange markets settle payments in London, and on which TARGET is open.

7. PAYMENTS OF INTEREST

7.1 Accrual Basis

The Note Principal Amount shall bear interest from October 8, 2007 (the "**Issue Date**") until the close of the day (both days inclusive) preceding the day on which such amount has been redeemed in full or reduced to EUR 1 by allocation of Realised Losses pursuant to the Loss Allocation. "**Note Principal Amount**" of any Note means with respect to any date an amount (rounded, if necessary, to the nearest EUR 0.01, with EUR 0.005 being rounded upwards) equal to the initial principal amount of such Note as, on or before such date, (i) reduced by any Realised Losses allocated to such Note, (ii) increased by any Late Recoveries and/or as a result of any Unjustified Loss Allocation procedure, and (iii) reduced by any amounts paid on such Note in respect of principal. "**Class Principal Amount**" means, with respect to each Class, the aggregate of the Note Principal Amounts of such Class.

7.2 Payment Dates

Without prejudice to Section 13 (Taxes), third paragraph, and Section 11.2 (Early Redemption for Default - Method and Amount), payments of interest on the Notes to the Noteholders shall become due and payable quarterly in arrear, on the 26th calendar day of February, May, August and November of each year, subject to Section 6.4 (Payments - Business Day) (each a "**Payment Date**"). The first Payment Date shall be in November 2007.

7.3 Interest Amount

The amount of interest payable in respect of each Note on any Payment Date (the "**Interest Amount**") shall be calculated by applying the Interest Rate for the relevant Interest Accrual Period to its Note Principal Amount outstanding as of the immediately preceding Payment Date or the Issue Date (in the case of the first Payment Date), multiplying the result by the actual number of days in the relevant Interest Accrual Period divided by 360, and rounding the result to the nearest EUR 0.01 (with EUR 0.005 being rounded upwards).

7.4 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.

7.5 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 A+ Notes, EURIBOR plus 0.30% per annum,
in the case of the Class A Notes, EURIBOR plus 0.30% per annum,
in the case of the Class B Notes, EURIBOR plus 0.42% per annum,
in the case of the Class C Notes, EURIBOR plus 0.63% per annum,
in the case of the Class D Notes, EURIBOR plus 1.10% per annum,
in the case of the Class E Notes, EURIBOR plus 3.90% per annum, and
in the case of the Class F Notes, EURIBOR plus 9.00% per annum.

"EURIBOR" for each Interest Accrual Period means the rate for deposits in euro for a period of three months (with respect to the first Interest Accrual Period interpolated between one month and two months) which appears on Reuters Page EURIBOR01 (or such other page as may replace such page on that service for the purpose of displaying Brussels interbank offered rate quotations of major banks) as of 11:00 a.m. (Brussels time) on the second TARGET Settlement Day immediately preceding the commencement of such Interest Accrual Period (each a **"EURIBOR Determination Date"**), all as determined by the Principal Paying Agent.

If Reuters Page EURIBOR01 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 Euro-zone 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-month deposits in euro at approximately 11:00 a.m. (Brussels time) on the relevant EURIBOR Determination Date to prime banks in the Euro-zone 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, EURIBOR 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 EURIBOR Determination Date fewer than two of the selected Reference Banks provide the Principal Paying Agent with such offered quotations, EURIBOR 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 Euro-zone, selected by the Principal Paying Agent, at approximately 11:00 a.m. (Brussels time) on such EURIBOR Determination Date for loans in euro 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 Euro-zone inter-bank market. **"Euro-zone"** means the region comprising member states of the European Union that have adopted the single currency, the euro, in accordance with the EC Treaty. **"EC Treaty"** means the Treaty establishing the European Community (signed in Rome on March 25, 1957), as amended from time to time, including by the Treaty on European Union (signed in Maastricht on February 7, 1992) and by the Treaty of Amsterdam (signed in Amsterdam on October 2, 1997).

In the event that the Principal Paying Agent is on any EURIBOR Determination Date required but unable to determine EURIBOR for the relevant Interest Accrual Period in accordance with the above, EURIBOR for such Interest Accrual Period shall be the EURIBOR as determined on the previous EURIBOR Determination Date.

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

7.6 DETERMINATIONS; NOTIFICATIONS

On each EURIBOR Determination Date, the Interest Rate and not later than on the first day of such Interest Accrual Period, the Interest Amount and the aggregate of the Interest Amounts for all Notes of each Class for such Interest Accrual Period shall be determined by the Principal Paying Agent and notified, together with the immediately following Payment Date, by the Principal Paying Agent to the Bank, the Issuer and, in respect of each Class of Notes then listed on the official list of the Luxembourg Stock Exchange, the Luxembourg Intermediary and the Luxembourg Stock Exchange.

8. LOSS ALLOCATION

8.1 Order and Conditions

On each Payment Date the aggregate amount of any Realised Losses shall be allocated as follows (the "**Loss Allocation**"):

first, to reduce the balance on the Excess Spread Ledger (as defined in Section 8.5 (Excess Spread Ledger)),

second, after the balance on the Excess Spread Ledger has been reduced to zero, to reduce equally the Note Principal Amounts of the Class F Notes,

third, after the Note Principal Amount of each Class F Note has been reduced to EUR 1 per Note, to reduce equally the Note Principal Amounts of the Class E Notes,

fourth, after the Note Principal Amount of each Class E Note has been reduced to EUR 1 per Note, to reduce equally the Note Principal Amounts of the Class D Notes,

fifth, after the Note Principal Amount of each Class D Note has been reduced to EUR 1 per Note, to reduce equally the Note Principal Amounts of the Class C Notes,

sixth, after the Note Principal Amount of each Class C Note has been reduced to EUR 1 per Note, to reduce equally the Note Principal Amounts of the Class B Notes,

seventh, after the Note Principal Amount of each Class B Note has been reduced to EUR 1 per Note, to reduce equally the Note Principal Amounts of the Class A Notes,

eighth, after the Note Principal Amount of each Class A Note has been reduced to EUR 1 per Note, to reduce equally the Note Principal Amounts of the Class A+ Notes to EUR 1 per Note, *provided that* only the product of the Realised Losses and the A+ Reduction Factor shall be allocated to reduce the Note Principal Amounts of the Class A+ Notes on such Payment Date, whereby "**A+ Reduction Factor**" means 500,000 divided by 1,947,776,790;

provided that (i) the Bank has duly notified the Trustee pursuant to Section 8.4 (Loss Allocation - Liquidated Reference Claim Notice) and (ii) such Loss Allocation shall be made in accordance with the terms of the Trustee's confirmation pursuant to Clause 9.4 of the Trust Agreement. Realised Losses may not be allocated pursuant to the Loss Allocation if and for as long as the Issuer or, failing the Issuer pursuant to Clause 25.4 of the Trust Agreement, the Bank is in breach of its obligation to maintain a trustee pursuant to Section 4 (Trustee) of the Terms and Conditions or any condition for the Loss Allocation which is to be fulfilled by the Bank is not complied with or the Bank or the Issuer is in breach of its obligations under the Trust Agreement and such breach of or non-compliance with 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 such breach has not resulted in or increased any such Realised Loss, and *provided further that*, if it can be established to the satisfaction of the Trustee that any such breach of the Trust Agreement adversely affects one or more Reference Claims only (including a breach of reporting requirements in respect of some of the Reference Claims), the Loss Allocation in respect of all other Reference Claims shall not be affected by such breach.

Reference Claims in respect of which any of the Eligibility Criteria, Servicing Standards or, if relevant, requirements for transfer of such Reference Claim pursuant to Provision 8 (Transfers) of the Reference Pool Provisions is not complied with shall not qualify for allocation of Realised Losses pursuant to the Loss Allocation, subject to certain limited exceptions, as set out in Provision 9 (Non-compliance) of the Reference Pool Provisions.

Realised Losses shall be allocated to each Note in accordance with the Loss Allocation irrespective of whether such Note (a "**Deemed Note**") is invalid, unenforceable or has been redeemed in full or in part for any reason other than in accordance with the Loss Allocation. As a consequence, any such Deemed Note shall be deemed to remain outstanding for the purpose of the Loss Allocation in respect of any other Note ranking equal or higher to any such Deemed Note.

"**Realised Loss**" means, with respect to a Liquidated Reference Claim, the Outstanding Nominal Amount of such Liquidated Reference Claim, the Accrued Interest on such Liquidated Reference Claim and the related Enforcement Costs, each as of the end of the Collection Period during which it became a Liquidated Reference Claim, for the avoidance of doubt, in each case, not otherwise recovered from collections (including Foreclosure Proceeds) as allocated pursuant to Provision 5 (Allocation of Payments and Foreclosure Proceeds) of the Reference Pool Provisions. For the avoidance of doubt, Realised Losses shall include or (where there are no other losses with respect to such Liquidated Reference Claim) consist entirely of any amount of principal foregone after the Cut-off Date as part of payment rescheduling or debt restructuring of such Reference Claim in accordance with the Servicing Standards (but without prejudice to Provision 9 (Non-compliance) of the Reference Pool Provisions).

"**Outstanding Nominal Amount**" means at any time with respect to a Reference Claim, the initial principal amount of such Reference Claim as of the Cut-off Date, as reduced by the Collections in respect of such Reference Claim *provided that* any amount of principal foregone as part of payment rescheduling or debt restructuring of such Reference Claim in accordance with the Servicing Standards (but without prejudice to Provision 9 (Non-compliance) of the Reference Pool Provisions) shall be deemed not to reduce the Outstanding Nominal Amount of such Reference Claim and if after any 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.

"**Accrued Interest**" means, with respect to a Reference Claim, unpaid interest at the Contractual Rate of Interest and any applicable contractual or statutory default interest accrued until (and including) the date on which Realised Losses have been allocated pursuant to the Loss Allocation with respect to such Reference Claim, 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 agreement.

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

"Collections" means, with respect to a Reference Claim, all payments (including prepayments, Foreclosure Proceeds and Late Recoveries) allocable to the principal amount of such Reference Claim pursuant to Provision 5 (Allocation of Payments and Foreclosure Proceeds) of the Reference Pool Provisions, and any other reductions of the principal amount, including by way of set-off, of such Reference Claim, *provided that* each direct debit (the **"Direct Debit"**) (*Lastschriftinzugsverfahren*) shall constitute a Collection at the time it is made, and if such Direct Debit is claimed back (*Lastschriftrückbelastung*) thereafter, (i) it shall cease to constitute a Collection and the Outstanding Nominal Amount of the relevant Reference Claim shall be reincreased by the amount claimed back (the **"Direct Debit Increase"** and the amount so claimed back, the **"Direct Debit Increase Amount"**) or (ii) if the Direct Debit Increase occurs in a Collection Period other than the Collection Period in which the Direct Debit occurred, such Direct Debit Increase Amount shall be deducted from the aggregate Collections obtained since the beginning of the Collection Period in which the relevant Direct Debit Increase occurred.

"Collection Period" means with respect to the first Payment Date, the period from the Cut-off Date until the last calendar day of the calendar month immediately preceding the month in which the first Payment Date occurs (both days inclusive) and with respect to any subsequent Payment Date, the period from the calendar day immediately following the last day of the previous Collection Period until the last calendar day of the calendar month immediately preceding the month in which the relevant Payment Date occurs (both days inclusive) and **"Related Collection Period"** means, in connection with a Payment Date or a Determination Date, the Collection Period immediately preceding such Payment Date or Determination Date.

"Determination Date" means the 8th Munich and Luxembourg Business Day of the calendar month immediately preceding the month in which the Payment Date occurs and **"Relevant Determination Date"** means the Determination Date immediately following a given Collection Period.

"Liquidated Reference Claim" means a Reference Claim:

- (i) in respect of which a Credit Event had occurred and was not remedied before a Credit Event Notice has been given pursuant to (ii) below,
- (ii) in respect of which a Credit Event Notice has been given regarding such Credit Event, and
- (iii) in respect of which the Bank has notified the Trustee as set out in Section 8.4 (Loss Allocation - Liquidated Reference Claim Notice).

"Defaulted Reference Claim" means a Reference Claim, other than a Liquidated Reference Claim:

- (i) in respect of which a Credit Event had occurred and was not remedied before a Credit Event Notice has been given pursuant to (ii) below, and
- (ii) in respect of which a Credit Event Notice has been given regarding such Credit Event.

"Credit Event" means with respect to a Reference Claim the occurrence, after the Issue Date, of (i) Bankruptcy or (ii) Failure to Pay. Without prejudice to the Eligibility Criteria and any other conditions for the Loss Allocation, the occurrence of Bankruptcy or Failure to Pay 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.

"Bankruptcy" means the Borrower: (a) 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; (b) makes a general assignment, arrangement or composition with or for the benefit of its creditors; (c) 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; (d) 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; (e) 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; (f) 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 (e) (inclusive); or (g) 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 in an aggregate amount of not less than EUR 10,000, or, if lower, not less than 50% of the outstanding principal amount of such Reference Claim, has not been made when due within 90 calendar days from the relevant due date (after giving effect to any grace period applicable on the Issue Date but irrespective of any extension thereof after the Issue Date), *provided that* a payment of any amount shall be deemed to have been made if the related payment obligation of the Borrower pursuant to the underlying Reference Loan has been fully satisfied in such amount.

"Credit Event Notice" means an irrevocable notice by the Bank to the Trustee, in a form agreed between the Bank and the Trustee, that a Credit Event has occurred and was not remedied. A Credit Event Notice must be given by the Bank as soon as practicable, but not later than 120 calendar days, after the Bank has become aware of the occurrence of the Credit Event, and must contain a description in reasonable detail of the facts relevant to the determination that a Credit Event has occurred and specify the date when the Credit Event occurred and the Reference Claim in respect of which the Credit Event occurred. A Credit Event Notice may be delivered between 9:00 a.m. and 4:00 p.m. (Munich time) on any Munich Business Day by mail, facsimile or e-mail in accordance with the Trust Agreement. If a Credit Event Notice is delivered to the Trustee after 4:00 p.m. (Munich time) on a Munich Business Day or on a day which is not a Munich Business Day, such Credit Event Notice shall be deemed delivered on the immediately following Munich 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 Foreclosure Proceeds) of the Reference Pool Provisions in respect of which a Realised Loss had been allocated to the Notes (each, a **"Late Recovery"**) shall be allocated as of the following Payment

Date (after the Loss Allocation on such date in accordance with Section 8.1 (Loss Allocation - Order and Conditions)) to reverse previous Loss Allocations 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). Accordingly, the amount of such Late Recoveries shall be allocated, in such reverse order, to increase equally each Note Principal Amount of the relevant Class or Classes of Notes and the balance on the Excess Spread Ledger, *provided that*, in the case of the Class A+ Notes, only the product of the A+ Reduction Factor and the amount of the Late Recoveries allocable to the Class A+ Notes shall be so allocated.

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 allocable to the principal amount of the relevant Liquidated Reference Claim shall constitute Collections on such Reference Claim;
- (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 and debited to the Excess Spread Ledger (in the case of Loss Allocation to the Class A+ Notes, such Realised Loss shall be taken into account without multiplication by the A+ Reduction Factor) pursuant to the Loss Allocation and the exceeding amount shall be deemed not to be a Late Recovery.

8.3 Determinations

Any Realised Losses in respect of a Collection Period and their allocation on the related Payment Date shall be determined in accordance with these Terms and Conditions by the Bank.

The Trustee is obliged under the Trust Agreement duly to protect the interests of the Transaction Creditors subject to and in accordance with Clause 2.1 of the Trust Agreement.

8.4 Liquidated Reference Claim Notice

It is a condition for the Loss Allocation under the Trust Agreement that the Bank gives notice to the Trustee in writing including (i) a statement to the effect that all amounts reasonably expected to be recovered in respect of any Defaulted Reference Claim and allocable to its principal amount, the Accrued Interest and the Enforcement Costs in respect thereof, have been received by the Bank, (ii) the time when the last such amount was received and (iii) the amount of the Realised Losses with respect to such Defaulted Reference Claim.

8.5 Excess Spread Ledger

- (i) The Bank will maintain for the purpose of the Loss Allocation a ledger (the "**Excess Spread Ledger**") as set out in this Section 8.5.

As of any Payment Date, the Excess Spread Amount calculated in respect of the Related Collection Period will be credited to the Excess Spread Ledger. Any amounts standing to the credit of the Excess Spread Ledger following the application of (ii), (iii) and (iv) below shall be extinguished on such Payment Date.

"Excess Spread Amount" means (i) with respect to the first to the fourth Collection Period following the Cut-off Date, zero and (ii) with respect to any Collection Period thereafter, an amount in euro equal to the product of (a) 0.40% per annum, (b) the Aggregate Principal Balance as of the end of such Collection Period reduced by the aggregate Outstanding Nominal Amounts of all Reference Claims in relation to which a Credit Event has occurred as of the end of such Collection Period, and (c) the actual number of days in such Collection Period divided by 360.

- (ii) On each Payment Date on which any amount of Realised Losses is to be allocated to the Excess Spread Ledger pursuant to Section 8.1 (Loss Allocation - Order and Conditions), such amount of Realised Losses will be debited to the Excess Spread Ledger.
- (iii) If as of any Payment Date (after the Loss Allocation and allocations of Late Recoveries and/or reversals of the Realised Loss as a result of the Unjustified Loss Allocation procedure on such Payment Date, if any), any amount stands to the credit of the Excess Spread Ledger, such amount shall be allocated to reverse previous reductions of the Note Principal Amounts of any Class of Notes pursuant to the Loss Allocation 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). Accordingly, such amount standing to the credit of the Excess Spread Ledger shall be allocated, in such reverse order, to increase equally each Note Principal Amount of the relevant Class or Classes, *provided that*, in the case of the Class A+ Notes, only the product of the A+ Reduction Factor and the portion of the amount standing to the credit of the Excess Spread Ledger allocable to the Class A+ Notes shall be so allocated.
- (iv) If as of any Payment Date, after the application of the amount standing to the credit of the Excess Spread Ledger pursuant to (iii) above, any remaining amount stands to the credit of the Excess Spread Ledger, such amount shall be applied to pay interest on any Notes which have been reduced due to Loss Allocation prior to such Payment Date 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) *provided that*, in the case of the Class A+ Notes, only the product of the A+ Reduction Factor and the portion of the amount standing to the credit of the Excess Spread Ledger applicable to the Class A+ Notes shall be so applied. Such payment of interest in respect of any Class of Notes on any Payment Date shall be made in an amount equal to the lesser of (A) any amount standing to the credit of the Excess Spread Ledger on such date after the application of the amounts pursuant to (iii) above on such Payment Date and (B) the amount standing to the credit of the Interest Ledger for such Class of Notes on such Payment Date.

Noteholders shall have no rights with respect to any amounts standing to the credit of the Excess Spread Ledger after the final redemption of their Notes.

"Interest Ledger" means a ledger, maintained by the Bank, which shall on any Payment Date,

(A) be credited in an amount equal to the excess of (i) the amount of interest which would have been payable on such Payment Date on any Class of Notes to which a Realised Loss has or had been allocated if such Realised Loss had not been allocated, over (ii) the actual Interest Amount paid on such Class of Notes on such Payment Date, and

(B) be debited in an amount equal to the sum of (i) any amount applied pursuant to Section 8.5(iv) above on the Payment Date preceding such Payment Date and (ii) the Unjustified Loss Allocation Interest Amount paid pursuant to Section 9.1(ii) (Unjustified Loss Allocation - Reversal of Realised Loss) on such Payment Date,

provided that the Bank shall categorise all such amounts credited or debited to the Interest

Ledger by the particular Class of Notes in relation to which such amounts have been credited or debited.

"Aggregate Principal Balance" means the aggregate Outstanding Nominal Amount 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, for the avoidance of doubt, excluding the Outstanding Nominal Amounts of any Reference Claims removed from the Reference Pool pursuant to Provision 8 (Transfers) or Provision 9 (Non-compliance) of the Reference Pool Provisions.

9. UNJUSTIFIED LOSS ALLOCATION

9.1 Reversal of Realised Loss

On the Payment Date following the determination of an Unjustified Loss Allocation:

(i) the amount of such Unjustified Loss Allocation shall be allocated pursuant to Section 8.2 (Loss Allocation - Late Recoveries) in the same way as Late Recoveries; and

(ii) the Issuer shall pay an amount equal to the excess of:

(A) the sum of (1) the Unjustified Loss Allocation Interest Amount with respect to such Unjustified Loss Allocation and (2) default interest at a rate of 2% per annum on the amount by which the Note Principal Amounts of each relevant Class of Notes are increased in accordance with Section 9.1(i) above as a result of such Unjustified Loss Allocation,

over

(B) the sum of any amounts already paid to the Noteholders of such Class of Notes in accordance with Section 8.5(iv) (Loss Allocation - Excess Spread Ledger) up to such Payment Date.

"Unjustified Loss Allocation Interest Amount" means the aggregate of the amounts determined in respect of each Payment Date since the Payment Date on which the Unjustified Loss Allocation was made as the excess of (x) the amount of interest which would have been payable on any Class of Notes on such Payment Date if such Unjustified Loss Allocation had not occurred over (y) the Interest Amount actually paid on such Class of Notes on such Payment Date.

Noteholders shall have no rights with respect to an Unjustified Loss Allocation after the final redemption of their Notes.

"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 Foreclosure 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

Upon determination by the Trustee of an Unjustified Loss Allocation with respect to a given Collection Period, if any, the Bank will calculate the re-instatement of the Note Principal Amount of any Note in accordance with the Trust Agreement not later than on the Relevant Determination Date.

10. REDEMPTION

10.1 Amortisation of the Notes

- (a) On each Payment Date, the Notes shall be redeemed in an amount equal to the Excess Amount as follows:
- (i) the Class A+ Notes shall be redeemed in an amount equal to the product of the Excess Amount and the A+ Reduction Factor;
 - (ii) after the Class A+ Notes have been redeemed in full, the Class A, the Class B, the Class C, the Class D, the Class E and then the Class F Notes, in this order sequentially, shall be redeemed in an amount in aggregate equal to the Excess Amount,

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 the amounts standing to the credit of the Excess Spread Ledger, Late Recoveries and/or Unjustified Loss Allocation, if any, in each case, on the relevant Payment Date pursuant to Section 8.1 (Loss Allocation - Order and Conditions), Section 8.2 (Loss Allocation - Late Recoveries), Section 8.5 (Loss Allocation - Excess Spread Ledger) and Section 9 (Unjustified Loss Allocation).

"**Excess Amount**" means, in respect of each Payment Date, the excess, if any, of (A) the aggregate of the Class Principal Amounts of all Classes of Notes (multiplied in the case of the Class A+ Notes by the A+ Increase Factor) as of the day immediately preceding such Payment Date, as reduced by allocation of Realised Losses pursuant to Section 8 (Loss Allocation), if any, and increased as a result of allocation of the amounts standing to the credit of the Excess Spread Ledger pursuant to Section 8.5 (Loss Allocation - Excess Spread Ledger), by any Late Recoveries pursuant to Section 8.2 (Loss Allocation - Late Recoveries) and/or as a result of Unjustified Loss Allocation pursuant to Section 9 (Unjustified Loss Allocation) on such Payment Date, over (B) the aggregate Outstanding Nominal Amounts of all Reference Claims other than Liquidated Reference Claims in respect of which Realised Losses have been allocated prior or will be allocated on such Payment Date pursuant to Loss Allocation (and, for the avoidance of doubt, excluding any Reference Claims removed from the Reference Pool prior to or on such Payment Date pursuant to Provision 8 (Transfers) and/or Provision 9 (Non-compliance) of the Reference Pool Provisions) as of the end of the Collection Period immediately preceding such Payment Date, *provided that* if the Excess Amount, multiplied in the case of (i) above by the A+ Reduction Factor, exceeds the Class Principal Amount of the relevant Class of Notes (such excess amount, the "**Class Excess**"), (x) such Class shall be redeemed only in the amount of such Class Principal Amount and (y) the Class Excess, multiplied, if such Class Excess results from the application of (i) above, by the A+ Increase Factor, 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) and (ii) above.

- (b) Each Note of a particular Class shall be redeemed on each 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.

10.2 Scheduled Maturity

The Notes shall be redeemed on the Payment Date falling in May 2063 (the "**Scheduled Maturity Date**") at their Note Principal Amount as of the Scheduled Maturity Date unless redeemed earlier in accordance with Section 10.1 (Redemption - Amortisation of the Notes), Section 11 (Early Redemption for Default) or Section 12 (Early Redemption by the Issuer) *provided that* if any Reference Claim (other than a Liquidated Reference Claim or a Non-qualifying Reference Claim) which is overdue or in respect of which Bankruptcy has occurred (each, an "**Overdue Reference Claim**", which term shall include, for the avoidance of doubt, any Defaulted Reference Claim) which is outstanding as of the end of the Collection Period immediately preceding the Scheduled Maturity Date, then the redemption of the Notes shall be subject to the following:

- (a) the redemption of those Notes, to which the aggregate of the Outstanding Nominal Amounts of such Overdue Reference Claim as of the end of the Collection Period immediately preceding the Scheduled Maturity Date would be allocated pursuant to the Loss Allocation if such amounts were Realised Losses, shall be deferred so that the aggregate of the Note Principal Amounts of such Notes (multiplied in the case of Class A+ Notes by the A+ Increase Factor) immediately after the Scheduled Maturity Date is in an amount equal to the aggregate of the Outstanding Nominal Amounts of such Overdue Reference Claims as of the end of the Collection Period immediately preceding the Scheduled Maturity 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 Scheduled Maturity Date, such Classes of Notes shall be redeemed sequentially, starting with the most senior Class of Notes for the purposes of the Loss Allocation and *provided that* the next Class or Classes shall be redeemed only after the Class more senior for the purposes of the Loss Allocation have been fully redeemed, as set out in Section 10.1 (Redemption - Amortisation of the Notes), except that references to "Reference Claims" in the definition of Excess Amount therein shall be deemed to be references to such Overdue Reference Claims.

"**A+ Increase Factor**" means 1 divided by the A+ Reduction Factor.

10.3 Legal Maturity

In the event that any Defaulted Reference Claim for which no Realised Loss has been determined remains outstanding as of the end of the Collection Period immediately preceding the Payment Date falling in May 2064 (the "**Legal Maturity Date**"), the Issuer shall:

- (i) cause the determination of the Appraised Loss in respect of each such Defaulted Reference Claim;
- (ii) cause the Bank to make the determination pursuant to Section 8.3 (Loss Allocation - Determinations) for the purposes of the Loss Allocation on the Legal Maturity Date, and
- (iii) allocate each Appraised Loss as if it constituted Realised Loss and each Realised Loss pursuant to the Loss Allocation and redeem the remaining outstanding Notes at their Note Principal Amounts in each case on the Legal Maturity Date.

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

"**Appraised Value**" means, with respect to a Reference Claim, the aggregate amount of the expected future recoveries allocable to such Reference Claim (including, for the avoidance of doubt, to the Accrued Interest and the Enforcement Costs) in accordance with the Reference Pool Provisions and the Servicing Standards, determined by one Value Expert appointed for this purpose by the Trustee in accordance with the Trust Agreement, provided that where the Appraised Loss as calculated on the basis of such determination exceeds EUR 300,000, a further determination shall be made by another Value Expert appointed for this purpose by the Trustee in accordance with the Trust Agreement and the Appraised Value shall mean, with respect to such Reference Claim, the arithmetic mean, as determined jointly by both Value Experts in accordance with the Trust Agreement, of the amounts determined by each Value Expert.

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 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 any of the following:

- (i) the Issuer fails to make any payment due to be made under the Notes within 30 Business Days from the relevant due date,
- (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 "**Trustee 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 a notice to the Noteholders pursuant to Section 15 (Form of Notices) has been given on or before the 28th Business Day following the delivery of the Trustee 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 (Early Redemption for Default - Default Events) the Issuer shall (i) redeem all of the Notes (but not some only) within 10 Business Days following the Termination Date in the amount equal to the Note Principal Amounts as of the Termination Date as reduced by Realised Losses to be determined and allocated pursuant to the Loss Allocation as of the Termination Date and as increased as a result of allocation of the amounts standing to the credit of the Excess Spread Ledger, by Late Recoveries and/or as a result of the Unjustified Loss Allocation procedure as if such date were a Payment Date (with the Related Collection Period ending on the Termination Date) and (ii) pay accrued interest on each Note, (x) for the period commencing on (and including) the

Payment Date immediately preceding the Termination Date and ending on (but excluding) the Termination Date in respect of the Note Principal Amount outstanding as of such Payment Date and (y) for the period commencing on (and including) the Termination Date and ending on (but excluding) the date on which all, or in the case of (a) below some, of the Notes are redeemed pursuant to (i) above (such date, the "**Termination Redemption Date**"), in respect of the Note Principal Amount outstanding as of the Termination Date (as reduced by Realised Losses allocated pursuant to (i) above and increased as a result of allocation of the amounts standing to the credit of the Excess Spread Ledger, by Late Recoveries and/or as a result of the Unjustified Loss Allocation procedure); *provided that*, if, as of the Termination Date, any Defaulted Reference Claim is outstanding, then the obligation of the Issuer to redeem the Notes shall, if the Issuer so elects, be subject to the following:

- (a) the redemption of those Notes, to which the Outstanding Nominal Amounts of such Defaulted Reference Claims as of the Termination Date would be allocated pursuant to the Loss Allocation if such amounts were Realised Losses, shall be deferred so that the aggregate of the Note Principal Amounts of such Notes (multiplied in the case of the Class A+ Notes by the A+ Increase Factor) immediately after the Termination Date is in an amount equal to the aggregate of the Outstanding Nominal Amounts of such Defaulted Reference Claims as of the Termination Date; and
- (b) the Issuer shall procure that Appraised Losses in respect of all Defaulted Reference Claims as of the Termination Date are determined within 30 calendar days of the Termination Date. Each such Appraised Loss shall constitute a Realised Loss to be allocated pursuant to the Loss Allocation. Not later than on the fifth Business Day following the expiry of such 30 calendar day period: (A) each such Realised Loss shall be allocated pursuant to the Loss Allocation, and (B) the Issuer shall redeem the remaining outstanding Notes at the then outstanding Note Principal Amounts following such Loss Allocation and (C) the Issuer shall pay accrued interest on each Note in respect of the Note Principal Amount outstanding as of the Termination Redemption Date for the period commencing on (and including) the Termination Redemption Date and ending on (but excluding) the date of redemption pursuant to (B) above,

provided that, for the purpose of this Section 11.2, no Payment Dates shall occur as from the Termination Date. For the avoidance of doubt, for the purpose of determining the interest payable hereunder, EURIBOR shall be EURIBOR as determined on the EURIBOR Determination Date immediately preceding the Termination Date.

"**Termination Date**" means the date on which the first early redemption notice from a Noteholder pursuant to Section 11.1 (Early Redemption for Default - Default Events) is received by the Issuer.

12. EARLY REDEMPTION BY THE ISSUER

12.1 Loss Guarantee Termination

- (i) In the case of a Loss Guarantee Termination pursuant to clause (A) of the definition of "Loss Guarantee Termination", and subject to Section 12.2 below, on the Payment Date on which such Loss Guarantee Termination occurs or
- (ii) in the case of a Loss Guarantee Termination pursuant to clause (B) of the definition of "Loss Guarantee Termination" or a Bank Event of Default, and subject to Section 12.3 below, within 10 Business Days following the date as of which such Loss Guarantee Termination or such Bank Event of Default occurs,

the Issuer shall redeem the Class or Classes of Notes in respect to which a Loss Guarantee

Termination occurs, in each case, at the then current Note Principal Amounts as of such Payment Date or such date (the "**Early Redemption Date**") in accordance with this Section 12 (the "**Early Redemption**").

"**Loss Guarantee Termination**" occurs with respect to any Class of Notes:

- (A) on the Payment Date as of which the tranche of the Loss Guarantee corresponding to such Class of Notes is terminated by the Bank at its option (i) following the occurrence of a Regulatory Event, or (ii) following the reduction of the aggregate Outstanding Nominal Amount of the Reference Claims to 10% of the Initial Aggregate Principal Balance, or (iii) falling in or after November 2012, *provided that* the Bank may exercise its termination option under the Loss Guarantee with respect to any tranche corresponding to a Class of Notes only concurrently with the termination option in respect of each tranche corresponding to an outstanding Class of Notes ranking senior to such Class of Notes for the purpose of the Loss Allocation; or
- (B) on the date on which the termination of the Loss Guarantee occurred because of the occurrence of an Issuer Event of Default or Bank Event of Default.

"**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 Ireland, 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 Basel 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, or (C) the application of any of the laws, communications, interpretations, implementations, applications, accords, standards or recommendations set out in (A) or (B) by the Bank, including, without limitation the application of the internal ratings-based approach under the laws of the Federal Republic Germany, in each case, that becomes effective or applicable for the Bank on or after the Issue Date, as a result of which, in the determination of the Bank, subject to the professional judgement of the Trustee, and in the cases of (A) and (B) for reasons outside their control, and after taking reasonable measures (such measures not involving any material additional payment by, or capital or other expenses for, the Bank or the Issuer), (i) the Bank would be materially restricted from complying with the conditions for the Loss Allocation and/or the Bank and/or the Issuer would be materially restricted from performing any of their obligations under any of the Notes, the Loss Guarantee, the Senior Swap and/or the Trust Agreement, (ii) the Bank would (either by a voluntary submission or by applicable law) be subject to less favourable capital adequacy treatment with respect to the Transaction or the Reference Claims (taking into account any capital relief from the Notes, the Loss Guarantee or the Senior Swap) and/or either by voluntary submission or applicable law, the amount of regulatory capital freed up in respect of any Reference Claim or any tranche of the Reference Pool corresponding to any Class of Notes would be different, including as a result of a reduction of the risk weighting factor for such Reference Claim, and/or the costs of obtaining capital relief from the Notes or the Loss Guarantee or the Senior Swap would be increased, in each case by comparison to the situation that existed on the Issue Date immediately after the issue of the Notes or (iii) the Bank and/or the Issuer would be required to pay any additional amounts on account of taxes resulting from a change in the Issuer's status for Irish tax purposes and/or to make any tax withholding or deduction in respect of any payments on the Notes, the HRE Pfandbriefe, the Loss Guarantee, the Senior Swap or any other agreement relating to the Transaction. 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 Ireland or any accord, standard or recommendation of the Basel 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 or (c) any decision or other measure has been taken with a view to any change in the application of any of the laws, communications, interpretations, implementations, applications, accords, standards or recommendations set out in (A) or (B) by the Bank. Accordingly, such proposals, statements, decisions or views shall not be taken into account when assessing the capital adequacy treatment to which the Bank is subject on the Issue Date immediately after the issue of the Notes.

"Issuer Event of Default" means that the Loss Guarantee Bankruptcy occurs in respect of the Issuer.

"Loss Guarantee Bankruptcy" means that a party to the Loss Guarantee: (1) is dissolved (other than pursuant to a consolidation, amalgamation or merger); (2) 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; (3) makes a general assignment, arrangement or composition with or for the benefit of its creditors; (4) institutes or has instituted against it a proceeding seeking a judgement of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation or examinership, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition (A) 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 examinership or (B) is not dismissed, discharged, stayed or restrained in each case within 30 days of the institution or presentation thereof; (5) has a resolution passed for its winding-up or examinership, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger); (6) seeks or becomes subject to the appointment of an administrator, provisional liquidator, liquidator, examiner, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets; (7) 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 days thereafter; or (8) 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 in clauses (1) to (7) (inclusive).

"Bank Event of Default" means (i) the Bank defaults in the payment of any amount due under the Loss Guarantee and such default continues for 30 Business Days following delivery by the Issuer to the Bank of a notice under the Loss Guarantee requiring the same to be remedied, (ii) Loss Guarantee Bankruptcy occurs in respect of the Bank, or (iii) the Loss Guarantee is terminated by operation of law or under mandatory provisions of law.

12.2 Deferred Redemption

If (i) any Class or Classes of Notes are redeemed because of a Loss Guarantee Termination pursuant to clause (A) of the definition of "Loss Guarantee Termination" in Section 12.1 (Early Redemption by the Issuer - Loss Guarantee Termination) and (ii) any Overdue Reference Claims are outstanding as of the end of the Collection Period immediately preceding the Early Redemption Date and the aggregate of the Outstanding Nominal Amounts of such Overdue Reference Claims exceeds the aggregate of the Outstanding Principal Amounts of the Class or Classes of Notes with respect to which no Loss Guarantee Termination occurred, then the redemption of the Notes shall be subject to the following:

- (a) the redemption of those Notes with respect to which a Loss Guarantee Termination occurred to which the Outstanding Nominal Amounts of such Overdue Reference Claims

as of the end of the Collection Period immediately preceding the Early Redemption Date would be allocated pursuant to the Loss Allocation if those amounts were Realised Losses shall be deferred so that the aggregate of the Note Principal Amounts of such Notes (multiplied in the case of the Class A+ Notes by the A+ Increase Factor) together with any outstanding Class or Classes of Notes not to be redeemed because of a Loss Guarantee Termination, in each case immediately after the Early Redemption Date is in an amount equal to the aggregate of such Outstanding Nominal Amounts as of the end of the Collection Period immediately preceding the Early Redemption Date;

- (b) if one or more Classes of Notes with respect to which a Loss Guarantee Termination occurred 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 Early Redemption Date, such Classes of Notes shall be redeemed sequentially starting with the most senior Class of Notes for the purposes of Loss Allocation and *provided that*, for the purpose of such Classes of Notes only, the next Class shall be redeemed only after the Class or Classes more senior for the purposes of the Loss Allocation have been fully redeemed, as set out in Section 10.1 (Redemption - Amortisation of the Notes), except that the reference to "Reference Claims" in the definition of Excess Amount therein shall be deemed to be reference to such Overdue Reference Claims; and
- (c) if as of the end of the Collection Period immediately preceding the Payment Date falling 12 months after the Early Redemption Date any Defaulted Reference Claims remain outstanding, the Issuer shall cause the determination and, *provided that* the conditions for Loss Allocation set out in Section 8.1 (Loss Allocation - Order and Conditions) have been met, allocation of the Appraised Loss in respect of each such Defaulted Reference Claim and the redemption of the remaining Notes as if such Payment Date would constitute the Legal Maturity Date pursuant to Section 10.3 (Redemption - Legal Maturity).

12.3 Redemption in the case of Issuer Event of Default or Bank Event of Default

In the event that the termination of the Loss Guarantee occurs because of a Loss Guarantee Termination pursuant to clause (B) of the definition of "Loss Guarantee Termination", the Issuer shall redeem all of the Notes (but not some only) in accordance with the provisions of Section 11.2 (Early Redemption for Default - Method and Amount), except that references to the Termination Date shall be deemed to be references to the Early Redemption Date for the purpose of this Section 12.3.

12.4 Reference Pool

For the avoidance of doubt, the redemption pursuant to Section 12 (Early Redemption by the Issuer) shall not result in the exclusion of any Reference Claim from the Reference Pool.

12.5 Redemption Amount per Note

If only a portion of the Class Principal Amount of any Class is redeemed on the Early Redemption Date, each Note of such Class will be redeemed in an amount equal to such portion divided by the number of Notes of such Class, *provided that* the result shall, for each Note, be rounded to the nearest EUR 0.01 (with EUR 0.005 being rounded upwards).

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.

The Issuer is not obliged to pay any amounts as compensation for deduction or withholding of taxes in respect of payments on the Notes.

If on any Payment Date any withholding or deduction on account of taxes is imposed with respect to payments under the HRE Pfandbriefe and/or the Loss Guarantee, the amount payable by the Issuer under any Note of a particular Class on such Payment Date shall be reduced by the amount of such withholding or deduction made with respect to the HRE Pfandbriefe (divided by the number of Notes of the Class of Notes secured by such Series of HRE Pfandbriefe) and/or the Loss Guarantee.

14. INVESTOR NOTIFICATIONS

14.1 Regular

With respect to each Payment Date, the Issuer, or the Principal Paying Agent on its behalf, shall, not later than the Munich and Luxembourg Business Day preceding the Payment Date, (i) publish a notice to the holders of Notes of each Class in the manner prescribed in Section 15 (Form of Notices) in respect of, (ii) notify each of the Rating Agencies of and (iii) as long as any Class is admitted to trading on the market of the Luxembourg Stock Exchange appearing on the list of regulated markets issued by the European Commission, notify the Luxembourg Stock Exchange of and make available upon request at the offices of the Luxembourg Intermediary, the following information prepared by the Bank and verified by the Trustee pursuant to the Trust Agreement (each a "**Regular Notification**"):

- (a) the Note Principal Amount of each Note of such Class on which interest shall be paid on such Payment Date;
- (b) the applicable Interest Accrual Period, the Interest Rate and the Interest Amount to be paid on each Note of such Class on such Payment Date;
- (c) the amount of principal to be paid on each Note of such Class on such Payment Date;
- (d) the aggregate Outstanding Nominal Amount of the Reference Claims or portions thereof, as relevant, removed from the Reference Pool pursuant to Provision 8 (Transfers) and Provision 9 (Non-compliance) of the Reference Pool Provisions, in each case, during the Related Collection Period;
- (e) allocation of Realised Losses, if any, to the Notes of each Class and the Note Principal Amounts outstanding after such allocation on such Payment Date;
- (f) the Excess Spread Amount to be credited to, and each amount to be debited from, the Excess Spread Ledger;
- (g) any increase of the Note Principal Amounts of such Class pursuant to Section 8.5(iii) (Loss Allocation - Excess Spread Ledger) of the Terms and Conditions and any interest payments to be made pursuant to Section 8.5(iv) (Loss Allocation - Excess Spread Ledger) of the Terms and Conditions;
- (h) re-instatement, if any, of the Note Principal Amounts of such Class on account of

previous Unjustified Loss Allocations and/or Late Recoveries and any allocation thereof to the Notes pursuant to Section 9 (Unjustified Loss Allocation) or Section 8.2 (Loss Allocation - Late Recoveries), amounts and distributions of Late Recoveries and any Collections in respect of the Reference Claims for which Unjustified Loss Allocation has been determined;

- (i) determination of Appraised Losses, if applicable;
- (j) in the event of final payment on such Class, the fact that such is the final payment;
- (k) the aggregate of the Outstanding Nominal Amounts and the aggregate amount 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, if any;
- (l) stratification tables profiling the Reference Pool in respect of, in particular, distribution by current principal balance, seasoning, current LTAV ratios, repayment mode and regional distributions of the properties;
- (m) the Aggregate Principal Balance as of the beginning and as of the end of the Related Collection Period; and
- (n) the aggregate Outstanding Nominal Amounts of all Reference Claims that were overdue for more than 30 and less than 61 calendar days, the aggregate Outstanding Nominal Amounts of all Reference Claims that were overdue for more than 60 and less than 91 calendar days and the aggregate Outstanding Nominal Amounts of all Reference Claims that were overdue for more than 90 calendar days, in each case as of the end of the Related Collection Period.

"**Rating Agencies**" means Fitch Ratings Ltd. ("**Fitch**") and Moody's Investors Service Limited ("**Moody's**").

14.2 Early Redemption

In connection with the early redemption pursuant to Section 11 (Early Redemption for Default) or Section 12 (Early Redemption by the Issuer), the Issuer, or the Principal Paying Agent on its behalf, shall, not later than the Munich Business Day prior to the date of the redemption or the Early Redemption Date, as applicable, (i) publish a notice to the holders of Notes of each Class in the manner prescribed in Section 15 (Form of Notices), (ii) notify each of the Rating Agencies and (iii) *provided that* any Notes are then admitted to trading on the market of the Luxembourg Stock Exchange appearing on the list of regulated markets issued by the European Commission, notify the Luxembourg Stock Exchange, of the following information prepared by the Bank and verified by the Trustee pursuant to the Trust Agreement (the "**Early Redemption Notification**"):

- (a) the Termination Date and the date of the redemption or the Early Redemption Date, as applicable;
- (b) the Class or Classes of Notes with respect to which a Loss Guarantee Termination occurred; and
- (c) other matters specified in Section 14.1 (Investor Notifications - Regular) to the extent applicable to such Class.

15. FORM OF NOTICES

All notices to the Noteholders shall be either

- (A) delivered to Euroclear and Clearstream, Luxembourg for communication by it to the Noteholders, or
- (B) made available for a period of not less than 30 calendar days (i) on the following web site: www.bourse.lu or (ii) on a web site the address of which has been notified to the Noteholders in the manner set out in (A) or (B)(i).

Any notice delivered pursuant to (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 Euroclear and Clearstream, Luxembourg. Any notice delivered pursuant to (B) above shall be deemed to have been given to all Noteholders on the day on which it is made available on the relevant web site, *provided that* if so made available after 4:00 p.m. (Luxembourg time) it shall be deemed to have been given on the immediately following calendar day.

16. AGENTS

16.1 Appointment of Agents

The Issuer has appointed Deutsche Bank AG, London Branch, Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom as the principal paying agent and interest determination bank (in such capacity, the "**Principal Paying Agent**" which term shall also include any successor Principal Paying Agent appointed pursuant to Section 16.2 (Agents - Replacement)). 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**" which term shall include any substitute Luxembourg Intermediary appointed pursuant to Section 16.2 (Agents - Replacement)). The Luxembourg Intermediary and the Principal Paying Agent are together referred to as the "**Agents**".

The Luxembourg Intermediary shall act as intermediary between the Issuer and the holders of the Notes admitted to trading 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 as specified in the Terms and Conditions and deliver copies of the Prospectus and the published financial statements of the Issuer and the Bank upon request.

The Principal Paying Agent (including any successor Principal Paying Agent) and the Luxembourg Intermediary (including any successor Luxembourg Intermediary) shall act solely as agents for the Issuer and shall not have any agency or trustee relationship with the Noteholders.

16.2 Replacement

The Issuer shall procure (a) that for as long as any Notes are outstanding there shall always be a Principal Paying Agent to perform the functions assigned to it in the Transaction Documents, and (b) that for as long as any Notes remain admitted to trading on the market of the Luxembourg Stock Exchange appearing on the list of regulated markets issued by the European Commission, there shall always be an intermediary in Luxembourg to perform the functions assigned to it in the Transaction Documents.

The Issuer may with the prior written consent of the Bank, by giving not less than 30 calendar days' notice to the Noteholders and the Principal Paying Agent, replace the Principal Paying

Agent with regard to some or all of its functions by one or more other entities which assume such functions.

The Issuer may with the prior written consent of the Bank by giving not less than 30 calendar days' notice to the Noteholders, replace the Luxembourg Intermediary with regard to some or all of its functions by one or more other banks or other financial institutions which assume such functions.

In the event that the short term rating of the Principal Paying Agent is withdrawn or falls below F1 by Fitch or P-1 by Moody's, the Issuer or, if the Issuer fails to do so, the Trustee, shall within 30 calendar days upon becoming aware thereof terminate the appointment of the Principal Paying Agent by giving not less than 5 calendar days' prior notice to the Principal Paying Agent and appoint another bank or financial institution as Principal Paying Agent *provided that* such successor Principal Paying Agent or any of its affiliates shall be rated at least F1 by Fitch and P-1 by Moody's.

16.3 Determinations Binding

All Interest Rates, Interest Amounts determined and other calculations and determinations made by the Principal Paying Agent for the purposes of the Transaction Documents shall, in the absence of manifest error, be final and binding.

17. SUBSTITUTION OF THE ISSUER

17.1 General

The Issuer may, without the further consent of the Noteholders, at any time upon written request of the Bank substitute in its place another entity (the "**New Issuer**") as debtor in respect of all obligations arising under or in connection with the Notes and the Transaction Documents *provided that*:

- (i) the New Issuer assumes all rights and duties of the Issuer in respect of the Notes and under the Transaction Documents and the Collateral is, upon the Issuer's substitution, held by the Trustee to secure the obligations of the New Issuer under the Notes or, as applicable, the Trustee Claim in respect thereof;
- (ii) the New Issuer has obtained all necessary authorisations, governmental approvals in the country in which it has its registered office and is in a position to fulfil all its obligations in respect of the Notes without discrimination against the Noteholders in their entirety;
- (iii) the New Issuer may pay in the currency required hereunder and without being obliged to deduct or withhold any taxes or other duties of whatever nature levied by the country in which the New Issuer has its domicile or tax residence all amounts required for the fulfilment of the payment obligations arising under the Notes and the substitution shall not result in any withholding or deduction of taxes on the amounts payable under the Notes and/or the HRE Pfandbriefe which would not arise if there was no such substitution;
- (iv) there shall have been delivered to the Trustee, the Bank and the Principal Paying Agent one legal opinion for each jurisdiction affected by the substitution of a law firm of recognised standing to the effect that paragraphs (i) through (iii) above have been satisfied and that no additional expenses or legal disadvantages of any kind arise for the Noteholders from the substitution;
- (v) the substitution, in the professional judgement of the Trustee, will not adversely affect

the interests of the Transaction Creditors and each Rating Agency has given a written confirmation that the substitution shall not adversely affect its rating of the Notes; and

- (vi) the Issuer and the New Issuer enter into such agreements and execute such documents as the Trustee considers necessary for the effectiveness of the substitution.

Upon fulfilment of the above conditions the New Issuer shall in every respect substitute the Issuer and the Issuer shall be released vis-à-vis the Noteholders from all its obligations as issuer of the Notes and party to the Transaction Documents.

17.2 Notice of Substitution

The New Issuer shall give notice of the substitution to the Noteholders pursuant to Section 15 (Form of Notices) with a copy to the Luxembourg Stock Exchange. Upon the substitution, the New Issuer shall prepare a supplement to the Prospectus in accordance with the rules of the Luxembourg Stock Exchange and, with respect to such supplement, take all measures required by the rules of the Luxembourg Stock Exchange.

17.3 Effects of Substitution

Upon the substitution, each reference to the Issuer in the Terms and Conditions shall from then on be deemed to be a reference to the New Issuer and any reference to the country in which the Issuer has its registered office, domicile or residency for tax purposes, as relevant, shall from then on be deemed to be a reference to the country in which the New Issuer has its registered office, domicile or residency for tax purposes, as relevant.

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 Munich, Germany.

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.

18.5 Relation to the Senior Swap Counterparty

Any reference in the Terms and Conditions to the Senior Swap Counterparty (including by reference to the Transaction Creditors) shall not entitle any Noteholder to invoke any of the rights of the Senior Swap Counterparty under the Trust Agreement or the Senior Swap or to rely on or enforce any breach thereof and shall not limit the right of the Senior Swap Counterparty to exercise or to waive any of these rights.

18.6 Relation to the Bank

Unless expressly stated in the Trust Agreement, the Bank does not assume any obligation or duty in connection with the Notes.

Any reference in the Terms and Conditions to the Bank shall not entitle any Noteholder to rely on any obligation or duty of the Bank assumed pursuant to the Trust Agreement or enforce any breach thereof.

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

19.3 Service of Process

For service of process relating to any judicial disputes in connection with the Notes, the Issuer has appointed FIDEUROP GmbH, with its seat on the Issue Date at Westhafen Tower, Westhafenplatz 1, 60327 Frankfurt am Main, Germany, as its authorised agent for service of process (the "**Process Agent**") in relation to any legal proceedings before a German court. The Issuer undertakes to maintain an agent for service of process in the Federal Republic of Germany as long as any Note remains outstanding.

THE TRUST AGREEMENT

The following is the text of the Trust Agreement (without the schedules thereto). The text is attached as Appendix A to the Terms and Conditions and constitutes an integral part of the Terms and Conditions. In the 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. Any statement elsewhere in this Prospectus relating to the Trust Agreement or any matter described therein is qualified in its entirety by the text of the Trust Agreement set forth below.

This Trust Agreement is entered into as of October 8, 2007 between Ernst & Young AG, Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Arnulfstrasse 126, 80636 Munich, Germany (the "**Trustee**"), Estate Germany 2007-I Limited, 5 Harbourmaster Place, IFSC, Dublin 1, Ireland (the "**Issuer**") and Hypo Real Estate Bank AG, Von-der-Tann-Strasse 2, 80539 Munich, Germany (the "**Bank**") and sets out the rights and obligations of the Trustee which govern the performance of its functions under this Trust Agreement in connection with:

- (i) the issue on the Issue Date by the Issuer of the following classes of credit linked notes:
 - (a) Class A+ Floating Rate Credit Linked Notes in an initial principal amount of EUR 500,000,
 - (b) Class A Floating Rate Credit Linked Notes in an initial principal amount of EUR 68,500,000,
 - (c) Class B Floating Rate Credit Linked Notes in an initial principal amount of EUR 95,700,000,
 - (d) Class C Floating Rate Credit Linked Notes in an initial principal amount of EUR 60,700,000,
 - (e) Class D Floating Rate Credit Linked Notes in an initial principal amount of EUR 45,600,000,
 - (f) Class E Floating Rate Credit Linked Notes in an initial principal amount of EUR 39,900,000, and
 - (g) Class F Floating Rate Credit Linked Notes in an initial principal amount of EUR 21,700,000;
- (ii) a loss guarantee agreement (the "**Loss Guarantee**") between the Issuer as protection seller and the Bank as protection buyer effective as of October 8, 2007; pursuant to the Loss Guarantee, the Issuer will pay to the Bank amounts equal to all Realised Losses incurred in the Reference Pool and allocated to the Notes pursuant to the Loss Allocation; and
- (iii) a credit default swap (the "**Senior Swap**") between a counterparty as protection seller (the "**Senior Swap Counterparty**") and the Bank as protection buyer effective as of October 8, 2007; pursuant to the Senior Swap, the Senior Swap Counterparty will pay to the Bank amounts equal to a specified multiple of the amounts by which the Class Principal Amount of the Class A+ Notes is reduced as a result of any Loss Allocation.

Each amount payable as a result of Realised Losses under the Loss Guarantee and the Senior Swap, is referred to as a "**Cash Settlement Amount**". The Noteholders and the Senior Swap Counterparty are jointly referred to as "**Transaction Creditors**".

Terms used but not defined herein have the same meaning as in the terms and conditions of the Notes, as amended from time to time (the "**Terms and Conditions**"), or, if not defined therein, in the Senior Swap. With respect to Realised Losses giving rise to the payment of any Cash Settlement Amount under the Senior Swap, references to Loss Allocation (or allocation of Realised Losses) and Unjustified Loss Allocation shall be deemed to be references to "**Cash Settlement**" and "**Unjustified Cash Settlement**", respectively.

NOW THEREFORE, the parties agree as follows:

1. DUTIES OF THE TRUSTEE

- 1.1 This Trust Agreement *inter alia* sets out the rights and obligations of the Trustee and the conditions for the Loss Allocation to be fulfilled by the Bank.
- 1.2 Unless otherwise stated in this Trust Agreement, the Trustee is not obliged to supervise the discharge by the Issuer or the Bank of their respective payment and other obligations arising from the Transaction Documents or to carry out duties which are the responsibility of the Issuer or the Bank.
- 1.3 Except as otherwise stated below, the requirements to be met by the Bank as set out herein, including, without limitation, the requirements set forth in Clause 8.1, 8.2, 8.3, 8.4, 8.8, Clause 9.6, Clause 11.1, Clause 13.5 and Clause 17.1, are conditions for the Loss Allocation, subject to and in accordance with Section 8.1 (Loss Allocation - Order and Conditions) of the Terms and Conditions, *provided that* there shall be against the Issuer or the Bank no recourse for or other legal effect of any non-compliance with any such requirements.

2. POSITION OF THE TRUSTEE

- 2.1 The Trustee shall carry out the duties hereunder (the "**Trustee Duties**") and shall perform the tasks and functions set out in the Terms and Conditions (this Trust Agreement and the Terms and Conditions together, the "**Trustee Documents**") as a trustee for the benefit of, and with particular regard to the interests of, the Transaction Creditors. In case of a conflict of interest among the interests of the Senior Swap Counterparty and the Noteholders, the Trustee shall give priority to the interests of the Senior Swap Counterparty and the Class A+ Noteholders and then, among the other Noteholders, to the interests of the Noteholders of the Class of Notes which then ranks most senior for the purposes of the Loss Allocation.
- 2.2 This Trust Agreement grants the Transaction Creditors the right to demand that the Trustee perform the Trustee Duties (contract for the benefit of a third party (*echter Vertrag zugunsten Dritter*) pursuant to § 328(1) of the German Civil Code (*Bürgerliches Gesetzbuch*)). The Bank and the Issuer shall also have the right to demand that the Trustee performs the Trustee Duties.

3. TRUSTEE CLAIM; ACCOUNTS

- 3.1 The Issuer hereby grants the Trustee a separate claim (the "**Trustee Claim**") (*Treuhänderanspruch*), entitling the Trustee to demand from the Issuer:
 - (i) that any present or future obligations of the Issuer under the Notes be fulfilled, and
 - (ii) if a Foreclosure Event has occurred or the occurrence thereof is, in the professional judgement of the Trustee, imminent, and insolvency proceedings have not been instituted

against the assets of the Trustee that any payment in respect of amounts owed under the Notes will be made to, and at all times prior to the on-payment to the Noteholders held in, a trust account (*Treuhandkonto*) of the Trustee for on-payment to the relevant Noteholders. The Trustee shall on-pay any amount so received to the Noteholders without undue delay.

The obligations of the Issuer to make payments to the relevant Noteholders shall remain unaffected. The Trustee Claim may be enforced separately from the Noteholders' claim in respect of the same payment obligation of the Issuer. In the case of a payment pursuant to (ii) above, the Issuer and each Noteholder shall have a claim against the Trustee for payment on to the relevant Noteholders. The relevant obligation of the Issuer under the Notes shall only be fulfilled once the on-payment to the relevant Noteholders by the Trustee has occurred. For the avoidance of doubt, upon on-payment by the Trustee to the Noteholders the liability of the Issuer under the Notes in respect of the same payment obligation shall be discharged to the extent of the sums so on-paid and if the Trustee makes such on-payment through Euroclear or Clearstream, Luxembourg, Section 6.3 (Payments - Discharge) of the Terms and Conditions shall apply in respect of such on-payment and the discharge of the Issuer in respect of the related payment obligation under the Notes. Similarly, upon payment by the Issuer to the Noteholders the right of the Trustee to request a payment pursuant to (ii) above in respect of the same payment obligation of the Issuer shall cease to exist to the extent of the sums so paid by the Issuer.

For the avoidance of doubt, the obligation of the Trustee to on-pay any amounts received under (ii) above without undue delay to the Noteholders shall not be affected by the Trustee's resignation or other termination of its appointment as a trustee for the purposes of the Transaction. In particular, on or promptly after the Trustee Resignation Effective Date, the Trustee shall on-pay to the Noteholders any amounts standing to the credit of any trust account pursuant to (ii) above.

- 3.2 The Issuer has opened and shall maintain for the purposes of the Transaction a current account No. 9602970 in EUR (the "**Transaction Account**") with Deutsche Bank AG as account bank (in such capacity, the "**Transaction Account Bank**" which term shall also include any replacement Transaction Account Bank pursuant hereto) opened pursuant to an agreement between the Issuer, the Trustee and the Transaction Account Bank dated October 8, 2007, evidenced by the general business conditions (*allgemeine Geschäftsbedingungen*) of the Transaction Account Bank applicable to the current accounts, the current account opening forms relating to the opening and maintaining of the Transaction Account and an annex thereto, as amended from time to time (the "**Transaction Account Agreement**").
- 3.3 The Issuer may, for good cause (*aus wichtigem Grund*), with the prior written consent of the Trustee (which shall not be unreasonably withheld), terminate the Transaction Account Agreement and close the Transaction Account. In such case the Issuer shall within 30 calendar days after receiving such written consent of the Trustee (i) open a new Transaction Account with another Transaction Account Bank having at least the Transaction Account Bank Required Rating from each of the Rating Agencies, (ii) transfer the funds credited to the Transaction Account to such new Transaction Account, and (iii) close the Transaction Account with the former Transaction Account Bank.
- 3.4 In the event that the rating of the Transaction Account Bank by any of the Rating Agencies is withdrawn or falls below the relevant Transaction Account Bank Required Rating, the Issuer shall within 30 Business Days, or if the Issuer fails to do so, the Trustee on behalf of the Issuer as soon as it becomes aware of such downgrading but in any event not later than 30 Business Days after having become aware of such downgrading, shall (i) open a new Transaction Account with another Transaction Account Bank having at least the Transaction Account Bank Required Ratings from each of the Rating Agencies, (ii) transfer any amounts standing to the credit of the Transaction Account to such new Transaction Account and (iii) close the

Transaction Account with the former Transaction Account Bank.

"Transaction Account Bank Required Rating" means each of the following ratings: F1 (short term) by Fitch and P-1 (short term) by Moody's.

- 3.5 The Issuer shall ensure that unless otherwise provided herein or instructed by the Trustee pursuant to this Trust Agreement, all payments made to the Issuer be made by way of a bank transfer to or deposit in the Transaction Account. Should any amounts payable to the Issuer be paid in any way other than by bank transfer to or deposit in the Transaction Account, the Issuer shall promptly credit such amounts to the Transaction Account.

4. HRE PFANDBRIEFE; PLEDGES

- 4.1 On or before the Issue Date the Issuer has purchased pursuant to a securities purchase agreement dated October 8, 2007, as amended from time to time (the "**Securities Purchase Agreement**") from Hypo Real Estate Bank AG the securities set forth under (i) through (vii) below:

- (i) EUR 500,000 floating rate Public Sector *Pfandbriefe* (*Öffentliche Pfandbriefe*) of Hypo Real Estate Bank AG ISIN DE000A0S9BX5, WKN A0S9BX (the "**Series A+ Collateral**"),
- (ii) EUR 68,500,000 floating rate Public Sector *Pfandbriefe* (*Öffentliche Pfandbriefe*) of Hypo Real Estate Bank AG ISIN DE000A0S9BY3, WKN A0S9BY (the "**Series A Collateral**"),
- (iii) EUR 95,700,000 floating rate Public Sector *Pfandbriefe* (*Öffentliche Pfandbriefe*) of Hypo Real Estate Bank AG ISIN DE000A0S9BZ0, WKN A0S9BZ (the "**Series B Collateral**"),
- (iv) EUR 60,700,000 floating rate Public Sector *Pfandbriefe* (*Öffentliche Pfandbriefe*) of Hypo Real Estate Bank AG ISIN DE000A0S9B01, WKN A0S9B0 (the "**Series C Collateral**"),
- (v) EUR 45,600,000 floating rate Public Sector *Pfandbriefe* (*Öffentliche Pfandbriefe*) of Hypo Real Estate Bank AG ISIN DE000A0S9B19, WKN A0S9B1 (the "**Series D Collateral**"),
- (vi) EUR 39,900,000 floating rate Public Sector *Pfandbriefe* (*Öffentliche Pfandbriefe*) of Hypo Real Estate Bank AG ISIN DE000A0S9B27, WKN A0S9B2 (the "**Series E Collateral**"), and
- (vii) EUR 21,700,000 floating rate Public Sector *Pfandbriefe* (*Öffentliche Pfandbriefe*) of Hypo Real Estate Bank AG ISIN DE000A0S9B35, WKN A0S9B3 (the "**Series F Collateral**").

Each of the Series of Collateral under (i) through (vii) is referred to as a "**Series**" or the "**HRE Pfandbriefe**".

Each Series will be represented by a global certificate deposited with Clearstream Frankfurt. The HRE *Pfandbriefe* will be held in the securities account identified as 2007-1-EGSPV (the "**Custody Account**") of the Issuer with the Bank (in such capacity and each successor custodian, the "**Custodian**") pursuant to a custody agreement between the Issuer, the Trustee and the Bank evidenced by the account opening form, the general business conditions

(*Allgemeine Geschäftsbedingungen*) of the Custodian and an annex thereto, dated October 8, 2007, as amended from time to time (the "**Custody Agreement**").

- 4.2 Pursuant to the terms of the first pledge agreement between the Issuer and the Bank dated October 8, 2007, as amended from time to time (the "**First Pledge Agreement**"), the Issuer has pledged (*verpfänden*) the HRE Pfandbriefe to the Bank as security for the obligations of the Issuer under the Loss Guarantee towards the Bank to make payments with respect to Realised Losses allocated to the Notes. The right of the Bank to foreclose on the HRE Pfandbriefe shall be limited to the amounts payable under the HRE Pfandbriefe on any date due to the Realised Losses allocated to the Notes. The pledge under the First Pledge Agreement ranks senior to the pledge pursuant to Clause 4.3 below.
- 4.3 The Issuer hereby pledges (*verpfänden*) pursuant to §§ 1293, 1204 et seq. of the German Civil Code (*Bürgerliches Gesetzbuch*) the HRE Pfandbriefe to the Trustee as trustee (*Treuhänder*) for the security purposes set forth in Clause 4.4 below. The Trustee hereby accepts such pledges. For the purpose of constituting such pledges, the Issuer hereby assigns to the Trustee all of its present and future claims and rights against the Bank for delivery of the HRE Pfandbriefe (including, but not limited to, the claim for re-delivery of the HRE Pfandbriefe pursuant to § 1223(1) of the German Civil Code (*Bürgerliches Gesetzbuch*)). The Issuer hereby gives notice to the Bank of the pledges pursuant to this Clause 4.3 and the Bank hereby confirms receipt of such notice.
- 4.4 The pledges pursuant to Clause 4.3 shall serve to secure the Trustee Claim as follows:
- (i) the pledge over the Series A+ Collateral shall serve to secure the Trustee Claim with respect to the payment obligations of the Issuer under the Class A+ Notes,
 - (ii) the pledge over the Series A Collateral shall serve to secure the Trustee Claim with respect to the payment obligations of the Issuer under the Class A Notes,
 - (iii) the pledge over the Series B Collateral shall serve to secure the Trustee Claim with respect to the payment obligations of the Issuer under the Class B Notes,
 - (iv) the pledge over the Series C Collateral shall serve to secure the Trustee Claim with respect to the payment obligations of the Issuer under the Class C Notes,
 - (v) the pledge over the Series D Collateral shall serve to secure the Trustee Claim with respect to the payment obligations of the Issuer under the Class D Notes,
 - (vi) the pledge over the Series E Collateral shall serve to secure the Trustee Claim with respect to the payment obligations of the Issuer under the Class E Notes, and
 - (vii) the pledge over the Series F Collateral shall serve to secure the Trustee Claim with respect to the payment obligations of the Issuer under the Class F Notes.
- 4.5 In the event that the short-term unsecured debt of the Bank is rated P-2 or lower by Moody's, the Bank shall not later than 30 Business Days after it has become aware of such downgrade make a cash deposit by payment in EUR to a trust account (*Treuhandkonto*) governed by German law held by the Trustee in its own name with a third party bank situated outside of Germany rated at least P-1 by Moody's (the "**Additional Cash Deposit Account**") of an amount equal to the aggregate amount of interest payments to be made on the immediately following Payment Date under each Series of Note Collateral serving as collateral for the Classes of Notes rated A3 or higher by Moody's (such amount deposited, the "**Additional Cash Deposit Note Collateral Fraction**").
- 4.6 The Additional Cash Deposit Note Collateral Fraction shall secure the obligation of the Bank to

make interest payments under the Series of the Note Collateral referred to in Clause 4.5 above.

- 4.7 In addition to the consequences set out in Clause 4.5 above, if applicable, in the event that the short-term unsecured debt of the Bank is rated P-2 or lower by Moody's or lower than F1 by Fitch or the long-term unsecured debt of the Bank is rated lower than A by Fitch, the Bank shall not later than 30 Business Days after it has become aware of such downgrade make a cash deposit by payment in EUR to the Additional Cash Deposit Account of an amount equal to the portion Guarantee Fee payable pursuant to the Issuer Guarantee on the immediately following Payment Date corresponding to the interest payments to be made under each Class of Notes rated A3 or higher by Moody's and/or A or higher by Fitch and, if the long-term unsecured debt of the Bank is rated below BBB+ by Fitch or the short-term unsecured debt of the Bank is rated below F2 by Fitch, under each Class of Notes rated BBB+ or higher by Fitch (such amount deposited, the "**Additional Cash Deposit Guarantee Fee Fraction**" and together with the Additional Cash Deposit Note Collateral Fraction, the "**Additional Cash Deposit**").

"**Guarantee Fee**" means with respect to any Guarantee Fee Payment Date an amount calculated by the Bank as the sum of (A) and (B), where

(A) means the aggregate amount of the Issuer Costs that have been incurred during the immediately preceding Cost Calculation Period, if any, and reasonable advances requested in respect of the Issuer Costs, and

(B) means the excess of the aggregate of the Interest Amounts due with respect to the Notes on such Guarantee Fee Payment Date, over the aggregate of the interest amounts due (for the avoidance of doubt, prior to any withholding or deduction on account of taxes, if any) to the Guarantor under the HRE Pfandbriefe on such Guarantee Fee Payment Date.

"**Guarantee Fee Payment Date**" means each Payment Date.

"**Cost Calculation Period**" means with respect to the first Guarantee Fee Payment Date, the period commencing on (and including) the Issue Date and ending on (but excluding) the first Guarantee Fee Payment Date and with respect to any subsequent Guarantee Fee Payment Date, the period commencing on (and including) the immediately preceding Guarantee Fee Payment Date and ending on (but excluding) such Guarantee Fee Payment Date.

"**Issuer Costs**" means the actual amount of all fees, costs and expenses of the Guarantor, including, without limitation, fees, costs and expenses of the Trustee, Experts, Value Experts, third parties retained pursuant to Clause 19 (Retaining of Third Parties) of the Trust Agreement and the Advisors under the Trust Agreement, the Transaction Account Bank, the Administrator, the Custodian, the auditors and directors of the Issuer, the Irish Listing Agent, the Luxembourg Intermediary, the Luxembourg Stock Exchange, the Principal Paying Agent, the Rating Agencies for monitoring of the ratings of the Notes, the Issuer's agent for service of process, any fees for publication due to be made in connection with the Notes as well as all stamp duties, registration, value added, turnover and similar taxes which are imposed on the Issuer or payable by the Issuer in connection with the Transaction (as defined in the Terms and Conditions), including under the Transaction Documents, amounts payable by the Issuer pursuant to Clause 23 (Right to Indemnification) of the Trust Agreement, all costs and expenses of the Issuer in connection with its statutory obligations and costs and expenses reasonably incurred in obtaining legal advice and of the Issuer's legal advisors as well as any costs and expenses required in liquidating the Issuer in excess of the Issuer's own assets.

The Issuer Costs shall not include any amounts payable by the Issuer otherwise than in the ordinary course of business, in connection with the performance of the Transaction (as defined in the Terms and Conditions) or in accordance with the Transaction Documents. The Issuer Costs shall, in particular, not include any amounts payable under the Notes or this Agreement,

or payable by the Issuer as a result of its non-compliance with any of the Transaction Documents, the Memorandum and Articles of Association of the Issuer or applicable law, or on account of taxes, except, in each case, as expressly specified above.

- 4.8 The Additional Cash Deposit Guarantee Free Fraction shall secure the obligation of the Bank to pay the Guarantee Fee under the Issuer Guarantee.
- 4.9 On each Payment Date the Bank shall recalculate the aggregate amount of interest payments to be made under each Series of Note Collateral referred to in Clause 4.5 above and the portion of the Guarantee Fee under the Issuer Guarantee referred to in Clause 4.7 above in each case on the immediately following Payment Date. If the amount calculated pursuant to the preceding sentence exceeds the Additional Cash Deposit standing to the credit of the Cash Deposit Account, the Bank shall on such Payment Date make an additional payment in EUR to the Additional Cash Deposit Account equal to the amount of such excess. If the amount calculated pursuant to the first sentence of this Clause 4.9 is lower than the Additional Cash Deposit standing to the credit of the Additional Cash Deposit Account, the Trustee shall, upon the request of the Bank, pay to the Bank from the funds credited to the Additional Cash Deposit Account an amount equal to such difference, after the Bank has delivered documents sufficient in the professional judgement of the Trustee to evidence that the Bank has fulfilled its payment obligations under all Series of Note Collateral referred to in Clause 4.5 above and, if applicable, with respect to the payment of the Guarantee Fee under the Issuer Guarantee referred to in Clause 4.7 above.
- 4.10 If, at any time after the occurrence of the downgrade event set out in Clause 4.5 above the Bank is rated P-1 by Moody's and F1 and A by Fitch, the Trustee shall, upon request of the Bank, release the pledge granted pursuant to Clause 4.6 above. If, at any time after the occurrence of the downgrade event set out in Clause 4.7 above the Bank is rated P-1 by Moody's and F1 and A by Fitch or, if the Bank is rated higher than BBB+ and F2 by Fitch, the Trustee shall, upon request of the Bank, release the pledge granted pursuant to Clause 4.8 above in the respective amount.
- 4.11 Upon the Additional Cash Deposit Account having been opened, the Trustee shall pledge (*verpfänden*) its present and future claims and rights in respect of the Additional Cash Deposit Account to the Bank to secure the Bank's claims pursuant to Clause 4.9 above. Such pledge shall be automatically extinguished on each day on which any amount of interest is due under the Classes of Notes pursuant to the Terms and Conditions relating to the claims secured by the Additional Cash Deposit with respect to the corresponding amount that may be payable to the Issuer on such date pursuant to Clause 4.9. The Issuer and the Trustee agree that the Trustee shall have the right to collect any payments due to be paid by the Cash Deposit Account Bank from the Cash Deposit Account until the maturity of the pledge (*Pfandreife*).

5. OTHER COLLATERAL

- 5.1 The Issuer hereby pledges (*verpfänden*) pursuant to §§ 1204, 1273 and 1279 of the German Civil Code (*Bürgerliches Gesetzbuch*) to the Trustee for the collateral purposes set out in Clause 5.2 below the following claims and rights:
- (i) all its present and future claims and rights arising from:
 - (a) the agency agreement between the Issuer, the Trustee and the Principal Paying Agent dated September 24, 2007, as amended from time to time (the "**Agency Agreement**"),
 - (b) the subscription agreement for the Notes between the Issuer and Hypo Public Finance Bank, 30 St. Mary Axe, London EC3A 8BF, United Kingdom (the "**Lead**

Manager") dated October 8, 2007, as amended from time to time (the "**Subscription Agreement**"),

- (c) the Securities Purchase Agreement,
 - (d) the Loss Guarantee,
 - (e) the cash administration agreement between the Issuer, the Trustee and Deutsche Bank AG, London Branch (in such capacity, the "**Cash Administrator**" which term shall also include any replacement Cash Administrator) dated October 8, 2007, as amended from time to time (the "**Cash Administration Agreement**"),
 - (f) the Custody Agreement,
 - (g) the Transaction Account Agreement; and
- (ii) all its present and future claims and rights against the Trustee arising under this Agreement.

The Trustee hereby accepts such pledges.

5.2 The pledges pursuant to Clause 5.1 serve to secure the Trustee Claim.

5.3 The parties hereby acknowledge that the Issuer has, pursuant to the Irish Security Agreement, charged and assigned by way of security in favour of the Trustee all its present and future claims, right, title and interest in and to the Corporate Administration Agreement as security for the Trustee Claim.

5.4 The Issuer hereby gives notice to the Bank of the pledge pursuant to Clause 5.1(i)(c), (d) and (f) and the Bank hereby confirms receipt of such notice. The Issuer shall give written notice to the other debtors of the claims pledged pursuant to Clause 5.1(i) and shall provide a written confirmation to the Trustee that it has received a confirmation of receipt of such notice from each such debtor.

5.5 So long as the Trustee does not take any action pursuant to this Clause 5 the Issuer (or the Cash Administrator on its behalf) shall be entitled to administer the Collateral (including the Transaction Account) and deal in the ordinary course of business with the claims and rights pledged to the Trustee pursuant to Clause 5.1 and Clause 4.3.

5.6 The authorisation pursuant to Clause 5.5 may be withdrawn by the Trustee upon the occurrence of a Foreclosure Event or if, in the professional judgement of the Trustee such withdrawal is desirable or expedient to protect the interests of the Noteholders. The Trustee shall promptly give notice to the Issuer and the Transaction Account Bank and the Custodian of its withdrawal of the authorisation pursuant to Clause 5.5 and upon the receipt of such notice the Transaction Account Bank and the Custodian shall make payments only as instructed by the Trustee.

6. FORECLOSURE ON COLLATERAL

6.1 If and to the extent any Notes become due and subject to early redemption (each such Note, a "**Foreclosure Note**") upon the occurrence of a Foreclosure Event the Trustee shall, if in its professional judgement the payments due and payable under the Collateral on the date on which the Foreclosure Notes become due have not been made, foreclose or cause foreclosure on the Collateral (including the relevant Series of the HRE Pfandbriefe). In foreclosing on the Collateral pursuant to this Clause 6, the Trustee shall not exercise its pledge over the Collateral but shall act on behalf of the Issuer on the basis of an authorisation which is hereby granted by

the Issuer. Only if such authorisation is revoked by the Issuer or ceases to be effective for any other reason, the Trustee shall exercise such pledge and foreclose on the Collateral in accordance with the applicable statutory provisions. The enforcement of the pledges granted under this Trust Agreement shall not require any enforceable judgement or other executory title (*vollstreckbarer Titel*) and Section 1277 of the German Civil Code (*Bürgerliches Gesetzbuch*) shall not apply.

"Foreclosure Event" means any of the following events:

- (i) a Default Event, or
- (ii) the Notes become due and subject to early redemption by operation of insolvency or other mandatory laws.

6.2 In case of the HRE Pfandbriefe, the following shall apply:

- (i) As soon as reasonably practicable but not before the Early Redemption Report has been delivered to the Trustee with respect to payments due under the Notes pursuant to Section 11.1 and Section 11.2 of the Terms and Conditions, respectively, or, in the case of (ii) under the definition "Foreclosure Event" not later than three Business Days after the Trustee becomes aware of a Foreclosure Event with respect to the relevant Class of Notes (whether by notification from the Issuer or the Bank pursuant to Clause 6.6 below or otherwise), it shall organise or have organised for each Series of HRE Pfandbriefe a panel of at least 3 Dealers to bid for the purchase of such Series of HRE Pfandbriefe on a day selected by the Trustee having regard to the market conditions as well as the interest of the Noteholders in a prompt redemption of the Foreclosure Notes. If the Trustee receives:
 - (a) 3 or 2 bids for the Series of HRE Pfandbriefe which equal or exceed the relevant Foreclosure Amount, the Trustee shall sell and transfer such Series of HRE Pfandbriefe 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);
 - (b) only 1 bid for the Series of HRE Pfandbriefe which is equal or exceeds the relevant Foreclosure Amount, the Trustee shall sell and transfer such Series of HRE Pfandbriefe to the Dealer who offered such bid;
 - (c) only 1 bid for the Series of HRE Pfandbriefe which is lower than the relevant Foreclosure Amount or no bid, the Trustee shall (subject to paragraph (ii) below) select another panel of Dealers and repeat the procedure pursuant to this Clause 6.2.

"Foreclosure Amount" means, in respect of each Class of Foreclosure Notes, the sum of (i) the Class Principal Amount of such Foreclosure Notes and (ii) the accrued interest thereon.

"Dealer" means a dealer in bonds (or syndicate of such dealers) of recognised standing operating in the Eurobond market selected by the Trustee to bid for the Series of HRE Pfandbriefe pursuant to this Clause 6.

- (ii) If, with respect to any Series of HRE Pfandbriefe, the Trustee is not able to effect foreclosure pursuant to this Clause 6.2, including, for the avoidance of doubt, the receipt of the proceeds thereof at least equal to the relevant Foreclosure Amount, 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 Clause 6.3 with respect to such Series of HRE Pfandbriefe.

- 6.3 In the event that any Series of HRE Pfandbriefe is not realised in accordance with Clause 6.2 above, the Trustee shall, in accordance with the written instructions of the relevant Noteholders delivered to the Principal Paying Agent 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 HRE Pfandbriefe to the Noteholders of the Class of the Foreclosure Notes secured by such Series of HRE Pfandbriefe in exchange for, and upon surrender of, the Notes of such Class held by such Noteholders, and in full satisfaction of all obligations for the payment of principal of and accrued interest on such Class of the Foreclosure Notes, *provided that* the Trustee will in each case transfer and deliver or cause to be transferred and delivered such number of HRE Pfandbriefe, as applicable, representing such Series of HRE Pfandbriefe that the total principal amount of the HRE Pfandbriefe delivered to any Noteholder of such Class is equal to the aggregate Note Principal Amount of the Notes of such Class held by such Noteholder of such Class as of the date of such transfer (rounded upwards to the nearest euro).
- 6.4 Without prejudice to the instructions given by the Noteholders pursuant to Clause 6.3 above, the Trustee shall give notice to the Noteholders specifying in reasonable detail, with respect to each Class of the Foreclosure Notes, the relevant Foreclosure Amount, and (i) the enforcement procedure and the amounts and time of payment of the proceeds of foreclosure on the HRE Pfandbriefe, and (ii) the time and precise manner in which it shall deliver the relevant Series of HRE Pfandbriefe to the Noteholders of such Class.
- 6.5 The Trustee shall foreclose on the other Collateral by collecting payments owed on such Collateral unless in the professional judgement of the Trustee another method of foreclosure is desirable or expedient to protect the interests of the Noteholders.
- 6.6 Each of the Issuer and the Bank 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 Bank and the Rating Agencies of the same.
- 6.7 The Trustee shall apply the proceeds of any foreclosure of the HRE Pfandbriefe (i) first, to the Noteholders of the Class of Foreclosure Notes secured by such Series of HRE Pfandbriefe in redemption of such Class of the Foreclosure 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. The Issuer shall apply any remaining proceeds it so receives in accordance with the Priority of Payments set out in Clause 29.2(d).
- 6.8 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 6.
- 6.9 Upon the occurrence of a Foreclosure Event, the Trustee shall be obliged towards the Noteholders to effect the foreclosure on the HRE Pfandbriefe and on the other Collateral pursuant to this Clause 6 regardless of whether the Issuer performs its obligations under this Agreement, including in particular its obligations under Clauses 21 and 23.

7. REPRESENTATIONS OF THE ISSUER

7.1 The Issuer hereby represents to the Trustee that:

- (i) it is the creditor of the Collateral and it has not previously transferred, assigned, pledged

or otherwise charged the Collateral in whole or in part to any third party, except in accordance with the First Pledge Agreement; and

- (ii) no third-party rights (other than under the First Pledge Agreement) to or in relation to the Collateral have been created by it or, to the best of its knowledge, exist.

7.2 In the event that any of the Collateral proves to be invalid the Bank shall promptly, but not later than 15 calendar days after it becomes aware of the same, provide full remedy thereof or other collateral for the Notes acceptable to the Rating Agencies, as reasonably required by the Trustee in each case.

8. REPORTS; DOCUMENTS; INFORMATION

8.1 With respect to each Collection Period not later than on the 7th Munich Business Day preceding the relevant Payment Date (the "**Reporting Date**"), the Bank will provide the Trustee with a report on the performance of the Reference Pool (each a "**Pool Report**") including, *inter alia*:

- (i) with respect to each Reference Claim that is overdue, the account number, the outstanding principal amount, the interest and principal payments in arrears, repayment characteristics, the due date of the first payment in arrears, LTAV and the termination status, as of the end of such Collection Period and any interests re-sets effected during such Collateral Period;
- (ii) unless the Bank has given the Non-compliance Notice pursuant to Clause 11.1 in respect of the relevant Reference Claim(s), information on each Non-complying Reference Claim, on each Non-qualifying Reference Claim and each removal of a Reference Claim or a portion thereof, as relevant, from the Reference Pool pursuant to Provision 9 (Non-compliance) of the Reference Pool Provisions; for the avoidance of doubt, such information shall only consist of the identifier of the relevant Reference Claim pursuant to Provision 2.1(i) of the Reference Pool Provisions; *provided that* the relevant non-compliance is sufficiently recorded in the files of the Bank relating to such Reference Claim;
- (iii) information on each transfer of a Reference Claim and each removal of a Reference Claim from the Reference Pool pursuant to Provision 8 (Transfers) of the Reference Pool Provisions;
- (iv) information on the determination of each Liquidated Reference Claim and determination of the Realised Losses and their allocation, including (i) a statement to the effect that all amounts expected to be recovered in respect of any Defaulted Reference Claim and allocable to such Defaulted Reference Claim have been received by the Servicer, (ii) the time when the last such amount was received, and (iii) the amount of the Realised Losses with respect to such Defaulted Reference Claim;
- (v) the aggregate Outstanding Nominal Amount of all Liquidated Reference Claims and Defaulted Reference Claims as well as the aggregate Outstanding Nominal Amounts of all Reference Claims that were overdue for more than 30 and less than 61 calendar days, the aggregate Outstanding Nominal Amounts of all Reference Claims that were overdue for more than 60 and less than 91 calendar days and the aggregate Outstanding Nominal Amounts of all Reference Claims that were overdue for more than 90 calendar days, in each case as of the end of the Related Collection Period;
- (vi) information on Reference Claims with respect to which a Credit Event (irrespective of any waiver thereof) has occurred including the identification numbers or other identifiers assigned to such Reference Claim in the Reference Claim List, Outstanding Nominal

Amount, next re-set date, frequency of payments, repayments in arrears and information on measures taken in respect thereof;

- (vii) the Excess Spread Amount to be credited to, and each amount to be debited from, the Excess Spread Ledger on the related Payment Date, any increase of the Note Principal Amounts of any Class or Classes pursuant to Section 8.5(iii) (Loss Allocation - Excess Spread Ledger) of the Terms and Conditions and any interest payments to be made pursuant to Section 8.5(iv) (Loss Allocation - Excess Spread Ledger) of the Terms and Conditions;
- (viii) information on individual Unjustified Loss Allocations and Late Recoveries and their distribution;
- (ix) stratification tables profiling the Reference Pool in respect of the information specified in Section 14.1(1) (Investor Notification - Regular) of the Terms and Conditions;
- (x) a computation of any Cash Settlement Amounts due from the Issuer and the Senior Swap Counterparty under the Loss Guarantee and the Senior Swap, respectively;
- (xi) information it has received on the occurrence of a Default Event; and
- (xii) the amounts of principal (if any) payable on each Note on the related Payment Date.

8.2 In connection with the redemption of the Notes, the Bank will provide the Trustee with the Scheduled Maturity Report and, if applicable, the Legal Maturity Report or the Early Redemption Report at the time specified below for each such report.

"Scheduled Maturity Report" means the Pool Report to be delivered to the Trustee by the Bank on the Reporting Date immediately before the Scheduled Maturity Date which includes in addition to the information pursuant to Clause 8.1, *inter alia*, the following:

- (i) details with respect to the Overdue Reference Claims for the purposes of Section 10.2 (Redemption - Scheduled Maturity) of the Terms and Conditions; and
- (ii) redemption amounts with respect to each Note to be redeemed on the Scheduled Maturity Date.

"Legal Maturity Report" means the Pool Report to be delivered to the Trustee by the Bank on the Reporting Date immediately before the Legal Maturity Date which includes in addition to the information pursuant to Clause 8.1, *inter alia*, the following:

- (i) details with respect to Defaulted Reference Claims for the purposes of Section 10.3 (Redemption - Legal Maturity) of the Terms and Conditions;
- (ii) redemption amounts with respect to each Note then outstanding; and
- (iii) determination of Appraised Losses, if any.

"Early Redemption Report" means a report in connection with early redemption of the Notes pursuant to Section 11 (Early Redemption for Default) or Section 12 (Early Redemption by the Issuer) of the Terms and Conditions to be delivered to the Trustee by the Bank not later than on the 7th Munich Business Day prior to the Termination Redemption Date and the actual date of redemption of the Notes in accordance with Section 11 (Early Redemption for Default) of the Terms and Conditions, respectively, or the Early Redemption Date, as relevant, and including, *inter alia*:

- (i) the Termination Redemption Date or the date of the actual redemption of the Notes, or the Early Redemption Date, as relevant;
- (ii) relevant information pursuant to Clause 8.1;
- (iii) the determination of the Appraised Losses and any other determinations pursuant to the Terms and Conditions for the purposes of the early redemption, as relevant;
- (iv) the reasons for the early redemption and determinations for the purposes of Section 11.2 (Early Redemption for Default - Method and Amount) or Section 12.2 (Early Redemption by the Issuer - Deferred Redemption) of the Terms and Conditions, if relevant;
- (v) details with respect to the Overdue Reference Claims for the purposes of Section 12.2 (Early Redemption by the Issuer - Deferred Redemption) of the Terms and Conditions and Defaulted Reference Claims for the purposes of Section 12.2(c) (Early Redemption by the Issuer - Deferred Redemption) of the Terms and Conditions, if relevant;
- (vi) details with respect to the Defaulted Reference Claims for the purposes of Section 11.2 (Early Redemption for Default - Method and Amount) of the Terms and Conditions, if relevant;
- (vii) redemption amounts with respect to each Note to be redeemed on the date of the actual redemption of the Notes, the Termination Redemption Date or the Early Redemption Date, as relevant; and
- (viii) the Class or Classes of Notes with respect to which a Loss Guarantee Termination occurred.

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

- 8.3 The Bank confirms that the initial Reference Claim List as of the Cut-off Date as provided for in Provision 2.1 (Reference Claims - Identification) of the Reference Pool Provisions has been delivered to the Trustee.
- 8.4 Subject to applicable law, regulations and contractual obligations of the Bank and/or the Servicer, in particular data protection laws and regulations and statutory, regulatory and contractual bank secrecy obligations of the Bank and/or the Servicer, and subject to Clause 17.1(ii), the Bank shall provide the Trustee with such additional information, documents and facilities as the Trustee may reasonably require for the performance of the Trustee Duties.
- 8.5 The Trustee shall take delivery of the Reports and all other documents delivered to it pursuant to this Trust Agreement and shall:
- (a) keep such documents for one year after the termination of this Trust Agreement and, at the discretion of the Bank, thereafter either destroy such documents or deliver the same to the Bank; or
 - (b) forward the documents to the successor Trustee if the Trustee is replaced in accordance with Clause 25.
- 8.6 In addition, subject to applicable law, regulations and contractual obligations of the Bank and/or the Servicer, in particular data protection laws and regulations and statutory, regulatory and contractual bank secrecy obligations of the Bank and/or the Servicer, the Bank shall grant

the independent auditors of 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.

- 8.7 Without prejudice to the provisions of Clause 28, the Trustee shall comply with the applicable data protection laws and regulations and statutory, regulatory and contractual bank secrecy obligations of the Bank and/or the Servicer and shall not disclose any Report, document or other information obtained from the Bank and/or the Servicer pursuant to this Trust Agreement to any third party without prior written consent of the Bank or the Servicer, as relevant, except to an Expert duly appointed pursuant to Clause 13 or a Value Expert duly appointed pursuant to Clause 14 or a vicarious agent (*Erfüllungsgelilfe*) duly appointed pursuant to Clause 19, *provided that* applicable data protection laws and regulations and statutory, regulatory and contractual bank secrecy obligations of the Bank and/or the Servicer are observed.
- 8.8 Unless otherwise specified or agreed with the Trustee, the Bank and/or the Servicer, as relevant, shall provide the Trustee with all Reports, documents and information in accordance with Clause 30. All Reports, documents and information provided to the Trustee shall be true, accurate and complete in all material respects.

9. VERIFICATION; CONFIRMATION OF LOSS ALLOCATION; INITIATION OF PROCEDURES

- 9.1 The Trustee shall check the acceptability of the Reports and other documents delivered and information otherwise provided to it pursuant to this Trust Agreement, other than the documents provided pursuant to Clause 17.1(i) and Clause 17.3(i), in the light of all circumstances (*Plausibilitätsprüfung*). If these checks by the Trustee do not reveal that there is any breach of the conditions and requirements for Loss Allocation or any other risk for the Transaction Creditors due to any failure of the Issuer or the Bank duly to discharge its obligations under the Trustee Documents, the Trustee is not obliged to examine such Reports, documents or information any further. If, on the basis of such check, the Trustee comes to the conclusion that there is a breach of the conditions and requirements for the Loss Allocation or any other risk for the Transaction Creditors due to any failure of the Issuer or the Bank duly to discharge its obligations under the Trustee Documents, the Trustee shall promptly notify the Issuer and the Bank and shall conduct such further reviews and take such other actions, including the specific procedures set out in Clauses 10 through 12, as applicable, within the scope of the Trustee Duties and subject to Clause 15 as it, in its professional judgement, considers desirable or expedient to protect the interests of the Transaction Creditors.
- 9.2 (a) In addition to the checks pursuant to Clause 9.1 above, the Trustee shall half yearly at or about the end of each 6 month period following the Issue Date, verify the determination and allocation of Realised Losses in respect of each Reference Claim for which Realised Losses have been or are to be allocated to the Notes during such half year, in each case, including whether the Eligibility Criteria were met and whether the Servicing Standards were complied with in connection with the related Reference Claim. If on the basis of such check, the Trustee has not identified any non-compliance with any of the conditions and requirements for the Loss Allocation in respect of any such Realised Loss, the Trustee shall promptly confirm by written notification to the Issuer and the Bank the determination and allocation of such Realised Loss, *provided that*, without prejudice to Unjustified Loss Allocation and the provision set forth in the following sentence, such confirmation shall not be a condition precedent for the relevant Loss Allocation. If, on the basis of such check, the Trustee comes to the conclusion that any of the conditions and requirements for the Loss Allocation in respect of such Realised Loss have not been complied with, the Trustee shall promptly notify the Issuer, the Bank and the Rating Agencies and take such other actions, including the specific procedures set out in Clauses 10 through 12, as applicable, within the scope of its Trustee Duties and subject

to Clause 15 as it, in its professional judgement, considers desirable or expedient to protect the interests of the Transaction Creditors. For the avoidance of doubt, if the Trustee has performed its verification pursuant to this Clause 9.2(a) in respect of Realised Loss for a specific Reference Claim, the Trustee shall not be obliged, notwithstanding the procedures set out in Clauses 11 to 13, to verify the determination of such Realised Loss again at a later date.

- (b) The Trustee shall only be obliged to carry out the verifications pursuant to this Clause 9.2 if the conditions of Clause 15.2 are met.
- 9.3 The Trustee shall verify the accuracy of each Regular Notification, each Early Redemption Notification, if any, and the information to be provided to the Senior Swap Counterparty pursuant to the provisions of the Senior Swap (each, an "**Investor Notification**"), in each case, provided to the Trustee pursuant to Clause 17, by reference to the corresponding data contained in the related Reports delivered to it by the Bank pursuant to Clause 8 in respect of the relevant Collection Period.
- 9.4 The Trustee shall, within three Munich Business Days after delivery of the relevant Investor Notifications pursuant to Clause 9.3, give a written confirmation to the Issuer and to the Bank to the effect that (i) it has performed the check (*Plausibilitätsprüfung*) of the Reports referred to in Clause 9.1 and (ii) either (a) such check does not reveal any indication of breach of related conditions and requirements for the Loss Allocation nor any other risk for the Transaction Creditors due to any failure of the Issuer or the Bank duly to discharge its obligations under the Trustee Documents and on the basis of its verification pursuant to Clause 9.3 the relevant Investor Notification is accurate; or (b) on the basis of such check and verification, it has come to the conclusion that there is a breach of any related condition or requirement for Loss Allocation or any other risk for the Transaction Creditors due to any failure of the Issuer or the Bank duly to discharge its obligations under the Trustee Documents and/or any proposed Loss Allocation or payment to any Transaction Creditor may not be made in whole or in part.
- 9.5 The Trustee shall deliver to the Issuer and the Bank as soon as possible a notice (the "**Notice**") initiating the procedures, if any, pursuant to Clauses 9.1, 9.2(a), 10, 11, 12 and/or 15 (each, a "**Procedure**"). Such Notice shall provide reasonable details with respect to (i) a summary of the relevant facts and circumstances, (ii) the extent of the Trustee's disagreement with the relevant determination or calculation or other action (failure to act) of the Bank or the Issuer, if applicable, and (iii) the Trustee's reasons for such disagreement.
- 9.6 The Trustee may request, and the Bank shall provide to the Trustee, subject to Clause 17.1(ii), such further information, access to its facilities and documentation, subject to applicable law, regulations and contractual obligations of the Bank, in particular, data protection laws and regulations and statutory, regulatory and contractual bank secrecy obligations of the Bank and/or the Servicer, as the Trustee and its advisors shall require to facilitate the Procedures.

10. LOSS ALLOCATION PROCEDURE

- 10.1 In the event that the Trustee has reason to believe, on the basis of its checks pursuant to Clauses 9.1, 9.2 and 9.3, that a determination of a Defaulted Reference Claim or allocation of Realised Losses may be unjustified in whole or in part because of the determination thereof or the allocation thereof to a particular Transaction Creditor being erroneous, the Trustee shall promptly give the Issuer and the Bank notice thereof and shall proceed in accordance with Clause 13. The determination and/or allocation of Realised Losses shall be erroneous if, *inter alia*:
- (i) a Reference Claim has been determined to be a Liquidated Reference Claim without proper enforcement of such Reference Claim, including by foreclosure (*Verwertung*) on

Reference Collateral, if relevant, in accordance with the Servicing Standards;

- (ii) a Reference Claim has been determined as a Liquidated Reference Claim at a time when further proceeds could still be reasonably expected to be received on such Reference Claim; or
 - (iii) Reference Collateral securing a Reference Claim which became a Liquidated Reference Claim has been previously released in breach of the Reference Pool Provisions.
- 10.2 If the Notice is received by the Bank not later than on the 4th Munich Business Day prior to the Payment Date on which the allocation of the Realised Loss in respect of which the Notice was given should take place, such Realised Loss shall not be allocated pursuant to the Loss Allocation until and unless its due allocation is determined pursuant to Clause 13.
- 10.3 In the event that the Trustee has reason to believe, on the basis of its checks pursuant to Clauses 9.1, 9.2 and 9.3, that an Unjustified Loss Allocation or Unjustified Cash Settlement (as defined in the Loss Guarantee and the Senior Swap, respectively) has occurred, it shall notify the Issuer and the Bank accordingly. In the event that the Bank declines to confirm the occurrence of an Unjustified Loss Allocation or Unjustified Cash Settlement, the Trustee shall appoint an Expert pursuant to Clause 13 to determine whether an Unjustified Loss Allocation or Unjustified Cash Settlement has occurred, which Transaction Creditors have been affected thereby, and details of the re-instatement of the relevant Note Principal Amount of the affected Notes or reimbursement of the amounts of the Unjustified Cash Settlement.

11. REFERENCE CLAIM REMOVAL PROCEDURE

- 11.1 The Bank shall give notice (each, a "**Non-compliance Notice**") to the Trustee if any of the Eligibility Criteria, the Servicing Standards or the requirements for transfer of a Reference Claim pursuant to Provision 8 (Transfers) of the Reference Pool Provisions have not been complied with in respect of a Reference Claim (each such Reference Claim, a "**Non-complying Reference Claim**"), unless such non-compliance has been reported in the Pool Report. The Non-compliance Notice shall include the details of the non-compliance.
- 11.2 Without limitation to the requirements under Provision 9(a)(ii) (Non-compliance) of the Reference Pool Provisions, on or after the delivery date of any Non-compliance Notice, the Bank may request from the Trustee a confirmation to the effect that in the professional judgement of the Trustee:
- (i) the conditions under Provision 9(a)(A) (Non-compliance) of the Reference Pool Provisions are met;
 - (ii) the conditions under Provision 9(a)(B) (Non-compliance) 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 Realised Loss; or
 - (v) the conditions under Provision 9(b) or Provision 9(c) (Non-compliance) of the Reference Pool Provisions are met.

Such confirmation of the Trustee shall be binding in the absence of manifest error for the purposes of the Loss Allocation. The Trustee shall provide a copy of such confirmation to the Issuer. In the event the Trustee refuses to deliver such confirmation, the Trustee shall upon request of the Bank proceed in accordance with Clause 13.

11.3 Any removal of a Reference Claim or portion thereof, as relevant, from the Reference Pool pursuant to Provision 8 (Transfers) or Provision 9 (Non-compliance) of the Reference Pool Provisions will become effective as of the end of the Collection Period to which the Pool Report in which the Bank has declared removal of such Reference Claim or portion thereof, as relevant, relates.

12. REDEMPTION PROCEDURES

12.1 In the event that the Trustee has reason to believe on the basis of its checks pursuant to Clauses 9.1, 9.2 and 9.3 that a determination pursuant to Section 10 (Redemption), Section 11 (Early Redemption for Default) or Section 12 (Early Redemption by the Issuer) of the Terms and Conditions has not been made in accordance with the Terms and Conditions, it shall promptly give Notice to the Issuer and the Bank thereof and shall proceed in accordance with Clause 13. Any such determination shall be erroneous if, *inter alia*:

- (i) any Appraised Loss is determined in breach of the applicable provisions of the Terms and Conditions; or
- (ii) the determination of the aggregate Outstanding Nominal Amount of the Overdue Reference Claims or Defaulted Reference Claims, as relevant, is erroneous.

12.2 If the Notice is received by the Bank before the Determination Date preceding the relevant redemption date the redemption will be deferred until the latter of the next Payment Date or the Payment Date following the final determination of the matter(s) in respect of which the Notice was given pursuant to the procedures under Clause 13. Without prejudice to any applicable Unjustified Loss Allocation procedure, but subject to the last sentence of the first paragraph of Section 9.1 (Unjustified Loss Allocation - Reversal of Realised Loss) of the Terms and Conditions, if the Notice is received by the Bank on or after the Relevant Determination Date, the determinations in respect of which the Notice was given will be binding for the given redemption date.

13. EXPERT FOR THE PROCEDURES

13.1 Without prejudice to the provisions of Clause 13.4 below, upon giving a Notice pursuant to Clause 9.5 or receipt of a reasoned request pursuant to Clause 11.2, the Trustee shall appoint a disinterested third party that is an auditing firm of recognised standing having an office in Germany belonging to one of the five largest, measured by turn-over, accounting groups worldwide but which is not an affiliate of either the Issuer, the Bank, or the Trustee (the "**Expert**") to resolve the disputed matter. For the avoidance of doubt, the appointment of each Expert is for the purposes of obtaining an expert opinion (*Schiedsgutachten*) and not for arbitration (*Schiedsvertrag*).

13.2 Such Expert shall be selected by the Trustee in its reasonable discretion after consultation with the Bank, if practicable, having regard to the nature of the dispute and interest of the Transaction Creditors in the timely determination of the disputed issue. The Trustee shall ensure that Clause 28.2 is complied with.

13.3 The Trustee shall promptly notify the Issuer, the Bank and each of the Rating Agencies of such appointment and the nature of the dispute.

13.4 Prior to the appointment of the Expert pursuant to Clause 13.1, the Trustee may, at its sole discretion but having due regard to the interests of the Transaction Creditors, seek an amicable solution of the matter of disagreement by negotiation with the Bank.

- 13.5 Each of the Bank 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 the performance of its duties hereunder. The Bank may limit the access of any Expert to any of its information, facilities and documentation to the extent that the Bank, based on advice of in-house legal counsel, determines that such limitation is necessary in order to avoid a violation of applicable law, regulations and/or contractual obligations of the Bank, in particular data protection laws and regulations and statutory, regulatory and contractual bank secrecy obligations of the Bank and/or the Servicer.
- 13.6 Any determination by way of a written certificate of the Expert will, in the absence of manifest error, be final and binding. The Expert shall deliver such written certificate to the Trustee, with a copy to the Issuer and the Bank. To the extent that, pursuant to the findings of the Expert in such written certificate, a Realised Loss is to be determined and allocated to the Notes in accordance with the Terms and Conditions, the Trustee shall confirm such determination and allocation by written notification to the Issuer and the Bank. For the avoidance of doubt, the Trustee shall not be obliged to verify such determination and allocation to the extent such determination and allocation is final and binding.

14. EXPERT FOR DETERMINATION OF APPRAISED VALUE

- 14.1 Promptly upon receipt of the notice from the Issuer or the Bank, as the case may be, that determination of any Appraised Value is necessary for the purposes of the Transaction, including a notice of the time frame available under this Transaction for making such determination, the Trustee shall appoint one disinterested third party expert, which is a certified valuer (taxator, *Wertgutachter*) in respect of real property but which is not an affiliate of either the Issuer, the Bank or the Trustee or has been involved as an Expert or Value Expert in connection with the same Reference Claim (the "**Value Expert**") to determine the Appraised Value. Promptly upon receipt of a determination from a Value Expert which is needed as a basis to determine Appraised Loss and which would result in an Appraised Loss with respect to a Reference Claim in excess of EUR 300,000, the Trustee shall appoint a second Value Expert which shall make a second determination in respect of the Appraised Value of such Reference Claim. For the avoidance of doubt, the appointment of the Value Expert(s) is for the purposes of obtaining an expert opinion (*Schiedsgutachten*) and not for arbitration (*Schiedsvertrag*).
- 14.2 Each Value Expert shall be selected by the Trustee in its reasonable discretion having regard to the interests of the Transaction Creditors in the professional determination of the Appraised Values in timely manner. The Trustee shall ensure that Clause 28.2 is complied with and shall use all reasonable efforts to provide for a timely determination of the Appraised Values.
- 14.3 The Trustee shall promptly notify the identity of each Value Expert to the Bank, the Issuer and each of the Rating Agencies.
- 14.4 Upon request by the Trustee and/or a Value Expert, the Bank shall provide the Value Expert with such information and documents regarding the Overdue Reference Claims or Defaulted Reference Claims and access as the Value Expert may reasonably require for the determination of the Appraised Values. The Bank may limit the access of the Value Expert to any of its information, facilities and documentation of the Bank to the extent that the Bank, based on advice of in-house legal counsel, determines, that such limitation is necessary in order to avoid a violation of applicable law, regulations and contractual obligations of the Bank, in particular data protection laws and regulations and statutory, regulatory and contractual bank secrecy obligations of the Bank.
- 14.5 Any determination by way of a written certificate of a Value Expert will, in the absence of manifest error, be a final and binding determination of such Value Expert for the purposes of

determination of the Appraised Value as defined in Section 10.3 (Redemption - Legal Maturity) of the Terms and Conditions. The Value Experts shall deliver such written certificate to the Trustee with a copy to the Bank and the Issuer.

15. OBLIGATION OF THE TRUSTEE TO ACT

- 15.1 If the Trustee becomes aware on the basis of its checks pursuant to Clauses 9.1, 9.2 and 9.3 that the interests of the Transaction Creditors are at risk due to any failure by the Issuer or the Bank duly to discharge its obligations under the Trustee Documents, the Trustee shall promptly give Notice to the Issuer and the Bank thereof and, at its discretion and subject to Clause 15.2, take or initiate any of the Procedures under this Trust Agreement, appoint an Expert (pursuant to Clause 13) or a Value Expert (pursuant to Clause 14) or take such other action which the Trustee, in its professional judgement, considers desirable or expedient to protect the interests of the Transaction Creditors.
- 15.2 Subject to Clause 6.9, the Trustee shall only be obliged to perform its Trustee Duties if, and to the extent that:
- (a) it is convinced (on reasonable grounds) that its fees pursuant to Clause 21.1 will be paid and it will be indemnified 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 pursuant to Clause 21.2 (including fees for retaining an Expert, the Value Experts or an Advisor as well as fees and expenses of any third party retained in accordance with Clause 19) and against all liability, obligations and attempts to bring any action in or out of court, (the claim for such fees and indemnification, the "**Indemnification Claim**"); or
 - (b) the Issuer or, failing whom, the Bank has, upon the Trustee's request, paid an adequate advance for the Trustee's Indemnification Claim,

provided that any Indemnification Claim which shall be incurred or requested by the Trustee (i) in connection with or for a period of 30 calendar days following the occurrence of a Foreclosure Event and/or (ii) after the Termination Date, shall be deemed to have been satisfied in full by the amounts previously paid or advanced to the Trustee hereunder, except with respect to any fees, costs or expenses relating to the determination of Realised Losses (including the determination of Appraised Losses and Appraised Values).

16. REPRESENTATIONS AND UNDERTAKINGS OF THE TRUSTEE

- 16.1 The Trustee represents to the Issuer and the Bank that it is legally competent and in a position to perform the duties ascribed to it under the Trustee Documents and that, as at the time of concluding this Trust Agreement, a reason for terminating this Trust Agreement pursuant to Clause 25.1 has neither occurred nor to its best knowledge is foreseeable.
- 16.2 The Trustee undertakes without delay to provide the Issuer and the Bank with a copy of each notice it receives from a Noteholder pursuant to Section 11.1 (Early Redemption for Default - Default Events) of the Terms and Conditions.
- 16.3 The Trustee hereby acknowledges, having regard to the provisions of Clause 15.2, that the occurrence of a Default Event specified under (ii) of Section 11 (Early Redemption for Default - Default Events) of the Terms and Conditions will not, as such, give the Trustee the right to terminate this Trust Agreement under Clause 25.1, *provided that* it cannot be excluded that, with regard to all other circumstances and events, a good cause (*wichtiger Grund*) which would give the Trustee such right might occur when such Default Event occurs.

- 16.4 The Trustee undertakes not to assign, in whole or in part, the Trustee Claim. The Trustee undertakes not to transfer, assign, pledge or otherwise charge the Collateral except in accordance with the Transaction Documents.
- 16.5 The Trustee undertakes, in connection with its resignation pursuant to Clause 25.1, (i) to give the Issuer and the Bank a reasonable advance notice of its intention to give 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 notice to the Noteholders pursuant to Section 11.1(iii) (Early Redemption for Default - Default Events) of the Terms and Conditions.
- 16.6 The Trustee hereby confirms that a copy of the Terms and Conditions and the Senior Swap is available to it and that it is familiar with the terms of the Senior Swap and the Terms and Conditions.

17. UNDERTAKINGS OF THE BANK AND THE ISSUER

- 17.1 For as long as any of the Notes are outstanding the Bank shall:
- (i) as soon as practicable after publication, provide the Trustee with two copies of its latest annual report and make its latest published annual report available to the Transaction Creditors at the specified offices of the Bank and the Principal Paying Agent;
 - (ii) subject to applicable law, regulations and contractual obligations of the Bank and/or the Servicer, in particular data protection laws and regulations, and subject to statutory, regulatory and contractual bank secrecy obligations of the Bank and/or the Servicer, and internal business secrecy practice of the Bank and/or the Servicer, permit the Trustee, which is an auditing firm, or if the Trustee is not an auditing firm, its auditors, an Expert and a Value Expert to inspect books and records of the Bank and/or the Servicer for the purposes of performance of the Trustee Duties and the duties under Clause 13 and Clause 14, respectively, to give any information necessary for such purposes and to make the relevant records available for inspection;
 - (iii) subject to applicable law, regulations and contractual obligations of the Bank and/or the Servicer, in particular data protection laws and regulations, and subject to statutory, regulatory and contractual bank secrecy obligations of the Bank and/or the Servicer, and internal business secrecy practice of the Bank and/or the Servicer, execute such additional documents and take such further action as the Trustee may reasonably consider necessary or appropriate to give effect to this Trust Agreement and to ensure the validity, binding effect and enforceability of the Terms and Conditions;
 - (iv) notify the Trustee immediately of any information received that (a) the Issuer cannot discharge in full any obligation to make payments of principal and interest on the Notes pursuant to the Terms and Conditions with respect to any Payment Date, or (b) the Bank or the Issuer is in breach of any other obligations under the Transaction Documents;
 - (v) subject to applicable law, regulations and contractual obligations of the Bank and/or the Servicer, in particular data protection laws and regulations, and subject to statutory, regulatory and contractual bank secrecy obligations of the Bank and/or the Servicer, and internal business secrecy practice of the Bank and/or the Servicer, notify the Trustee if the interests of the Transaction Creditors with respect to the Reference Claims are impaired or jeopardised by any action of a third party, by sending 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;

- (vi) provide the Trustee without undue delay (after all amounts expected to be recovered in respect of any Defaulted Reference Claim and allocable to its principal amount, Accrued Interest and Enforcement Costs have been received by the Bank) with the notices pursuant to Section 8.4 (Loss Allocation - Liquidated Reference Claim Notice) of the Terms and Conditions;
 - (vii) provide the Trustee with a copy of each Investor Notification in draft form when the related Report is delivered by the Bank to the Trustee pursuant to Clause 8 on the Reporting Date or the date determined pursuant to the definition of "Early Redemption Report", immediately preceding the delivery of such Investor Notification; and
 - (viii) after the Trustee has given its confirmation pursuant to Clause 9.4(a), promptly, but not later than the Munich Business Day following the receipt thereof, (a) prepare the relevant Investor Notifications in final forms, adjusting the draft forms, as necessary, based on the Trustee's confirmation, and (b) distribute the final form of the Investor Notifications (aa) to the Issuer with a copy to the Rating Agencies, (bb) to the Noteholders pursuant to the Terms and Conditions or, if relevant, to the Principal Paying Agent for communication to the Noteholders pursuant to the Terms and Conditions and (cc) to the Senior Swap Counterparty.
- 17.2 The Bank shall send or have sent, as long as no insolvency, bankruptcy, receivership, examinership, winding-up or liquidation in respect of the Bank has occurred, to the Senior Swap Counterparty as long as the Senior Swap has not been terminated, a copy of each notice to be given to the Noteholders in accordance with the Terms and Conditions not later than on the day of the delivery of such notice to the Noteholders.
- 17.3 For as long as any of the Notes are outstanding, the Issuer shall:
- (i) as soon as practicable after publication, provide the Trustee with two copies of its latest annual financial statements and make its latest annual published financial statements available for inspection by the Transaction Creditors at the specified offices of the Bank and the Principal Paying Agent, if different;
 - (ii) execute such additional documents and take such further action as the Trustee may reasonably consider necessary or appropriate to give effect to this Trust Agreement and to ensure the validity, binding effect and enforceability of the Terms and Conditions;
 - (iii) notify the Trustee immediately if (a) it cannot discharge in full any obligation to make payments of principal or interest on the Notes pursuant to the Terms and Conditions with respect to any Payment Date, (b) it is in breach of any other obligations under the Transaction Documents, or becomes aware of a breach of any obligation of the Bank hereunder, or (c) the occurrence of (a) or (b) is imminent;
 - (iv) without delay provide the Bank and the Trustee with a notice if the Notes become due and subject to early redemption by operation of insolvency or other mandatory laws or the occurrence thereof is imminent;
 - (v) give the Bank, if different from the Principal Paying Agent, and the Trustee at least 30 calendar days notice of its replacement of the Principal Paying Agent; and
 - (vi) when requested to do so by the Bank, exercise its election right pursuant to Section 11.2(a) and (b) (Early Redemption for Default - Method and Amount) of the Terms and Conditions in accordance with the directions of the Bank.
- 17.4 For as long as any of the Notes are outstanding, the Issuer shall not be entitled without the Trustee's prior written consent (except as otherwise contemplated by the Transaction

Documents) to:

- (a) engage in any business or any other activities other than:
 - (i) the performance of its obligations under this Trust Agreement, the Notes and the other Transaction Documents;
 - (ii) the enforcement of its rights;
 - (iii) the performance of any acts which are necessary or desirable in connection with (i) or (ii) above; and
 - (iv) the execution of all further documents and undertaking of all other actions, at any time and to the extent permitted by law, which, in the professional judgement of the Trustee, are necessary or desirable having regard to the interests of the Transaction Creditors in order to ensure that the Trustee Documents are always valid and effective,
- (b) hold subsidiaries (except in the case of a substitution of the Issuer pursuant to the Terms and Conditions),
- (c) dispose of any assets, including the Collateral, or any part thereof or interest therein, except as otherwise provided in (a) above,
- (d) alienate, or create or permit to subsist any pledge or other security interest in, any assets or any part thereof or interest therein, unless permitted under (a) above,
- (e) incur further indebtedness or give any guarantee or indemnity in respect of any obligation of any person,
- (f) have any employees,
- (g) amend any of the Transaction Documents or its Memorandum and Articles of Association except as required by applicable law or requested by the Trustee,
- (h) acquire the obligations or securities of its shareholders,
- (i) commingle its assets with those of any other entity,
- (j) issue or repurchase shares or reduce its share capital or declare or pay dividends or any other distributions of any kind whatsoever, except as contemplated by the Transaction Documents,
- (k) open any bank account (except as contemplated by the Transaction Documents),
- (l) lease or otherwise acquire any real property (including office premises or like facilities),
- (m) consolidate or merge with any other person or convey or transfer its properties or assets substantially as an entirety to any other person, and
- (n) make any loans or advances to any entity.

17.5 The Issuer shall, except as contemplated in the Transaction Documents:

- (a) conduct its own business in its own name and hold itself out as a separate entity from any other person or entity,

- (b) pay its own liabilities out of its own funds,
- (c) observe all corporate formalities and other formalities required by its constitutional documents, and
- (d) maintain its status as a qualifying company in the meaning of Section 110 of the Irish Taxes Consolidation Act, 1997.

18. ACTIONS REQUIRING CONSENT

If the Issuer or the Bank requests that the Trustee grants its consent pursuant to the Trustee Documents or otherwise under the Transaction Documents, the Trustee may grant or withhold the requested consent at its discretion, taking into account the interests of the Transaction Creditors. The Trustee shall notify the Issuer, the Bank and the Senior Swap Counterparty of any material consent granted by it pursuant to this Clause 18, if so requested.

19. RETAINING OF THIRD PARTIES

- 19.1 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 (*Bürgerliches Gesetzbuch*)). A more extensive delegation of the Trustee Duties is not permitted.
- 19.2 The Trustee shall promptly notify the Rating Agencies, the Bank and the Issuer of every instruction of a third party made pursuant to Clause 19.1.
- 19.3 For the purposes of appointment of the Expert or Value Expert, the Trustee shall only be liable for the exercise of due care in the selection of the Expert and/or Value Expert. The Trustee shall not be liable for the performance of the Expert and/or Value Expert.

20. ADVISORS

- 20.1 The Trustee is authorised, in connection with the performance of the Trustee Duties, 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).
- 20.2 The Trustee may rely on such written 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 written 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.

21. FEES AND REIMBURSEMENT OF THE TRUSTEE

- 21.1 For the performance of the Trustee Duties, the Issuer will pay the Trustee a fee which shall be separately agreed between the Issuer and the Trustee with the consent of the Bank.
- 21.2 The Issuer shall bear all reasonable costs and disbursements (including costs incurred in obtaining legal advice and the costs of other Advisors) incurred, and, after reasonable consultation, if practicable, with the Bank pay all reasonable advances requested, by the Trustee in connection with the performance of the Trustee Duties, including the costs and

disbursements in connection with the Procedures and appointment of any Expert or Value Expert.

22. FEES AND EXPENSES OF THE EXPERT AND VALUE EXPERT

The Issuer shall reimburse the Trustee for all reasonable fees, costs and disbursements (including costs of the Expert's and a Value Expert's advisors) payable by the Trustee to any Expert and/or Value Expert.

23. RIGHT TO INDEMNIFICATION

The Issuer shall indemnify the Trustee against all losses, liabilities, obligations (including any taxes other than taxes on the Trustee's overall income or gains, which are imposed in the future on the services under this Trust Agreement), actions in and out of court and costs and disbursements incurred by the Trustee in connection with this Trust 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 26.

24. TAXES

24.1 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.

24.2 All payments of fees and reimbursements of expenses to the Trustee shall be increased by the amount of 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 Trust Agreement.

25. TERMINATION; REPLACEMENT

25.1 Without prejudice to Clause 25.5, the Trustee may resign as Trustee for good cause (*aus wichtigem Grund*) at any time. For the purpose of the preceding sentence, good cause (*wichtiger Grund*) shall include in particular if the Trustee is prohibited or materially restricted from performing its obligations under this Trust Agreement or the other Transaction Documents to which it is a party due to regulatory rules or requirements or the provisions of applicable German law.

25.2 Subject to Clause 25.3, the Issuer shall be authorised and obliged to revoke the appointment of the Trustee as trustee under this Trust Agreement and give immediate notice thereof to the Bank and the Rating Agencies (A) for good cause (*aus wichtigem Grund*), (B) upon the written instruction of the Senior Swap Counterparty upon the occurrence of good cause (*aus wichtigem Grund*), (C) after having been (i) so instructed in writing by Noteholders representing at least 25% of the aggregate Note Principal Amount of the Notes then outstanding upon the occurrence of good cause (*aus wichtigem Grund*) or (ii) informed by any of the Rating Agencies that the continued appointment of the Trustee in its capacity hereunder would adversely affect the then current rating of any Class of Notes by such Rating Agency.

25.3 In the case of insolvency, bankruptcy, receivership, examinership, winding-up or liquidation of the Issuer, the Trustee shall be obliged to resign, and shall give immediate notice thereof to the Bank, the Rating Agencies and the Issuer, if (A) so instructed in writing (i) by the Senior Swap Counterparty upon the occurrence of good cause (*aus wichtigem Grund*), (ii) by Noteholders representing at least 25% of the aggregate Note Principal Amount of the Notes then outstanding

upon the occurrence of good cause (*aus wichtigem Grund*) or (B) informed by any of the Rating Agencies that the continued appointment of the Trustee in its capacity hereunder would adversely affect the then current rating of any Class of Notes by such Rating Agency.

- 25.4 Notwithstanding the provisions of Clauses 25.1 through 25.3 above, in the event that the Issuer does not comply with its obligation pursuant to Section 4.2 (Trustee - Obligation to Maintain a Trustee) of the Terms and Conditions or such non-compliance, in the reasonable opinion of the Bank, is imminent, the Bank shall appoint a successor trustee.
- 25.5 Any resignation by the Trustee in accordance with Clause 25.3(A)(ii) or (B), any revocation of the appointment of the Trustee in accordance with Clause 25.2(C) and any appointment of the Trustee in accordance with Clause 25.4 shall become effective only upon (i) the appointment by the Issuer or, in case of Clause 25.3, the Trustee on behalf of the Transaction Creditors or, in the case of Clause 25.4, the Bank, of a successor trustee, which must be a bank, financial services institution, auditing firm or law 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 adversely affect the rating of the Notes, (ii) the transfer to such successor trustee of all authorities, powers and Collateral, granted to the Trustee under this Trust Agreement and the other Transaction Documents, and (iii) the acceptance by such successor trustee of such appointment and of the rights and obligations under the Trust Agreement and any other relevant Transaction Document. In the case of Clause 25.1, the Trustee shall use its best efforts to appoint a successor trustee not later than the 2nd Business Day prior to the Trustee Resignation Effective Date and for so long as no successor trustee has been appointed, the Issuer and the Bank shall have the right, in consultation with each other and the Trustee, to appoint a successor trustee and each of them shall use all reasonable efforts to appoint a successor trustee not later than the 2nd Business Day prior to the Trustee Resignation Effective Date. In the case of Clause 25.2(i) and (ii) and Clause 25.3(i), respectively, the Bank and the Issuer shall use all reasonable efforts to appoint a successor trustee which meets the requirements set forth in Clause 25.5(i) not later than on the date on which the termination becomes effective.
- 25.6 The costs incurred in connection with replacing the Trustee pursuant to Clauses 25.1 through 25.4 shall be borne by the Issuer. If the replacement pursuant to Clause 25.2 or 25.3 is due to the Trustee's conduct and such conduct does not meet the standard of care pursuant to Clause 26, the Issuer shall be entitled, without prejudice to any additional rights, to demand from the Trustee the payment of an amount equal to such costs.
- 25.7 The successor trustee appointed in accordance with Clause 25.5 shall give notice of the appointment, including its address, without delay to the Issuer, the Bank and the Rating Agencies, as relevant, in accordance with this Trust Agreement, and to the Noteholders in accordance with the Terms and Conditions, or, if this is not possible, in any other appropriate way, to the Senior Swap Counterparty pursuant to the Senior Swap.
- 25.8 The Trustee shall provide the successor trustee with a reasonably detailed report regarding its activities under or in connection with this Trust Agreement.
- 25.9 Upon the effectiveness of any replacement of the Trustee pursuant to Clause 25.4, the Trustee shall be released from the Trustee Duties but shall continue to be entitled to payments due to it under this Trust 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 Trust Agreement arising prior to or in connection with the replacement. In the case of a replacement of the Trustee, all references herein to the Trustee shall be deemed to be references to the successor trustee.
- 25.10 Notwithstanding the resignation of the Trustee pursuant to Clause 25.1, the Trustee:

- (i) shall be obliged to hold and transfer and assign to a successor trustee, if any, appointed in accordance with Clause 25 its Trustee Claim together with any Collateral then existing and held by the Trustee, and
- (ii) upon the occurrence of the Trustee Resignation Effective Date shall, for as long as no successor trustee is appointed, exercise its rights in respect of the Collateral and the payment of principal and interest on the Notes in accordance with Section 11 (Early Redemption for Default) of the Terms and Conditions to the extent that this is reasonably required to protect the interests of the Noteholders.

26. STANDARD OF CARE

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

27. EXTENT OF LIABILITY

Without prejudice to the provisions of Clause 26, the Trustee shall not be liable for: (i) any action of the Issuer or any failure to act by the Issuer, (ii) the Notes, the Collateral 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 Bank's breach of its obligations to submit any Report and any other document, information or to provide access and facilities to the Trustee or an Expert or Value Expert.

28. CONFIDENTIALITY

- 28.1 The Trustee shall ensure that its auditors, each Expert and Value Expert and their respective auditors, if relevant, and each Advisor as well as each third party retained in accordance with Clause 19 shall treat as confidential any information concerning the Borrowers and the providers of the Reference Collateral and the business operations of the Bank and the Servicer obtained in connection with the performance of their respective duties for the purposes of this Trust Agreement. The Trustee shall only disclose such information (i) to its auditors, an Expert or a Value Expert duly appointed under this Trust Agreement and/or their respective auditors, if relevant, or an Advisor or a third party retained in accordance with Clause 19, in each case, to the extent that disclosure of such information is necessary for the performance of their duties for the purposes of this Trust Agreement, (ii) if such information is or becomes generally known in a manner not attributable to the Trustee, (iii) if the Trustee is legally required to disclose such information or requested to do so by a competent public authority or (iv) if the disclosure of such information by the Trustee is legally permitted and necessary to enforce any rights arising from the Notes or the other Transaction Documents.
- 28.2 The Trustee shall ensure that each Expert and Value Expert appointed under this Trust Agreement, prior to its appointment taking effect, each auditor of the Trustee and each Advisor of the Trustee and each third party retained by the Trustee in accordance with Clause 19 which is to perform any duty pursuant to this Trust 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 Bank to the effect that the Expert, the Value Expert, the auditor, the Advisor or the third party retained as relevant, shall treat as confidential any information concerning the Borrowers and the providers of the Reference Collateral and the business operations of the

Bank and the Servicer obtained in connection with the performance of its duties in connection with this Trust Agreement.

- 28.3 Notwithstanding Clause 28.2 above, the Bank may, at its sole discretion and at any time, request each Expert and Value Expert appointed under this Trust Agreement and each auditor of the Trustee and each Advisor of the Trustee and each third party retained by the Trustee in accordance with Clause 19 which is to perform any duty pursuant to this Trust Agreement to sign a confidentiality undertaking in such form as the Bank may, in its professional judgement require to the effect that the Expert, Value Expert or auditor, as relevant, shall treat as confidential any information concerning the Borrowers and the providers of the Reference Collateral and the business operations of the Bank obtained in connection with the performance of its duties in connection with this Trust Agreement.

29. LIMITED RECOURSE; NON-PETITION AND PRIORITY OF PAYMENTS

- 29.1 Notwithstanding any other provision of this Trust Agreement, the Trustee and the Bank shall have recourse in respect of any claim against the Issuer hereunder or otherwise only in accordance with the priority of payments set out in Clause 29.2 (the "**Priority of Payments**"). The obligations of the Issuer under this Trust Agreement shall not be obligations or responsibilities of, or guaranteed by, any other person or entity. The Issuer shall have no assets available for payment of its obligations hereunder other than the amounts received under the Transaction Documents and other assets of the Issuer (but excluding, with respect to all obligations hereunder other than the Trustee Claim, the amounts received under the HRE Pfandbriefe) and such assets shall be applied in accordance with the Priority of Payments. Claims in respect of any shortfall shall be extinguished and, without prejudice to any termination rights, the failure to make any payment in respect of any such shortfall shall in no circumstances constitute default by the Issuer. Neither the Trustee nor the Bank may take steps against the Issuer to recover any sum so unpaid and, in particular, each of the Trustee and the Bank shall not petition or take any other step or action for the winding-up, examinership, liquidation or dissolution of the Issuer nor for the appointment of a liquidator, examiner, receiver or other person in respect of the Issuer or its assets.
- 29.2 (a) Any amounts received by the Issuer under the Collateral, including the proceeds from the foreclosure thereof, shall be applied to satisfy the payment obligations of the Issuer towards the Bank under the Loss Guarantee to the extent so required by the first ranking pledge of the Bank over such Collateral.
- (b) Any amounts received by the Issuer under the Collateral, including the proceeds from the foreclosure thereof, and not applied pursuant to (a) above as well as the guarantee fee received by the Issuer from the Bank under the Loss Guarantee shall be applied to satisfy the payment obligations of the Issuer under the Notes in the Order of Seniority, *provided that* any amount applied to a particular Class of Notes shall be applied *first*, to interest and *second*, to principal on such Class.
- (c) Any credit available on the Transaction Account and not applied pursuant to paragraphs (a) and (b) above (but excluding the transaction fee payable to the Issuer under the Loss Guarantee, which shall only be retained by the Issuer and/or paid as a dividend to its shareholders) shall be applied by the Issuer on any Payment Date to pay all fees, costs, charges, indemnities, losses, damages, claims, liabilities and expenses due and payable on such date in the following order of priority:
- (i) *first, pro rata*, any annual return or company fees and any other amounts of the Issuer then due and payable to governmental authorities in Ireland or elsewhere;
- (ii) *second*, any fees, costs and disbursements (including any fees, costs and

disbursements of any Expert and/or Value Expert) due and payable to the Trustee in accordance with this Trust Agreement;

- (iii) *third, pro rata*, any amounts of regular fees and expenses then due and payable to the directors and the auditors, legal advisors of the Issuer, the Shareholder Trustees, the Agents, the Cash Administrator, the Corporate Administrator, the Custodian, the Transaction Account Bank, the agent for the service of process, the Luxembourg Stock Exchange, the Rating Agencies and other operational creditors of the Issuer;
 - (iv) *fourth, pro rata*, any other amounts then due and payable by the Issuer (including, without limitation, any indemnification claims of the Issuer's directors, auditors or legal advisors, the Trustee, the Agents, the Cash Administrator, the Corporate Administrator, the Custodian or the Transaction Account Bank or the Lead Manager);
 - (v) *fifth*, any costs and expenses incurred in connection with winding up the Issuer and EUR 500 on each Payment Date falling immediately after an anniversary of the Issue Date which may be retained by the Issuer.
- (d) The proceeds of any foreclosure on the Collateral by the Trustee shall be applied in accordance with Clause 6.7 and the Issuer shall apply any proceeds it receives pursuant to Clause 6.7(iii) in accordance with paragraph (c).

"**Order of Seniority**" means *first*, Class A+, *second*, Class A, *third*, Class B, *fourth*, Class C, *fifth*, Class D, *sixth*, Class E and *seventh*, Class F Notes.

30. COMMUNICATIONS

30.1 All notices to Noteholders under this Trust Agreement shall be given in accordance with Section 15 (Form of Notices) of the Terms and Conditions. All communications under this Trust Agreement shall be made by e-mail, mail or facsimile, *provided that* notices regarding termination of this Trust Agreement or the replacement of the Trustee given by e-mail or facsimile shall promptly be confirmed by mail.

30.2 Any communication under this Trust Agreement shall be in English.

30.3 Subject to written notification of any change of address, all notices under this Trust Agreement to the parties set out below shall be directed to the following addresses:

- (a) if to the Trustee:

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft
Arnulfstrasse 126
80636 Munich
Germany

Attn.: Dr. Karl Hamberger, Burkhard Hönig
Telephone: (+49) 89 14 331 13662 / -10728
Facsimile: (+49) 89 14 331 13199
E-mail: karl.hamberger@de.ey.com / burkhard.hoenig@de.ey.com

(b) if to the Issuer:

Estate Germany 2007-I Limited
5 Harbourmaster Place
IFSC
Dublin 1
Ireland

Attn.: The Directors
Telephone: (+353) 1 680 600
Facsimile: (+353) 1 680 6050
E-mail: corporate.services@db.com

(c) if to the Bank:

Hypo Real Estate Bank AG
Prinzregentenstrasse 56
80538 Munich
Germany

Attn.: Alexander Stanischeff
Telephone: (+49) 89 2880 11161
Facsimile: (+49) 89 2880 2211161
E-mail: Alexander.Stanischeff@hyporealestate.de

(d) if to the Senior Swap Counterparty (if any):

as identified to the Trustee in a side letter to the Trustee

(e) if to Fitch:

Fitch Ratings Ltd.
101 Finsbury Pavement
London EC2A 1RS
United Kingdom

Attn.: Structured Finance Surveillance
Telephone: (+44) 207 417 4222
Facsimile: (+44) 207 417 4242
E-mail: sf_surveillance@fitchratings.com

(f) if to Moody's:

Moody's Deutschland GmbH
An der Welle 5
60322 Frankfurt am Main
Germany

Telephone: (+49) 69 70730-710
Facsimile: (+49) 69 70768-924
E-mail: monitor.cmbs@moodys.com

31. SEVERABILITY CLAUSE

If any provision of this Trust Agreement is or becomes invalid in whole or in part, the

remaining provisions shall remain unaffected thereby.

32. AMENDMENTS

- 32.1 This Trust Agreement (including this Clause 32) may only be amended by agreement of all parties hereto in writing, *provided that* any amendment shall also require the prior Rating Agency confirmation that such amendment will not adversely affect the rating of any Class of Notes.
- 32.2 For the avoidance of doubt standard business terms and conditions of the Bank as well as of the Trustee shall not apply with respect to the Transaction.

33. GOVERNING LAW; PLACE OF PERFORMANCE; JURISDICTION

- 33.1 This Trust Agreement shall be governed by the laws of the Federal Republic of Germany.
- 33.2 Place of performance for the obligations of all parties is Munich.
- 33.3 The non-exclusive place of jurisdiction for any action or other legal proceedings arising out of or in connection with this Trust Agreement shall be the District Court I (*Landgericht I*) in Munich. The Issuer hereby submits to the jurisdiction of such court. The Issuer has appointed FIDEUROP GmbH, with its seat on the Issue Date at Westhafen Tower, Westhafenplatz 1, 60327 Frankfurt am Main, Germany, as its agent who is authorised to receive service of process in relation to any legal proceedings initiated before a German court. The Issuer undertakes to maintain an agent for service of process in the Federal Republic of Germany until all of its obligations under this Trust Agreement have been fulfilled.

34. CONDITION PRECEDENT

This Trust Agreement and the rights and obligations hereunder are subject to the condition precedent that the Notes will be issued and that the Issuer's claim for the payment of the subscription monies for the Notes will be satisfied pursuant to the Subscription Agreement.

35. COUNTERPARTS

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

DESCRIPTION OF THE REFERENCE POOL

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 shall consist of certain claims (each, a "**Reference Claim**") held by the Bank for the payment of principal and interest arising from certain fixed and/or floating rate, annuity, instalment or bullet residential and small commercial mortgage loans (each, a "**Reference Loan**") of the Bank originated by the Bank and its predecessors as well as Württembergische Hypothekenbank AG pursuant to their credit and collections policies applicable to mortgage loans, consistently applied and as in effect at the time of origination, which are included in the Reference Pool as of the Cut-off Date in accordance with Provision 2.1 (Reference Claims - Identification) and not removed from the Reference Pool pursuant to Provision 8 (Transfers) or Provision 9 (Non-compliance) of the Reference Pool Provisions.

Any interest in respect of a Reference Claim capitalised since the inclusion of such Reference Claim in the Reference Pool shall not be included in the principal amount of such Reference Claim.

The aggregate Outstanding Nominal Amount of the Reference Claims included in the initial Reference Pool as at the close of business (in Munich) on January 31, 2007 (the "**Cut-off Date**") was EUR 2,279,876,790 (the "**Initial Aggregate Principal Balance**").

2. Reference Claims

2.1 Identification

Each Reference Claim forming part of the initial Reference Pool as of the Cut-off Date has been identified to the Trustee in a notice in the form set out as Schedule 1 to the Trust Agreement delivered to the Trustee on or before the Issue Date (the "**Reference Claim List**"), by reference to:

- (i) the account number and sub-account number or any other relevant identifier attributed in the records of the Bank to the Reference Claim,
- (ii) the Outstanding Nominal Amount of the Reference Claim as of the Cut-off Date,
- (iii) the repayment characteristics of the Reference Claim (annuity, instalment or bullet), and
- (iv) the number of the Borrower and the date on which the Reference Loan underlying such Reference Claim was granted.

Further details regarding each Reference Claim and the related Mortgages and other collateral are contained in the related records of the Servicer. Such records are attributable to the relevant Reference Claim by reference to the account number, the relevant sub-account number or any

other relevant identifier referred to in (i) above.

The account number, the sub-account number or any other relevant identifier attributed to a particular Reference Claim may change *provided that* the Reference Claim remains identifiable in the records of the Bank.

The Bank may maintain records and documentation relating to the Reference Claims in paper or electronic form or in any other commercially reasonable manner.

2.2 *Replacement in Debt Restructuring or Payment Rescheduling*

If, as a result of debt restructuring or payment rescheduling in compliance with the Servicing Standards, any 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, as of the date of such replacement, 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, 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 9 (Non-compliance) of the Reference Pool Provisions, and, if relevant, a Realised Loss in respect of such New Reference Claim shall include or, as the case may be, consist entirely of any amount of principal of such Reference Claim foregone 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) of the Reference Pool Provisions, will be secured by one or more mortgages within the meaning of § 1113 (1) (*Hypothek*) or § 1191 (1) (*Grundsschuld*) of the German Civil Code (*Bürgerliches Gesetzbuch*) which have been allocated to such Reference Loan pursuant to the records of the Bank (each such mortgage securing a Reference Loan, a "**Mortgage**") on one or more residential and small commercial properties (each, a "**Mortgaged Property**"). 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 Foreclosure Proceeds pursuant to Provision 5(b)(i) below.

4. **Additional Collateral**

4.1 *Additional Reference Collateral*

A Reference Claim may be secured by certain additional collateral. If a Reference Claim is

secured by any collateral, including any set-off right of the Bank, other than a Mortgage, such collateral, if and to the extent such collateral was a condition for or taken in connection with the extension or continuation of the Reference Loan relating to such Reference Claim, is referred to as the "**Additional Collateral**". The portion of any Additional Collateral securing a Reference Claim which is allocable to such Reference Claim for the purpose of the Loss Allocation pursuant to Provision 5(b) below is referred to as the "**Additional Reference Collateral**" and together with the Reference Mortgage(s) allocable to such Reference Claim, as the "**Reference Collateral**".

4.2 Release

The Bank may at any time release, or cause to be released, any Additional Collateral or reallocate any Additional Collateral to secure additional claims of the Bank in accordance with the Bank's standard business practice.

5. Allocation of Payments and Foreclosure Proceeds

(a) Allocation of Payments

Subject to Provision 5(b) below and any binding allocation of payment to a particular claim by the relevant payor, in the event that the Servicer 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 Bank's standard business practice.

(b) Allocation of Foreclosure Proceeds

For the purposes of the Loss Allocation with respect to a Reference Claim,

(i) the Foreclosure Proceeds in respect of (x) any Mortgage securing such Reference Claim, and (y) subject to (ii) below, any Additional Collateral shall be allocated in the following order of priority:

(A) *first*, towards satisfying the Accrued Interest and the Enforcement Costs with respect to such Reference Claim,

(B) *second*, towards satisfying the outstanding principal amount of such Reference Claim,

(C) *third*, to any other claims,

provided that in the case of any Mortgage securing *pari passu* such Reference Claim and one or more other Reference Claims, the Foreclosure Proceeds shall be allocated to such Reference Claim pursuant to (A) and (B) above in proportion which the outstanding principal amount of such Reference Claim bears to the aggregate outstanding principal amount of all Reference Claims secured by such Mortgage;

(ii) the Foreclosure Proceeds in respect of any Additional Collateral, if and to the extent the purpose of the Additional Collateral pursuant to an express agreement between the Bank and the Borrower(s) is to enhance exclusively the creditworthiness of the Borrower(s) in respect of such Reference Claim, shall be allocated in the following order of priority:

first, towards satisfying any claim in respect of such Reference Claim (including any Accrued Interest and Enforcement Costs in respect thereto), and

second, towards satisfying any other mortgage loan claim or other claim of the Bank secured by such Additional Collateral; and

- (iii) the Foreclosure Proceeds on any other collateral shall, if and to the extent the other collateral secures the Reference Claim under the relevant agreement with the collateral provider and subject to any allocation of such other collateral to any particular claim or claims pursuant to the records of the Bank, be allocated to such Reference Claim in proportion which the outstanding principal amount of such Reference Claim bears to the aggregate of the outstanding principal amounts of all outstanding claim(s) of the Bank secured by such other collateral (including such Reference Claim), *provided that* if such other collateral comprises mortgages, any foreclosure proceeds in respect of such mortgages shall be allocated first to any other claims of the Bank secured by such mortgage and thereafter to the Reference Claim.

"Foreclosure" means, with respect to any Mortgage, any other mortgage on the related Mortgaged Property(ies), any Additional Collateral or any other collateral securing a Reference Claim, the foreclosure on any such Mortgage, any such other mortgage, any such Additional Collateral or any such other collateral or a Property Sale, and with respect to any Reference Claim, the sale of such Reference Claim.

"Foreclosure Proceeds" means, the proceeds of any Foreclosure (after deduction of any foreclosure costs whether such deduction is made by any competent judicial authority or otherwise) received by or on behalf of the Bank in respect of any claim of the Bank, *provided that*, if the Reference Collateral and/or the Reference Claim is held by a third party the payment of the Foreclosure Proceeds on such Reference Collateral shall be deemed to have been allocated to the Bank.

(c) Non-compliance with Allocation Rules

In the event that Provisions 5(a) or (b) (Allocation of Payments and Foreclosure Proceeds - Allocation of Payments, - Allocation of Foreclosure Proceeds), as applicable, are not complied with in relation to the actual allocation of the relevant payments or Foreclosure Proceeds, such allocation shall, for the purpose of allocation hereunder and the determination of Realised Losses, be deemed to have been effected in compliance with such Provisions, and there will be no other recourse against the Bank for such non-compliance.

6. Eligibility Criteria

The following criteria (the "**Eligibility Criteria**") shall be met as of the Cut-off Date (unless expressly stated otherwise), in respect of each Reference Claim or the Reference Pool, as applicable:

- (i) the Bank is the sole creditor of such Reference Claim and such Reference Claim is free of third party rights other than (a) rights to re-transfer excess Reference Collateral and (b) security interests (including in the form of an assignment for security purposes) granted to a third party (including KfW) in connection with a finance transaction,
- (ii) such Reference Claim has been originated by the Bank and its predecessors as well as Württembergische Hypothekenbank AG in compliance with all applicable legal provisions in effect at the time of origination and all required consents, approvals and authorisations have been obtained in respect thereof, and in respect of the ability of the Bank to undertake such business,
- (iii) such Reference Claim is subject to German law, each Mortgaged Property is located in

Germany, each borrower under the relevant Reference Loan (each, a "**Borrower**") is a natural person, a civil partnership (*Gesellschaft bürgerlichen Rechts*), a limited liability company (*Gesellschaft mit beschränkter Haftung*), a general partnership (*offene Handelsgesellschaft*), a limited partnership (*Kommanditgesellschaft*), a cooperative (*Genossenschaft*), a trust (*Stiftung*), a registered association (*eingetragener Verein*), a stock corporation (*Aktiengesellschaft*) or a registered tradesman (*eingetragener Kaufmann*) and at least 99% of the number of the Borrowers were resident or had their domicile in Germany at the time the Reference Loans were granted, and to the best knowledge of the Bank at least 99% of the number of the Borrowers are resident or have their domicile in Germany,

- (iv) such Reference Claim is legally valid and enforceable in accordance with its terms and applicable provisions of law and, subject to Provision 6(vii)(b) below, all Reference Collateral is legally valid and binding and enforceable in accordance with its terms and applicable provisions of law,
- (v) such Reference Claim constitutes an unsubordinated, unconditional, irrevocable, binding and enforceable obligation of the relevant Borrower to pay its full face amount in accordance with its terms, and is neither subject to any defence, dispute, counterclaim or enforcement order or other similar claim nor (without prejudice to the Minimum LTAV of the related Reference Mortgages) subordinated in priority of payment,
- (vi) the Bank has proper documentation in place for such Reference Claim, indicating, in particular, the amounts outstanding thereunder from time to time and the related Reference Collateral,
- (vii) the Reference Loan relating to such Reference Claim is an annuity, instalment or bullet loan and is secured by either (1) one or more first ranking Mortgage(s) which, subject to Provision 6(i) and customary real rights of use such as real servitudes (*Grunddienstbarkeiten*) and other customary unregistered usufructs (*nicht eingetragene Nutzungsrechte*) and statutory priorities such as for real estate tax (*Grundsteuer*) are free from any third party prior ranking rights, or (2) in the case of a Reference Claim with a Minimum LTAV greater than 0%, subordinated Mortgage(s):
 - (a) which are in an aggregate nominal amount equal to, or in excess of, the principal amount of such Reference Claim as of the Cut-off Date,
 - (b) (A) which have been registered for the Bank in the respective land register (*Buchgrundpfandrecht*), or, in the case of certificated Mortgages, which have been registered in the respective land register and with respect to which the Bank has possession of the relevant mortgage certificate (*Briefgrundpfandrecht*) and the Bank's right to such Mortgages can be traced back via consecutive publicly certified assignment declarations to a person registered in the respective land register (§ 1155 German Civil Code (*Bürgerliches Gesetzbuch*)) or (B) for which an application for such registration has been filed, to the extent that no other unprocessed application is pending, or (C) for which the registration has been ensured by a notary, or (D) the principal amount of which is in a notarial trust account and the notary will pay it out to the relevant Borrower only upon registration at the agreed-upon rank,
 - (c) the nominal amount of which (less the amount, if any, by which such nominal amount exceeds the principal amount of the Reference Claim secured by it as of the Cut-off Date) is in each case equal to the difference between (A) the relevant Maximum LTAV and (B) the relevant Minimum LTAV (as specified in the loan to value ratio of such Reference Claim in the Reference Claim List),

"**Maximum LTAV**" means 130% (or any lower percentage specified in respect of the relevant Reference Claim in the Reference Claim List) of the Property Value.

"**Minimum LTAV**" means the percentage of the Property Value specified in respect of the loan to value ratio of the relevant Reference Claim in the Reference Claim List which expresses the maximum amount of third party and the Bank's claims to which the proceeds from foreclosure on such Mortgaged Property would be allocated in priority to the relevant Reference Claim pursuant to Provision 5(b) (Allocation of Payments and Foreclosure Proceeds - Allocation of Foreclosure Proceeds) of the Reference Pool Provisions.

"**LTAV**" (loan to appraised value) means with respect to a Reference Claim its loan to value ratio calculated as the aggregate of (i) the Outstanding Nominal Amount of such Reference Claim and (ii) the aggregate of prior ranking charges on the relevant Mortgaged Property to be taken into account for the purposes of calculating the loan to value ratio in accordance with the standard business practice of the Bank, divided by the Property Value of the relevant Mortgaged Property as last determined by the Bank, expressed as a percentage.

"**Property Value**" means the appraised value (*Beleihungswert*) of a Mortgaged Property determined pursuant to the Credit and Collection Policies (taking into account for such determination, *inter alia*, any real servitudes (*Grunddienstbarkeiten*) which are registered in the respective land register in respect of such Mortgaged Property);

- (viii) the Mortgages in respect of such Reference Claim are accessory mortgages (*Hypotheken*) or non-accessory mortgages (*Grundschulden*) in certificated or non-certificated form (*Brief- or Buchgrundpfandrechte*),
- (ix) such Reference Claim is distinguishable from other claims of the Bank,
- (x) the principal amount payable on such Reference Claim is not determined by reference to any formula or index involving any contingency and is not subject to any other contingency,
- (xi) no Borrower is in breach of any of its obligations in any material respect pursuant to the underlying loan agreement and no owner of a Mortgaged Property is in breach of any of its obligations in any material respect pursuant to the underlying collateral agreement,
- (xii) as of the Cut-off Date, (x) in respect of such Reference Claim no payment is overdue in an amount exceeding 1.1 aggregate instalments and no payment has been overdue during the last 18 months in an amount exceeding 1.1 of the aggregate instalments,
- (xiii) to the best knowledge of the Bank, no litigation is pending with respect to such Reference Claim,
- (xiv) such Reference Claim is denominated in euro,

"**euro**" or "**EUR**" means the single unified currency of the members of the European Union which adopted the euro in accordance with the Treaty on European Union, as amended,

- (xv) at least one scheduled payment of principal or interest has been made in respect of such Reference Claim,
- (xvi) the calculated final maturity of such Reference Claim falls on or before the last day of the Collection Period immediately preceding the Scheduled Maturity Date,

- (xvii) such Reference Claim has an outstanding principal amount not exceeding EUR 4,957,000, and the aggregate of the outstanding principal amounts of such Reference Claim and of all other Reference Claims against any single Borrower does not exceed EUR 4,957,000,
- (xviii) to the best knowledge of the Bank, the Borrower is not subject to Bankruptcy, moratorium or any other similar proceedings,
- (xix) the Reference Claims and the Reference Collateral comply with the information (including the account number, the principal balance, the interest rate, the payment frequency, Maximum LTAV, Minimum LTAV and the maturity date) provided in respect of the Reference Pool (a) in the Prospectus dated on or about October 4, 2007 published in relation to the issue of the Notes (the "**Prospectus**") and (b) in the Reference Claim List, and neither the Borrower nor the Servicer may unilaterally increase the principal balance of such Reference Claim or extend its term other than in accordance with the Servicing Standards,
- (xx) such Reference Claim and the related Reference Collateral can be identified in the files of the Servicer on the basis of the Reference Claim List,
- (xxi) each Mortgaged Property relating to such Reference Claim has been appraised in accordance with the Bank's appraisal guidelines for German residential and small commercial mortgages as they were applied at the time of the relevant appraisal,
- (xxii) if the Reference Loan relating to such Reference Claim is a bullet loan (i.e. where the entire principal amount is to be repaid at maturity), then, to the extent that the extension of such Reference Loan has been approved by the Bank in connection with a life insurance policy, building society savings contract (*Bausparvertrag*) or an investment funds savings contract (*Investmentsparvertrag*) as substitute for ongoing repayment of such Reference Loan, such Reference Loan (including such Reference Claim) is secured by assignment or pledge, as relevant, of (A) the repurchase claim of a life insurance policy, (B) the payment claim under the building society savings contract (*Bausparvertrag*) or (C) the payment claim under the investment funds savings contract (*Investmentsparvertrag*),
- (xxiii) no agreement has been concluded or is being negotiated with the Borrower of such Reference Claim as a result of credit impairment according to which its repayment would be suspended,
- (xxiv) no enforcement proceedings have been commenced by the Bank against the Borrower or provider of the related Reference Collateral,
- (xxv) without prejudice to any risk transfer between the Bank and affiliated companies of the Bank, neither the Bank nor any person affiliated with it carries direct or indirect obligations of liability for the performance of such Reference Claim or for any related Reference Collateral,
- (xxvi) such Reference Claim is not a capitalising or accreting loan claim,
- (xxvii) all construction has been completed on each Mortgaged Property,
- (xxviii) the Bank has not, during the 12 months immediately preceding the Cut-off Date, or if originated less than 12 months before the Cut-off Date, since the date of the origination of the Reference Loan relating to such Reference Claim, entered into any arrangement with the Borrower to restructure such Reference Loan or otherwise entered into or

permitted any waiver of the Bank's rights under or in relation to such Reference Loan which could reasonably be expected to reduce the value of such Reference Loan, and

(xxix) pursuant to the documentation of the Reference Loan relating to such Reference Claim, the relevant Borrower has the obligation to enter into a fire insurance contract.

Compliance with the Eligibility Criteria as of the Cut-off Date is, subject to Provision 9 (Non-compliance) of the Reference Pool Provisions, a condition for the Loss Allocation and does not constitute an obligation of the Bank or the Issuer.

7. Servicing Standards

The administration, collection and enforcement of each Reference Claim, including the foreclosure on any related Reference Collateral, will be carried out by the Servicer in accordance with the Servicing Standards.

"**Servicing Standards**" means the Servicing Principles and the Credit and Collection Policies, *provided that* in case of any inconsistency between the Servicing Principles and the Credit and Collection Policies, the Servicing Principles shall prevail.

"**Servicing Principles**" means the servicing principles set out in Appendix C to the Terms and Conditions. The Servicing Principles constitute an integral part of the Terms and Conditions.

"**Credit and Collection Policies**" means the standard credit and collection policies of the Servicer applicable to mortgage loans as in effect from time to time in accordance with the Servicing Principles, consistently applied by the Servicer.

Compliance with the Servicing Standards is, subject to Provision 9 (Non-compliance) of the Reference Pool Provisions, a condition to Loss Allocation and does not constitute an obligation of the Bank, the Servicer (if different) or the Issuer.

8. Transfers

Notwithstanding any assignment of a Reference Claim for security purposes, any Reference Claim may be transferred after the Issue Date to:

- (A) a third party (other than any consolidated German banking affiliates of the Bank), *provided that* (without prejudice to any substitution of the Servicer in accordance with the Servicing Principles):
 - (i) the Servicer remains responsible for the servicing of the relevant Reference Claim in accordance with the Servicing Standards and the Bank remains responsible for the determination and allocation of Realised Losses in respect of such Reference Claim in accordance with the Terms and Conditions,
 - (ii) the standards of servicing and the determination and allocation of Realised Losses remain unchanged upon such transfer,
 - (iii) the obligations of the Bank under the Transaction Documents continue to be complied with, and
 - (iv) in the professional judgement of the Trustee such transfer shall not adversely affect the interests of the Transaction Creditors; or

- (B) any consolidated German banking affiliates of the Bank, *provided that* the requirements under (A) (i) through (iii) are met.

The Reference Pool and the rights and obligations under the Terms and Conditions including the Loss Allocation shall not be affected by a transfer of a Reference Claim in accordance with this Provision 8.

The Bank may remove any Reference Claim transferred to any third party from the Reference Pool in accordance with the procedures set out in the Trust Agreement.

9. Non-compliance

- (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 on or after the Cut-off Date any Servicing Standard, or (iii) any requirement for transfer of such Reference Claim pursuant to Provision 8 (Transfers) of the Reference Pool Provisions is not complied with in any material respect with regard to the interests of the Transaction Creditors at the relevant time in relation to any Reference Claim, the Bank may remove such Reference Claim from the Reference Pool in accordance with the procedures set out in the Trust Agreement. Any such Reference Claim shall not qualify for the allocation of Realised Losses pursuant to the Loss Allocation, unless:

- (A) the Trustee has confirmed in writing to the Bank that in its professional judgement it can conclude that such non-compliance could not cause a Realised Loss (whether actual or potential) with respect to such Reference Claim which would otherwise not arise,

or, in each case, (if the non-compliance can be fully remedied)

- (B) such non-compliance (and any adverse effects of such non-compliance on the interest of the Transaction Creditors) is fully remedied (i) within 30 calendar days after the Bank has become aware of such non-compliance (whether by notification from the Trustee or otherwise) and (ii) prior to occurrence of a Credit Event;

provided that:

- (i) if the Eligibility Criteria or Servicing Standards are not met in part only in respect of such Reference Claim, the Bank may remove such portion of such Reference Claim from the Reference Pool which is necessary to cure such partial non-compliance and the remaining portion of the Reference Claim shall continue to qualify for the Loss Allocation; 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 out 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 has confirmed in writing to the Bank that it can conclude that the relevant non-compliance has not resulted in or contributed to such Realised Loss, and
- (iii) in the case of breach of the Eligibility Criterion under Provision 6(xvi) (Eligibility Criteria - *Reference Claim final maturity criterion*) of the Reference Pool Provisions or the Servicing Principles related 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 Scheduled Maturity Date.

- (b) If any of the Eligibility Criteria is not complied with in respect of the Reference Pool (as opposed to a specific Reference Claim) the 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 the addition of which to the Reference Pool resulted in such non-compliance from the Reference Pool, the Bank may effect such removal in accordance with the Terms and Conditions and the Trust Agreement and such removal shall constitute full remedy of such non-compliance pursuant to (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 professional judgement of the Bank, contributed to the non-compliance to the greatest extent so that the removal of such Reference Claim in the professional judgement of the Bank cures such non-compliance in the most efficient manner.
- (c) If (i) under any Eligibility Criterion the Outstanding Nominal 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 the 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 Issue Date, would not have remedied the non-compliance of such Eligibility Criterion.
- (d) Except as set out in this Provision 9 there shall be no recourse against the Bank, the Servicer or the Issuer for any non-compliance with the Eligibility Criteria, Servicing Standards and/or requirements for transfer of a Reference Claim pursuant to Provision 8 (Transfers) of the Reference Pool Provisions. To the extent that a Realised Loss in respect of any Reference Claim may not be allocated to the Notes pursuant to paragraphs (a) through (c), such Reference Claim shall be referred to as a "**Non-qualifying Reference Claim**".

Information Tables regarding the Initial Reference Pool

The following tables (the "**Information Tables**") set out, as of the Cut-off Date, the number, the current Outstanding Nominal Amounts, the term to the next interest reset date and other characteristics of the Reference Claims. (The sum of the Outstanding Nominal Amounts and the percentages in the following tables may not equal the totals due to rounding.) The Outstanding Nominal Amounts are denominated in EUR.

A Reference Claim may be removed from the Reference Pool or a substitution effective as of the Cut-off Date may be made for certain Reference Claims prior to the Issue Date. This may result in changes to certain characteristics of the Reference Pool as of the Issue Date in comparison with the description of the Reference Pool set out in this Prospectus as of the Cut-off Date. 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. The actual characteristics of the Reference Pool will change over time primarily as a result of amortisation in the Reference Pool.

Reference Claims by Range of Current Principal Balances

Range of Current Principal Balances (EUR)	Number of Reference Claims	%	Balance of Reference Claims (EUR)	%
0.01 - 25,000.00	260	5.3%	3,416,736	0.1%
25,001 - 50,000.00	385	7.9%	14,814,685	0.6%
50,000.01 - 75,000.00	350	7.2%	21,592,381	0.9%
75,000.01 - 100,000.00	332	6.8%	28,884,721	1.3%
100,000.01 - 125,000.00	264	5.4%	29,587,234	1.3%
125,000.01 - 150,000.00	237	4.9%	32,345,246	1.4%
150,000.01 - 200,000.00	389	8.0%	67,848,464	3.0%
200,000.01 - 250,000.00	299	6.2%	67,019,923	2.9%
250,000.01 - 300,000.00	246	5.1%	67,721,944	3.0%
300,000.01 - 350,000.00	192	3.9%	62,232,580	2.7%
350,000.01 - 400,000.00	176	3.6%	65,793,761	2.9%
400,000.01 - 450,000.00	154	3.2%	65,205,960	2.9%
450,000.01 - 500,000.00	161	3.3%	76,202,338	3.3%
500,000.01 - 750,000.00	467	9.6%	285,076,880	12.5%
750,000.01 - 1,000,000.00	285	5.9%	247,371,573	10.9%
1,000,000.01 - 1,250,000.00	213	4.4%	237,488,395	10.4%
1,250,000.01 - 1,500,000.00	143	2.9%	193,938,964	8.5%
1,500,000.01 - 1,750,000.00	90	1.9%	144,012,341	6.3%
1,750,000.01 - 2,000,000.00	44	0.9%	82,465,015	3.6%
2,000,000.01 - 2,500,000.00	79	1.6%	173,387,968	7.6%
2,500,000.01 - 3,000,000.00	44	0.9%	119,977,228	5.3%
3,000,000.01 - 3,500,000.00	20	0.4%	66,121,495	2.9%
3,500,000.01 - 4,000,000.00	13	0.3%	48,686,074	2.1%
4,000,000.01 - 4,500,000.00	14	0.3%	59,506,645	2.6%
4,500,000.01 - 5,000,000.00	4	0.1%	19,178,242	0.8%
5,000,000.01 -	0	0.0%	0	0.0%
Total:	4,861	100%	2,279,876,790	100%
Min	161			
Max	4,956,959			
Avg	469,014			

Reference Claims by Range of Original Principal Balances

Range of Original Principal Balances (EUR)	Number of Reference Claims	%	Original Principal Balances of Reference Claims (EUR)	%
0.01 - 25,000.00	64	1.3%	1,071,281	0.0%
25,001 - 50,000.00	205	4.2%	7,801,734	0.3%
50,000.01 - 75,000.00	296	6.1%	17,586,755	0.6%
75,000.01 - 100,000.00	245	5.0%	21,064,172	0.7%
100,000.01 - 125,000.00	297	6.1%	32,506,923	1.1%
125,000.01 - 150,000.00	210	4.3%	28,383,722	1.0%
150,000.01 - 200,000.00	411	8.5%	69,967,963	2.4%
200,000.01 - 250,000.00	301	6.2%	66,487,488	2.3%
250,000.01 - 300,000.00	301	6.2%	80,461,560	2.8%
300,000.01 - 350,000.00	237	4.9%	76,023,420	2.6%
350,000.01 - 400,000.00	197	4.1%	72,988,118	2.5%
400,000.01 - 450,000.00	144	3.0%	60,808,786	2.1%
450,000.01 - 500,000.00	122	2.5%	57,506,052	2.0%
500,000.01 - 750,000.00	619	12.7%	367,458,751	12.7%
750,000.01 - 1,000,000.00	318	6.5%	272,136,979	9.4%
1,000,000.01 - 1,250,000.00	246	5.1%	270,791,862	9.4%
1,250,000.01 - 1,500,000.00	177	3.6%	240,751,961	8.3%
1,500,000.01 - 1,750,000.00	134	2.8%	211,378,808	7.3%
1,750,000.01 - 2,000,000.00	67	1.4%	123,560,900	4.3%
2,000,000.01 - 2,500,000.00	106	2.2%	233,502,004	8.1%
2,500,000.01 - 3,000,000.00	75	1.5%	200,871,871	7.0%
3,000,000.01 - 3,500,000.00	25	0.5%	81,351,566	2.8%
3,500,000.01 - 4,000,000.00	22	0.5%	81,674,203	2.8%
4,000,000.01 - 4,500,000.00	19	0.4%	80,072,048	2.8%
4,500,000.01 - 5,000,000.00	8	0.2%	37,634,416	1.3%
5,000,000.01 -	15	0.3%	94,787,021	3.3%
Total:	4,861	100%	2,888,630,363	100%
Min	2,556			
Max	11,647,229			
Avg	619,295			

Current LTAV by Reference Claims

Current LTAV	Number of Reference Claims	%	Balance of Reference Claims (EUR)	%	Balance of Property Value (EUR)	%	Third party ranking rights (EUR)
0% - 10%	358	7.4%	29,978,771	1.3%	599,644,479	10.8%	1,090,690
10% - 20%	436	9.0%	100,134,854	4.4%	691,643,568	12.4%	3,887,037
20% - 30%	545	11.2%	175,648,571	7.7%	753,241,806	13.5%	10,487,976
30% - 40%	531	10.9%	227,237,396	10.0%	689,194,519	12.4%	12,932,576
40% - 50%	588	12.1%	314,776,604	13.8%	741,169,299	13.3%	18,085,476
50% - 60%	637	13.1%	354,110,372	15.5%	694,729,002	12.5%	26,274,307
60% - 70%	544	11.2%	315,254,816	13.8%	501,064,234	9.0%	10,480,961
70% - 80%	521	10.7%	328,029,218	14.4%	452,839,328	8.1%	9,838,503
80% - 90%	309	6.4%	188,503,008	8.3%	229,753,462	4.1%	5,883,456
90% - 100%	188	3.9%	120,851,980	5.3%	133,516,045	2.4%	5,876,361
100% - 110%	78	1.6%	50,448,690	2.2%	49,289,667	0.9%	1,095,951
110% - 120%	47	1.0%	22,201,575	1.0%	20,476,271	0.4%	1,385,855
120% - 130% *	79	1.6%	52,700,936	2.3%	11,913,203	0.2%	1,559,437
Total	4,861	100%	2,279,876,790	100%	5,568,474,883	100%	108,878,586

* For 59 Reference Claims property valuation data was not available in electronic format. In these cases, the LTV was set to 130%

WA LTAV	59.2%
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Distribution by Seasoning

Seasoning (Years)	Number of Reference Claims	%	Balance of Reference Claims (EUR)	%
0 - 3	22	0.5%	21,097,112	0.9%
3 - 4	9	0.2%	10,731,759	0.5%
4 - 5	105	2.2%	67,759,887	3.0%
5 - 6	183	3.8%	92,385,997	4.1%
6 - 7	382	7.9%	178,705,089	7.8%
7 - 8	638	13.1%	302,142,574	13.3%
8 - 9	750	15.4%	392,890,206	17.2%
9 - 10	535	11.0%	234,105,427	10.3%
10 - 11	296	6.1%	124,265,610	5.5%
11 - 12	213	4.4%	118,047,441	5.2%
12 - 13	176	3.6%	111,579,170	4.9%
13 - 14	288	5.9%	178,937,858	7.8%
14 - 15	130	2.7%	72,322,575	3.2%
15 -	1,134	23.3%	374,906,084	16.4%
Total:	4,861	100%	2,279,876,790	100%
WA (Years)	10.9			

Distribution by Remaining Term

Remaining Term to Maturity (Years)	Number of Reference Claims	%	Balance of Reference Claims (EUR)	%
0 - 2	156	3.2%	16,182,383	0.7%
2 - 4	165	3.4%	24,274,247	1.1%
4 - 6	167	3.4%	35,684,621	1.6%
6 - 8	158	3.3%	54,450,509	2.4%
8 - 10	222	4.6%	77,223,025	3.4%
10 - 12	261	5.4%	97,192,590	4.3%
12 - 14	397	8.2%	147,379,334	6.5%
14 - 16	333	6.9%	148,023,801	6.5%
16 - 18	458	9.4%	202,702,926	8.9%
18 - 20	320	6.6%	185,039,567	8.1%
20 - 22	237	4.9%	136,315,257	6.0%
22 - 24	324	6.7%	154,231,201	6.8%
24 - 26	356	7.3%	183,618,126	8.1%
26 - 28	483	9.9%	261,483,679	11.5%
28 - 30	287	5.9%	165,238,375	7.2%
30 -	537	11.0%	390,837,150	17.1%
Total:	4,861	100%	2,279,876,790	100%
Min (Years)	0.1			
Max (Years)	56.2			
WA (Years)	22.1			

Distribution by Term to Reset

Term To Reset (in years)	Number of Loans	% of Initial Mortgage Pool	Aggregate Current Principal Balance	% of Initial Mortgage Pool
<= 0.00	186	3.83	107,200,156	4.70%
0 - 1	1,175	24.17	493,312,626	21.64%
1 - 2	924	19.01	436,224,414	19.13%
2 - 3	761	15.66	350,431,807	15.37%
3 - 4	515	10.59	233,679,851	10.25%
4 - 5	309	6.36	158,267,646	6.94%
5 - 6	168	3.46	96,434,113	4.23%
6 - 7	236	4.85	146,541,634	6.43%
7 - 8	165	3.39	91,783,118	4.03%
8 - 9	164	3.37	73,080,071	3.21%
9 - 10	205	4.22	71,980,358	3.16%
10 - 11	22	0.45	3,663,344	0.16%
11 - 12	12	0.25	3,772,838	0.17%
12 - 13	10	0.21	8,614,605	0.38%
13 - 14	7	0.14	3,565,922	0.16%
16 - 17	1	0.02	870,190	0.04%
17 - 18	1	0.02	454,099	0.02%
Total:	4,861	100	2,279,876,790	100%

Min (Years)	0
Max (Years)	17.2
WA (Years)	3.1

Distribution by Current Interest Rate

Current Interest Rate (%)	Number of Reference Claims	%	Balance of Reference Claims (EUR)	%
3.01 - 3.50	69	1.4%	26,210,050	1.2%
3.51 - 4.00	133	2.7%	52,664,368	2.3%
4.01 - 4.50	502	10.3%	234,728,121	10.3%
4.51 - 5.00	900	18.5%	454,617,044	19.9%
5.01 - 5.50	921	19.0%	467,705,778	20.5%
5.51 - 6.00	1,166	24.0%	539,561,397	23.7%
6.01 - 6.50	955	19.7%	397,943,279	17.5%
6.51 - 7.00	185	3.8%	82,391,686	3.6%
7.01 - 7.50	22	0.5%	12,934,211	0.6%
7.51 - 8.00	7	0.1%	9,076,439	0.4%
8.51 - 9.00	1	0.0%	2,044,416	0.1%
Total:	4,861	100%	2,279,876,790	100%
Min (%)	3.05			
Max (%)	8.57			
WA (%)	5.39			

Distribution by Interest Payment Frequency

Interest Payment Frequency	Number of Reference Claims	%	Balance of Reference Claims (EUR)	%
Monthly	2,934	60.4%	1,606,455,521	70.5%
Bimonthly	1	0.0%	4,146,702	0.2%
Quarterly	1,864	38.3%	646,823,286	28.4%
Semi -Annually	51	1.0%	13,337,486	0.6%
Annually	11	0.2%	9,113,795	0.4%
Total:	4,861	100%	2,279,876,790	100%

Distribution by Principal Payment Frequency

Principal Payment Frequency	Number of Reference Claims	%	Balance of Reference Claims (EUR)	%
Monthly	2,705	55.6%	1,431,652,580	62.8%
Bimonthly	1	0.0%	4,146,702	0.2%
Quarterly	1,631	33.6%	529,207,611	23.2%
Semi -Annually	223	4.6%	69,830,681	3.1%
Annually	9	0.2%	10,282,056	0.5%
No Amortisation / Amortisation Substitute	292	6.0%	234,757,159	10.3%
Total:	4,861	100%	2,279,876,790	100%

Distribution by Repayment Type

Repayment Type	Number of Reference Claims	%	Balance of Reference Claims (EUR)	%
Annuity	4,375	90.0%	1,969,961,798	86.4%
Annuity, amortisation suspended *)	234	4.8%	204,930,339	9.0%
Bullet	58	1.2%	29,826,820	1.3%
Instalment	194	4.0%	75,157,833	3.3%
Total:	4,861	100%	2,279,876,790	100%

*) Suspended Amortisations generally refer to situations where the borrower has been authorised by the Bank to suspend the amortisation while assigning the surrender value of an amortisation substitute to the Bank e.g. a life insurance policy. At the maturity of the loan the accumulated balance of the amortisation substitute will be used to reduce the principal balance of the loan. This category also includes loans where amortisation was agreed as a result of a positive assessment of the credit quality of the borrower by the Bank to begin only at the next reset date. Loans where amortisation was suspended in the wake of deterioration of borrower payment morale or of borrower credit quality were not included in the pool.

Distribution by Originator

Originator	Number of Reference Claims	%	Balance of Reference Claims (EUR)	%	WA LTAV
Bayerische Handelsbank AG	1,132	23.3%	624,274,475	27.4%	51.8%
Nürnberger Hypothekenbank AG	1,482	30.5%	602,914,406	26.4%	57.4%
Süddeutsche Bodencreditbank AG	1,115	22.9%	479,270,388	21.0%	66.1%
Württembergische Hypothekenbank AG	496	10.2%	315,776,909	13.9%	65.1%
Westfälische Hypothekenbank AG	608	12.5%	236,924,850	10.4%	66.3%
Hypo Real Estate Bank AG	28	0.6%	20,715,763	0.9%	59.7%
Total:	4,861	100%	2,279,876,790	100%	59.2%

Distribution by Borrower Type

Borrower Type	Number of Reference Claims	%	Balance of Reference Claims (EUR)	%
Company	2,936	60.4%	1,229,125,334	53.9%
Individual	1,925	39.6%	1,050,751,456	46.1%
Total:	4,861	100%	2,279,876,790	100%

Properties by Federal State

Federal State	Number of Properties	%	Balance of Reference Claims (EUR)	%	Balance of Property Value (EUR)	%
North Rhine-Westphalia	860	22.9%	434,037,551	19.0%	1,140,861,084	20.5%
Bavaria	558	14.9%	380,767,902	16.7%	1,099,854,920	19.8%
Baden-Wuerttemberg	221	5.9%	141,797,499	6.2%	404,184,009	7.3%
Lower Saxony	341	9.1%	125,929,372	5.5%	362,921,497	6.5%
Hesse	217	5.8%	143,141,842	6.3%	351,978,551	6.3%
Hamburg	116	3.1%	74,280,106	3.3%	306,620,435	5.5%
Schleswig Holstein	109	2.8%	56,865,555	2.5%	146,150,937	2.6%
Rhineland-Palatinate	38	1.0%	29,970,368	1.3%	69,085,983	1.2%
Bremen	10	0.2%	7,757,030	0.3%	21,137,610	0.3%
Saarland	3	0.1%	3,204,903	0.1%	3,940,229	0.1%
West Total	2,473	65.8%	1,397,752,129	61.3%	3,906,735,255	70.1%
Saxony	414	11.0%	238,515,696	10.5%	437,343,817	7.9%
Saxony-Anhalt	181	4.8%	135,419,164	5.9%	261,601,047	4.7%
Mecklenburg-Western Pomerania	165	4.4%	108,991,556	4.8%	222,951,310	4.0%
Brandenburg	147	3.9%	112,112,859	4.9%	207,152,281	3.7%
Thuringia	160	4.3%	101,490,380	4.5%	211,740,458	3.8%
East Total	1,067	28.4%	696,529,655	30.6%	1,340,788,913	24.1%
Berlin	216	5.8%	185,595,007	8.1%	320,950,715	5.8%
Total:	3,756	100%	2,279,876,790	100%	5,568,474,883	100%

Properties by Property Type

Property Type	Number of Properties	%	Balance of Reference Claims (EUR)	%	Balance of Property Value (EUR)	%
Single Family House/Row House/Terrace House	166	4.4%	60,099,922	2.6%	109,445,056	2.0%
Flat	228	6.1%	52,518,884	2.3%	70,075,653	1.3%
Total Residential	394	10.5%	112,618,805	4.9%	179,520,709	3.2%
Multi Family House	1,313	*	132,501,442	5.8%	806,743,254	14.5%
<250k	517	*	187,660,988	8.2%	647,972,645	11.6%
250k - 500k	283	*	173,666,138	7.6%	433,839,343	7.8%
500k - 750k	187	*	161,836,949	7.1%	364,869,706	6.6%
750k - 1m	308	*	416,886,091	18.3%	822,475,188	14.8%
1m - 2m	92	*	255,553,564	11.2%	464,026,621	8.3%
>2m						
Total Multi Family House	2,700	71.9%	1,328,105,171	58.3%	3,539,926,757	63.6%
Office/Administration Building	211	5.6%	277,661,177	12.2%	609,806,862	11.0%
Shopping Centre	103	2.7%	132,873,252	5.8%	269,177,643	4.8%
Store-/ Office-/ Warehousebuilding	104	2.8%	110,222,536	4.8%	218,116,893	3.9%
Restaurant/Hotel/Hostel	55	1.5%	76,917,583	3.4%	175,565,230	3.2%
Nursing Home	22	0.6%	35,116,976	1.5%	83,726,404	1.5%
Clinic/ Medical Building	24	0.6%	31,626,167	1.4%	110,415,969	2.0%
Inventory Warehouse (Industrial Building)	20	0.5%	27,050,498	1.2%	61,323,506	1.1%
School/Kindergarten/Education Services	16	0.4%	25,048,399	1.1%	46,446,168	0.8%
Retirement Home	19	0.6%	19,562,979	0.9%	46,098,718	0.8%
Car Sales & Repair Shop	19	0.5%	16,937,839	0.7%	35,790,149	0.6%
Other Commercial Usage	69	1.8%	86,135,409	3.8%	192,559,875	3.5%
Total Commercial	662	17.6%	839,152,814	36.8%	1,849,027,417	33.2%
Total Residential	394	10.5%	112,618,805	4.9%	179,520,709	3.2%
Total Multi Family House	2,700	71.9%	1,328,105,171	58.3%	3,539,926,757	63.6%
Total Commercial	662	17.6%	839,152,814	36.8%	1,849,027,417	33.2%
Total	3,756	100%	2,279,876,790	100%	5,568,474,883	100%

* By Property Value

Distribution by Occupancy Type of Property

Occupancy Type	Number of Properties	%	Balance of Reference Claims (EUR)	%	Balance of Property Value (EUR)	%
Buy To Let	3,522	93.8%	2,132,869,632	93.6%	5,154,610,465	92.6%
Owner Occupied	234	6.2%	147,007,158	6.4%	413,864,418	7.4%
Total:	3,756	100%	2,279,876,790	100%	5,568,474,883	100%

"Buy To Let" means that the property is either fully let or at least 50% of the property is let.

"Owner Occupied" means that the property is either fully owner-occupied or at least 50% of the property are owner-occupied.

REFERENCE POOL SERVICING

The Servicer will service the Reference Claims in accordance with the Credit and Collection Policies and the following Servicing Principles. The Servicing Principles are attached as Appendix C to the Terms and Conditions and constitute an integral part of the Terms and Conditions.

Servicing Principles

1. Common Principles

1.1 General

In administering, collecting and enforcing the Reference Claims and/or foreclosing on the Reference Collateral (collectively the "**servicing**" and to "**service**") the Servicer will at any time act as a reasonable creditor in the protection of its own interests acting reasonably in accordance with its general business practices taking into account the interests of the Transaction Creditors. In the case of a conflict of interest between the interests of the Transaction Creditors and the interests of the Bank or a third party with regard to servicing of the Reference Claims, the Servicer will not place the interests of any of the Transaction Creditors in a less favourable position than the interests of the Bank, or such third party. In the case of a conflict of interest among the interests of the Senior Swap Counterparty and the Noteholders, the Servicer will give priority to the interests of the Senior Swap Counterparty and the holders of the Class A+ Notes and then, among the Noteholders, to the interests of the Noteholders of the Class of Notes which then ranks most senior for the purposes of the Loss Allocation.

The Servicer will take all measures it deems necessary or appropriate in its due professional judgement to service the Reference Claims which are necessary to comply with supervisory requirements and will refrain from acting when so required by applicable law, regulations or a competent regulator.

Unless otherwise provided herein, the Servicer will perform its duties in the course of servicing the Reference Claims in compliance with the Credit and Collection Policies.

For the avoidance of doubt, the Servicing Principles do not require the Servicer to take any measure (or refrain from acting) in the course of servicing of the Reference Claim when doing so could jeopardise the Loss Allocation.

Compliance with the Servicing Standards is, subject to Provision 9 (Non-compliance) of the Reference Pool Provisions, a condition to the Loss Allocation and does not constitute an obligation of the Bank, the Servicer (if different) or the Issuer.

The servicing will be carried out by the Bank (the "**Servicer**" which term shall include any substitute servicer appointed in accordance with these Servicing Principles).

1.2 Amendments

The Bank and the Trustee may agree at any time to amend or supplement the Servicing Principles, *provided that* any such amendment or supplement does not adversely affect the interests of any Transaction Creditor in a material manner, unless otherwise required by mandatory provisions of law, and the Rating Agencies receive notice thereof from the Bank.

The Bank may amend or supplement the Credit and Collection Policies in its sole discretion from time to time, *provided that* (A) if any such amendment or supplement is inconsistent with the Servicing Principles, it will not be applied with respect to the Reference Pool, (B) if such amendment or

supplement may, in the professional judgement of the Bank, adversely affect the determination of the Realised Losses, Credit Events, or Appraised Values from the perspective of any of the Transaction Creditors, it will not be applied to the Reference Claims without prior consent of the Trustee, unless in the case of each of (A) or (B) otherwise required by mandatory provisions of law and (C) to the extent such amendment or supplement, in the professional judgement of the Bank, affects or may affect the interests of the Transaction Creditors, the Rating Agencies receive notice thereof from the Bank.

2. Adjustment of Loan Rates

In respect of any reset date, the Servicer will propose a new interest rate to the Borrower. The Servicer will propose such rate in accordance with the standard procedures of the Bank then in effect, taking into account the interests of the Transaction Creditors. The new instalments to be calculated (which are based on (i) the initial repayment rate agreed with the Borrower on the completion date of the Reference Loan, (ii) the proposed new interest rate and (iii) the initial outstanding of the Reference Claim as of the completion date) may lead to an increased term of the Reference Loan. The Servicer and the Borrowers may agree to change the frequency of interest and scheduled principal payments *provided that* such change does not lead to the maturity of the relevant Reference Claim being extended beyond the end of the Collection Period immediately preceding the Scheduled Maturity Date.

3. Replacement of the 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 the replacement of a Borrower (the "**Former Borrower**") by a new Borrower (the "**New Borrower**"), if:

- (a) 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;
- (b) the replacement complies with all applicable legal requirements as well as the standard procedures of the Bank; in this regard, no lesser requirements may be applied in relation to the fact that the Reference Claim is included in the Reference Pool;
- (c) the credit standing of the New Borrower is not materially below the credit standing of the Former Borrower; and
- (d) replacement of the Former Borrower with the New Borrower does not cause a Reference Claim that would have complied with the Eligibility Criteria (iii) and (xviii) under Provision 6 of the Reference Pool Provisions on the date of such replacement if such date were the Cut-Off Date no longer to comply with such Eligibility Criteria.

4. Substitution of Mortgaged Properties

The Servicer will, in certain cases, at its sole discretion, allow a Borrower to substitute a Mortgaged Property by another property (the "**Substituted Property**") in accordance with the following conditions:

- (a) The Substituted Property will comply with the usual quality standards of the Bank and afford the same security as the Mortgaged Property which is being replaced.

- (b) The LTAV of the Reference Claim secured by the mortgage(s) on the Substituted Property will be equal to or lower than the LTAV of the Reference Claim secured by the Mortgage(s) which is being replaced except if in the due and reasonable professional judgement of the Bank, the substitution will not materially reduce the value of the Reference Loans or otherwise materially adversely affect the Transaction Creditors.
- (c) The terms and conditions of the relevant Reference Loan may not change in any material respect as a result of such substitution.

5. Other Changes to the Conditions of Reference Loans

In addition to the cases provided for in Section 2 the Servicer will be authorised to take action in the context of servicing the Reference Claims (in particular to amend contractual provisions of the underlying Reference Loan) which in the Servicer's professional judgement may affect the Reference Claims, only if:

- (a) doing so will, in the due and reasonable professional judgement of the Servicer, neither adversely affect the validity and enforceability of the Reference Claims and the Reference Collateral or materially reduce the value of the Reference Loans or the Reference Collateral; nor result in Realised Losses or otherwise materially adversely affect the Transaction Creditors, or
- (b) the Trustee has given prior consent to such action of the Servicer.

6. Insurance and Building Savings Agreements

If necessary, the Servicer will also make use of claims on life insurance and building savings agreements as well as any other pledged assets which Borrowers have transferred to it as collateral. The Servicer, in accordance with its due and reasonable professional judgement, is entitled to administer the insurance policies, the building savings agreements as well as any other pledged assets and to take legal steps to make it possible to realise the value of the policies, agreements and any other pledged assets. Such steps include the making of premium and other payments to the debit of the respective Borrower and the initiation of payment claims against the insurer. Furthermore, in accordance with its professional judgement, the Servicer is entitled to take legal action to enforce claims under the insurance policies against the respective insurer. Finally, in accordance with the provisions of the respective assignment agreement, the Servicer may, in the name of the respective Borrower, make all declarations to which such Borrower as insured party would be entitled.

7. Accounting

The Servicer may maintain records and documentation relating to the Reference Claims in paper or electronic form or any other commercially reasonable manner.

7.1 Accounting Records of Pool Data

The Servicer will keep accounting records regarding the Reference Claims serviced by it, which will show, *inter alia*:

- (a) The identification number and any other identifiers attributed to each Reference Claim in the Reference Claim List,
- (b) The Outstanding Nominal Amount of the Reference Claim as of the Cut-off Date,

- (c) The applicable nominal rate of interest per annum and any overdue interest amount,
- (d) The repayment characteristics of such Reference Claim, and
- (e) The remaining term to maturity and to the next reset date of the Reference Claim as of the Cut-off Date.

7.2 Accounting Records Related to Financial Statements

Accounting records, journals, daily accounts and portfolio inventories for the annual financial statements will be kept in safekeeping for a period of 6 years after the relevant accounting period, or for such longer or shorter period as required from time to time by applicable law. The accounting records with respect to the Reference Claims will be kept current and will not fall behind for more than 30 calendar days.

8. Vicarious Agents; Consultants

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.

9. Reporting

The Bank will, (if different from the Bank, on behalf of the Servicer), deliver to the Trustee such reports and information at such times as specified in the Terms and Conditions and/or the Trust Agreement.

If different from the Bank, the Servicer will provide the Bank with such information at such time as is necessary for the purposes of the preceding sentence.

10. Change in Servicer

The Servicer may be substituted in its function as Servicer of a Reference Claim by a subsidiary of the Bank or another servicing company specialised in the servicing and administration of loans, *provided that*:

- (a) The standard of the servicing and the determination and allocation of Realised Losses remains unchanged,
- (b) The obligations under the Transaction Documents remain to be complied with,
- (c) In the professional judgement of the Bank such change will not adversely affect the interests of the Transaction Creditors, and
- (d) In the case of substitution by a servicing company specialised in the servicing and administration of loans (other than a subsidiary of the Bank specialised in the servicing and

administration of loans), each of the Rating Agencies has given its prior written approval of such substitution, which shall not be unreasonably withheld.

In the case of any substitution of the Servicer pursuant to this Section 11, all references in the Terms and Conditions, including the Reference Pool Provisions, to the Servicer shall be deemed to include such new Servicer.

CREDIT AND COLLECTION POLICIES

1. Origination

Until September 3, 2001, the date where the merger became effective, private residential mortgage and small commercial loans were originated by the regional offices of Bayerische Handelsbank, Nürnberger Hypothekenbank, Süddeutsche Bodencreditbank, Westfälische Hypothekenbank and Württembergische Hypothekenbank.

Credit authority was vested either in specially trained relationship managers in the regional offices who were responsible for the whole customer relationship or in specially trained loan managers in the head offices. Financing amounts exceeding certain thresholds had to be approved by a board member or the head of the credit department.

Credit approval is carried out through specially trained loan managers in the head office of HRE.

2. Loan Type

The mortgage loans are mainly long term financings which are mainly extended as monthly payable fixed-rate annuities fully amortising over 25-30 years and to a certain extent as bullet loans which are in many cases connected with life insurance or building savings agreements.

In general, HRE and its predecessor banks provide mainly first lien mortgage financing. Normally, mortgages must be immediately enforceable and registered in the respective land register (*Grundbuch*). The loans are secured on apartments, single-family and multi-family houses which are fully or partially owner-occupied, investment properties or small-balance commercial properties. Private residential mortgage lending also includes loans secured on mixed properties with a dominant residential part and a smaller commercial part.

3. Underwriting

Borrower credit analysis takes into account the Borrower's income and assets. Only authenticated income and assets are taken into consideration and all documentation is thoroughly checked. Obligatory documentation comprises HRE's (resp. predecessor bank's) own form filled out by the applicant and the SCHUFA information concerning the applicant (SCHUFA information only in case of natural persons). SCHUFA is an organisation which provides a compilation of credit information from all participating banks or participating bank subsidiaries located in Germany. In case of any negative information concerning the applicant, HRE will not extend a loan.

The income analysis is focused on the Borrower's net income (e.g. disposable income i.e. after debt service and cost of living expenses in case of natural persons or determined based on detailed analysis of financial information that may be available in case of legal persons) and its net asset value. An assessment of the sustainability of such income is made.

4. Property Appraisal

At HRE and its predecessors, property appraisals were conducted in accordance with specified lending principles. The valuation guidelines were set by the specialist independent Property Valuation Office department of HRE and had to be applied for the appraisal of each property. The Property Valuation Office was composed of a group of certified property appraisers. The mortgage lending value assessment complied with the terms of the German Mortgage Bank Act (*Hypothekbankgesetz*) as replaced by the German Covered Bonds Act (*Pfandbriefgesetz*) on July 1,

2005. A simplified appraisal process for residential or mostly residential loans of up to €300,000 was conducted by specialised employees of HRE. All other loans were appraised by the Property Valuation Office.

The appraisals on which credit decision had been taken were based either on the material value method (*Sachwert-Verfahren*) or on the capitalised value method (*Ertragswert-Verfahren*).

Under the material value method, the value of the plot is determined on the basis of the appropriate price for a plot of comparable size, quality and location. The value of the building is based on the appropriate, market-observed replacement costs.

According to the capitalised value method, the property value is based on the cash flow return that can be expected to be periodic and sustainable, regardless of any particular proprietor. All relevant factors which could influence the expected return, such as location, equipment, quality or intend use, local and general economic conditions, infrastructure, the necessary maintenance expenses as well as the remaining useful economic life are taken into consideration. The appraisal also takes into consideration customary real rights of use such as real servitudes (*Grunddienstbarkeiten*). If these rights have an impact on the value of the property they were taken into account.

The mortgage lending value defined in section 16 of the German Covered Bonds Act (*Pfandbriefgesetz*) is calculated for the purpose of the cover pool for the mortgaged backed Pfandbriefe (*Deckung für Hypothekendarlehen*) according to the requirements of the German Covered Bonds Act (*Pfandbriefgesetz*). Only sustainable property characteristics and sustainable income that can be derived from the property regardless of any particular proprietor can be taken into consideration for the definition of the mortgage lending value. This means that only value factors that can be regarded as sustainable based on current and past market experience will be considered. The lending value of the property may not exceed the value given by a cautious assessment of the saleability of a property in the future taking into account long term, sustainable features of the property and the regular local market situation. The mortgage lending value is fixed by the relevant persons with authority for loans.

Each property valuation for the purpose of Pfandbrief cover is subject to control by a public manager appointed by the Federal Banking Supervisory Authority (*Bundesanstalt für Finanzdienstleistungen*, the BAFin). According to section 13 of the German Mortgage Bank Act (*Hypothekendarlehenbankgesetz*) the underlying valuation guidelines of HRE were approved by the BAFin. Since August 1, 2006 the individual valuation guidelines have been replaced by the "Beleihungswertermittlungsverordnung" (BelWertV), which constitutes a binding regulation for all covered bonds banks (*Pfandbriefbanken*) in Germany.

5. Payments in Arrears from Borrowers

The main objective of the arrears and workout procedures is to avoid or to minimise the losses for HRE. HRE has adopted internal guidelines for the collection of loans in arrears which regulate the standard or individual procedures and the relevant credit authorities.

HRE will try to get into contact with the customer as soon as possible via telephone or mail when arrears appear. Reminders will be sent on the 10th and 24th of each month. The borrower will be contacted personally within 5 days after arrears appear.

Reminders and attempts to contact borrowers will be evaluated and as a result borrowers may enter the Intensive Support phase ("Intensive Support"). Loans may also enter the Intensive Support phase if certain risk signals appear. These risk signals include, inter alia, returning debit notes and missed payments on life insurance policies or building savings contracts.

During the Intensive Support phase, HRE may undertake certain remedial actions. In cases that can be

handled with simple measures like limited stops of amortisation or short-term agreements to repay the arrears, the customer gets a written confirmation of the agreement regarding the modified payment schedule. If these measures prove unsuccessful, the loans will be transferred to the Workout department of HRE.

After the second reminder, an in-depth credit check will be done. Updated land and trade registers, as well as Creditreform excerpts will be collected. The financial situation of the borrower as well as the marketability of the property and other collateral will be reviewed. Additional measures that may be taken at this stage include meetings with the borrowers to find an appropriate solution, threats to terminate loan contracts and threats to begin with foreclosure proceedings.

Payment rescheduling or debt restructuring agreements with borrowers are closely monitored. Only when arrears are fully repaid the loan servicing is returned to the servicing departments of HRE.

6. Workout

If the above mentioned measures during the Intensive Support phase prove unsuccessful, the loans will be transferred to the Workout department ("Workout"). This might include situations where loans have not been repaid after the reminder process, or where loans can be classified as defaulted or in case third parties have initiated foreclosure proceedings. The main objective of HRE's Workout department is to find an appropriate resolution strategy on a case by case basis that maximises recoveries and minimises risks for HRE. Depending on the situation either a payment rescheduling or restructuring strategy will be implemented or a liquidation-based resolution will be sought. In general a payment rescheduling or restructuring strategy, if possible, and economically advantageous, will be aspired. A restructuring strategy may include, inter alia, improvements to the rental situation, down-payments of additional equity, partial waiver or amortisation suspension.

HRE is authorised to agree on payment rescheduling or debt restructuring with a Borrower. In doing so, the Servicer may in particular (i) forgo the repayment of a portion of the relevant Reference Claim or (ii) subordinate all or a portion of a Reference Claim and in such case, 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 principal amount forgone will constitute a Realised Loss. For the avoidance of doubt, the Servicer is not required to (i) forego the repayment of a portion of the relevant Reference Claim or (ii) subordinate all or a portion of a Reference Claim as part of any payment rescheduling or debt restructuring before or after a Credit Event with respect to such Reference Claim has occurred.

In all cases of a payment rescheduling or debt restructuring, the Servicer will adequately safeguard the interests of the Transaction Creditors in the fullest performance of the Reference Claims at all times and will not place such interests in a less favourable position than its own interests or the interests of the Bank in relation to their respective other claims against the same Borrower.

The Servicer will only agree to payment rescheduling or debt restructuring of a Reference Claim before or after a Credit Event with respect to such Reference Claim has occurred, if the principle amount of such 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 Scheduled Maturity Date at the latest.

If a payment rescheduling or debt restructuring strategy is unlikely to be successful, or remains unsuccessful after 6 months, liquidation will be sought.

In the case any borrower falls more than 90 days in arrears on a payment due in an amount of not less than 2.5% of the outstanding debt and no payment rescheduling or debt restructuring agreement has been entered into, HRE will commence legal proceedings against the Borrower which are required to enforce the Reference Claim, and/or foreclose on the related Reference Collateral, unless the Servicer

concludes in its professional judgement that such enforcement or foreclosure would not be justified in view of the expected expenses and expected proceeds thereof. A private sale can replace a public auction and normally achieves better results. A private sale will be implemented if approval from the borrower can be obtained. If cooperation from the borrower can not be obtained, the property will be foreclosed.

7. Quality Control

HRE's internal audit department's examinations cover generally all the operational and business procedures of the credit institution, taking due account of the extent of, and the inherent risk in, the operations and business of the institution.

The internal audit department generally audits and assesses the following features in particular: the viability, effectiveness, efficiency and adequacy of the internal control system, the application, viability, effectiveness and adequacy of the risk management and control systems, of the reporting and information systems and of the financial and accounting systems, the observance of existing legal and banking supervisory provisions as well as other regulations, compliance with operational guidelines, instructions and rules as well as the orderliness of all operational and business procedures and the rules and precautions taken to protect assets.

The work of the internal audit department is based on a comprehensive and risk oriented audit plan. The risk oriented auditing includes for instance inspections of random samples of loans (proper documentation, procedural and credit policy compliance, etc), and portfolios as well as special unplanned audits that suddenly become necessary as a result of the identification of shortcomings or specific information requirements.

HRE's mortgage loans are annually reviewed on a sample basis by their certified public accountants.

THE LOSS GUARANTEE

On October 8, 2007 the Bank and the Issuer will enter into a loss guarantee agreement (the "**Loss Guarantee**"). The following is the text of the Loss Guarantee (without the schedules thereto). In the case of any overlap or inconsistency in the definition of a term or expression in the Loss Guarantee and elsewhere in this Prospectus, the definition in the Loss Guarantee will prevail. Any statement elsewhere in this Prospectus relating to the Loss Guarantee or any matter described therein is qualified in its entirety by the text of the Loss Guarantee set forth below.

This Agreement is entered into as of October 8, 2007 between

- (1) ESTATE GERMANY 2007-I LIMITED, 5 Harbourmaster Place, IFSC, Dublin 1, Ireland (the "**Guarantor**"), and
- (2) HYPO REAL ESTATE BANK AG, Von-der-Tann-Strasse 2, 80539 Munich, Germany (the "**Bank**").

WHEREAS:

- (A) On October 8, 2007 (the "**Issue Date**") the Guarantor will issue the following notes (the "**Notes**") linked to the performance of a reference pool of certain payment claims of the Bank:
 - (a) EUR 500,000 Class A+ Floating Rate Credit Linked Notes,
 - (b) EUR 68,500,000 Class A Floating Rate Credit Linked Notes,
 - (c) EUR 95,700,000 Class B Floating Rate Credit Linked Notes,
 - (d) EUR 60,700,000 Class C Floating Rate Credit Linked Notes,
 - (e) EUR 45,600,000 Class D Floating Rate Credit Linked Notes,
 - (f) EUR 39,900,000 Class E Floating Rate Credit Linked Notes, and
 - (g) EUR 21,700,000 Class F Floating Rate Credit Linked Notes.
- (B) Terms and expressions used but not defined herein have the same meaning as in the terms and conditions of the Notes (the "**Terms and Conditions**"). A copy of the Terms and Conditions is attached as Schedule I to this Agreement and forms an integral part of this Agreement.
- (C) On the Issue Date, the Guarantor will use the net proceeds from the issue of the Notes to acquire the HRE Pfandbriefe as described in Clause 4 of the Trust Agreement.
- (D) Pursuant to the First Pledge Agreement, the Guarantor will pledge (*verpfänden*) the HRE Pfandbriefe to the Bank as security for its obligations under this Agreement. Subsequent to the pledge pursuant to the First Pledge Agreement, the Guarantor will, pursuant to the Trust Agreement, pledge (*verpfänden*) the HRE Pfandbriefe by way of a second ranking pledge (*nachrangiges Pfandrecht*) to the Trustee to secure the Trustee Claim under the Trust Agreement for the benefit of the Noteholders.
- (E) The parties hereby record the arrangements between them in connection with the Notes and the Reference Pool.

NOW THEREFORE, the parties hereby agree as follows:

1. GUARANTEE PAYMENT AMOUNTS

- 1.1 On each date as of which any Realised Losses are allocated to any Class of Notes, the Guarantor shall pay the Bank an amount equal to the amount by which the Class Principal Amount of such Class of Notes is reduced as a result of such allocation (each such amount, a "**Guarantee Payment Amount**"), *provided that* the Bank shall be entitled to set-off (*Aufrechnung*) its claim against the Guarantor for the payment of such Guarantee Payment Amount against the claim of the Guarantor in accordance with the terms and conditions of the HRE Pfandbriefe for the repayment of a corresponding portion of the Series of HRE Pfandbriefe securing such Class of Notes.
- 1.2 For the avoidance of doubt, the Bank need not be subject to a risk of actual loss or damage nor suffer any actual loss or damage nor provide evidence of any actual loss or damage or prejudice to it directly or indirectly as a result of the occurrence of a Credit Event or the determination of a Guarantee Payment Amount. The obligations of the Guarantor to make payments hereunder to the Bank exist regardless of whether the Bank suffers any loss directly or indirectly upon the occurrence of a Credit Event or by reference to a Guarantee Payment Amount and therefore this Agreement is not a contract of insurance. Accordingly, subject to any removal of any Reference Claim from the Reference Pool, the Bank shall continue to be entitled to payments of Guarantee Payment Amounts in respect of Reference Claims transferred in accordance with Provision 8 (Description of the Reference Pool - Transfers) of Appendix B to the Terms and Conditions.
- 1.3 The Guarantor hereby waives any rights of subrogation to the Bank that it may have or obtain as a result of any payments made by it to the Bank pursuant to this Agreement.

2. EXCESS SPREAD AMOUNTS

- 2.1 On each date as of which the Class Principal Amount of any Class of Notes is increased as a result of allocation of the amounts standing to the credit of the Excess Spread Ledger pursuant to Section 8.5(iii) (Loss Allocation - Excess Spread Ledger) of the Terms and Conditions, the Bank shall pay the Guarantor an amount (the "**Excess Spread Increase Amount**") equal to the amount of such increase allocated to such Class of Notes (as determined pursuant to Section 8.5 (Loss Allocation - Excess Spread Ledger) of the Terms and Conditions).
- 2.2 The Guarantor shall apply each Excess Spread Increase Amount received from the Bank to effect (whether by way of set-off or otherwise) the re-increase of the Series of HRE Pfandbriefe securing such Class of Notes by an amount equal to such Excess Spread Increase Amount in accordance with the terms and conditions of such Series of HRE Pfandbriefe and Clause 4 of the Security Purchase Agreement, if relevant.

3. LATE RECOVERIES

- 3.1 On each date as of which the Class Principal Amount of any Class of Notes is increased as a result of any Late Recoveries pursuant to Section 8.2 (Loss Allocation - Late Recoveries) of the Terms and Conditions, the Bank shall pay the Guarantor an amount (the "**Late Recovery Amount**") equal to the amount of such increase allocated to such Class of Notes (as determined pursuant to Section 8.2 (Loss Allocation - Late Recoveries) of the Terms and Conditions).
- 3.2 The Guarantor shall apply such Late Recovery Amount received from the Bank to effect (whether by way of set-off or otherwise) the re-increase of the Series of HRE Pfandbriefe

securing such Class of Notes by an amount equal to such Late Recovery Amount in accordance with the terms and conditions of such Series of HRE Pfandbriefe and Clause 4 of the Security Purchase Agreement, if relevant.

4. UNJUSTIFIED LOSS ALLOCATION

- 4.1 In the event of an Unjustified Loss Allocation in respect of a Reference Claim, the Bank shall
- (i) pay the Guarantor the amount of interest (including the default interest) payable under Section 9.1 (Unjustified Loss Allocation - Reversal of Realised Loss) of the Terms and Conditions, as and when due under the Terms and Conditions;
 - (ii) on each date as of which the Class Principal Amount of any Class of Notes is increased as a result of such Unjustified Loss Allocation pursuant to Section 9.1 (Unjustified Loss Allocation - Reversal of Realised Loss) of the Terms and Conditions, pay the Guarantor an amount (the "**Unjustified Loss Amount**") equal to the amount of such increase allocated to such Class of Notes (as determined pursuant to Section 9.1 (Unjustified Loss Allocation - Reversal of Realised Loss) of the Terms and Conditions).
- 4.2 The Guarantor shall apply such Unjustified Loss Amount to effect (whether by way of set-off or otherwise) the re-increase of the Series of HRE Pfandbriefe securing such Class of Notes by an amount equal to such Unjustified Loss Amount in accordance with the terms and conditions of such Series of HRE Pfandbriefe and Clause 4 of the Securities Purchase Agreement, if relevant.

5. GUARANTEE FEE

- 5.1 The Bank shall on each Guarantee Fee Payment Date pay to the Guarantor the Guarantee Fee payable on such Guarantee Fee Payment Date.

"**Guarantee Fee**" means with respect to any Guarantee Fee Payment Date an amount calculated by the Bank as the sum of (A) and (B), where

(A) means the aggregate amount of the Issuer Costs that have been incurred during the immediately preceding Cost Calculation Period, if any, and reasonable advances requested in respect of the Issuer Costs, and

(B) means the excess of the aggregate of the Interest Amounts due with respect to the Notes on such Guarantee Fee Payment Date, over the aggregate of the interest amounts due (for the avoidance of doubt, prior to any withholding or deduction on account of taxes, if any) to the Guarantor under the HRE Pfandbriefe on such Guarantee Fee Payment Date.

"**Guarantee Fee Payment Date**" means each Payment Date.

"**Cost Calculation Period**" means with respect to the first Guarantee Fee Payment Date, the period commencing on (and including) the Issue Date and ending on (but excluding) the first Guarantee Fee Payment Date and with respect to any subsequent Guarantee Fee Payment Date, the period commencing on (and including) the immediately preceding Guarantee Fee Payment Date and ending on (but excluding) such Guarantee Fee Payment Date.

"**Issuer Costs**" means the actual amount of all fees, costs and expenses of the Guarantor, including, without limitation, fees, costs and expenses of the Trustee, Experts, Value Experts, third parties retained pursuant to Clause 19 (Retaining of Third Parties) of the Trust Agreement and the Advisors under the Trust Agreement, the Transaction Account Bank, the Administrator,

the Custodian, the auditors and directors of the Issuer, the Irish Listing Agent, the Luxembourg Intermediary, the Luxembourg Stock Exchange, the Principal Paying Agent, the Rating Agencies for monitoring of the ratings of the Notes, the Issuer's agent for service of process, any fees for publication due to be made in connection with the Notes as well as all stamp duties, registration, value added, turnover and similar taxes which are imposed on the Issuer or payable by the Issuer in connection with the Transaction (as defined in the Terms and Conditions), including under the Transaction Documents, amounts payable by the Issuer pursuant to Clause 23 (Right to Indemnification) of the Trust Agreement, all costs and expenses of the Issuer in connection with its statutory obligations and costs and expenses reasonably incurred in obtaining legal advice and of the Issuer's legal advisors as well as any costs and expenses required in liquidating the Issuer in excess of the Issuer's own assets.

The Issuer Costs shall not include any amounts payable by the Issuer otherwise than in the ordinary course of business, in connection with the performance of the Transaction (as defined in the Terms and Conditions) or in accordance with the Transaction Documents. The Issuer Costs shall, in particular, not include any amounts payable under the Notes or this Agreement, or payable by the Issuer as a result of its non-compliance with any of the Transaction Documents, the Memorandum and Articles of Association of the Issuer or applicable law, or on account of taxes, except, in each case, as expressly specified above.

- 5.2 In addition, the Bank shall pay to the Guarantor on each Payment Date falling immediately after an anniversary of the Issue Date an amount of EUR 500 which may be retained by the Issuer and/or paid as a dividend to its shareholders.
- 5.3 Not later than on the 5th Business Day prior to each Guarantee Fee Payment Date, the Guarantor shall provide notice to the Bank of the expected Issuer Costs to be payable on such Guarantee Fee Payment Date.

6. REPORTING; RECORDING

- 6.1 Each party shall comply with its reporting obligations under the Transaction Documents, in particular, the Bank shall comply with its obligations pursuant to Clause 8 (Reports; Documents; Information) of the Trust Agreement.
- 6.2 The Bank shall prepare the notifications to the Noteholders pursuant to Section 14 (Investor Notifications) of the Terms and Conditions and provide such notifications to the Principal Paying Agent, with a copy to the Guarantor, for delivery thereof by or on behalf of the Guarantor in accordance with Section 14 (Investor Notifications) of the Terms and Conditions.

7. TAXES; NO GROSS-UP

- 7.1 The Guarantor shall pay all stamp duties, registration or other documentary taxes to which this Agreement may at any time be subject.
- 7.2 All payments of fees and reimbursements of expenses to the Guarantor shall include any turnover taxes, value added taxes or similar taxes, other than taxes on the Guarantor's overall income or gains, which are imposed in the future on the payments made and other action taken under this Agreement.
- 7.3 All payments under this Agreement shall be made without any deduction or withholding for or on account of any tax unless such deduction is required by any applicable law then in effect. Without prejudice to any termination right of the Bank pursuant to Clause 8, if the Bank is or becomes obliged to deduct or withhold any amount from a Guarantee Fee which it is to make to the Guarantor, it shall not have any obligation to pay to the Guarantor any additional amounts.

8. EARLY TERMINATION OPTION

8.1 The Bank may terminate any of the Tranches of this Agreement (each an "**Early Termination Option**") by 12 Munich Business Days prior notice to the Guarantor on any Payment Date (the "**Optional Termination Date**"):

- (i) following the occurrence of a Regulatory Event;
- (ii) following the reduction of the aggregate Outstanding Nominal Amount of the Reference Claims to 10% of the Initial Aggregate Principal Balance; or
- (iii) falling in or after November 2012;

provided that the Bank may exercise its termination option in respect of any of the Tranches corresponding to a Class of Notes only concurrently with the termination option in respect to each of the Tranches corresponding to an outstanding Class of Notes ranking senior to such Class of Notes for the purpose of the Loss Allocation, and

provided further that this Agreement shall remain in full force and effect as long as any of the Notes remain outstanding in accordance with Section 12.2 (Early Redemption by the Issuer - Deferred Redemption) of the Terms and Conditions.

"**Tranches**" means, together, the Class A+ Tranche, Class A Tranche, Class B Tranche, Class C Tranche, Class D Tranche, Class E Tranche and Class F Tranche.

"**Class A+ Tranche**" means the rights and obligations under this Agreement related to the portion of the Guarantee Fee corresponding to the Interest Amounts payable under the Class A+ Notes and the credit protection in respect of the Realised Losses allocated to the Class A+ Notes.

"**Class A Tranche**" means the rights and obligations under this Agreement related to the portion of the Guarantee Fee corresponding to the Interest Amounts payable under the Class A Notes and the credit protection in respect of the Realised Losses allocated to the Class A Notes.

"**Class B Tranche**" means the rights and obligations under this Agreement related to the portion of the Guarantee Fee corresponding to the Interest Amounts payable under the Class B Notes and the credit protection in respect of the Realised Losses allocated to the Class B Notes.

"**Class C Tranche**" means the rights and obligations under this Agreement related to the portion of the Guarantee Fee corresponding to the Interest Amounts payable under the Class C Notes and the credit protection in respect of the Realised Losses allocated to the Class C Notes.

"**Class D Tranche**" means the rights and obligations under this Agreement related to the portion of the Guarantee Fee corresponding to the Interest Amounts payable under the Class D Notes and the credit protection in respect of the Realised Losses allocated to the Class D Notes.

"**Class E Tranche**" means the rights and obligations under this Agreement related to the portion of the Guarantee Fee corresponding to the Interest Amounts payable under the Class E Notes and the credit protection in respect of the Realised Losses allocated to the Class E Notes.

"**Class F Tranche**" means the rights and obligations under this Agreement related to the portion of the Guarantee Fee corresponding to the Interest Amounts payable under the Class F Notes and the credit protection in respect of the Realised Losses allocated to the Class F Notes.

8.2 The Bank may waive any of its rights to terminate this Agreement or any of the Tranches hereof in whole or in part by notice to the Guarantor (with a copy of such notice to the Trustee) and upon delivery of such notice to the Trustee, the right of the Bank to terminate this Agreement shall cease to exist to the extent specified in such notice and/or subject to the limitations specified in such notice.

9. EARLY TERMINATION EVENTS

9.1 This Agreement will terminate in the event (each an "**Early Termination Event**") that

- (i) the Loss Guarantee Bankruptcy occurs in respect of the Issuer, or
- (ii) the Bank defaults in the payment of any amount due under this Agreement and such default continues for 30 Business Days following delivery by the Guarantor to the Bank of a notice requiring the same to be remedied, or
- (iii) the Loss Guarantee Bankruptcy occurs in respect of the Bank, or
- (iv) this Agreement is terminated by operation of law or under mandatory provisions of law.

9.2 Upon the occurrence of an Early Termination Event, the Guarantor will pay the Bank the Guarantee Payment Amount in respect of all Realised Losses allocated to the Notes, on the dates determined in accordance with Section 12.3 (Early Redemption by the Issuer - Redemption in the case of Issuer Event of Default or Bank Event of Default) of the Terms and Conditions.

10. SCHEDULED TERMINATION; FINAL TERMINATION AND PAYMENT

10.1 Unless terminated earlier in accordance with Clause 8 or Clause 9, this Agreement will terminate on the date on which the last outstanding Class of Notes is redeemed pursuant to the Terms and Conditions.

10.2 On the date on which this Agreement is terminated in full in accordance with Clause 10.1 or, as the case may be, in accordance with Clause 8.1 or Clause 9.1, the Guarantor shall pay to the Bank an amount equal to the positive balance (if any) on any of the accounts of the Guarantor after deduction of all payments to be made by it on or prior to such date.

11. LIMITED RECOURSE AND NON-PETITION

Notwithstanding any other provision of this Agreement, the Bank shall have recourse in respect of any claim against the Guarantor hereunder or otherwise only to the HRE Pfandbriefe to the extent provided for in the First Pledge Agreement. The obligations of the Guarantor under this Agreement shall not be obligations or responsibilities of, or guaranteed by, any other person or entity. The Guarantor shall have no assets available for payment of its obligations hereunder other than the HRE Pfandbriefe to the extent provided for in the First Pledge Agreement. Claims in respect of any shortfall shall be extinguished and, without prejudice to any termination rights, the failure to make any payment in respect of any such shortfall shall in no circumstances constitute default by the Guarantor. The Bank shall not take steps against the Guarantor to recover any sum so unpaid and, in particular, the Bank shall not petition or take any other step or action for the winding-up, examinership, liquidation or dissolution of the Guarantor nor for the appointment of a liquidator, examiner, receiver or other person in respect of the Guarantor or its assets.

12. MISCELLANEOUS

- 12.1 The Bank shall have no liability to the Guarantor with respect to delay in determining whether any Realised Loss has occurred.
- 12.2 In respect of the calculations and determinations for the purposes of this Agreement, the Bank shall act in good faith and in a commercially reasonable manner and at all times maintain sufficient files (in written or electronic form) showing the calculations and determinations made pursuant to the terms of this Agreement (and upon reasonable request from the Guarantor, shall provide the Guarantor with a copy of such files or relevant extracts thereof). All such calculations and determinations shall, in the absence of a manifest error, be final and binding, subject to verification (if relevant) pursuant to the Trust Agreement.

13. CONFIDENTIALITY

The Guarantor agrees that, without the prior written consent of the Bank, it will not disclose any information received from the Bank or the Trustee in connection with the Transaction to any other person, in particular, the Guarantor shall, and shall ensure that its auditors and advisers shall treat as confidential any information concerning the Borrowers and the providers of the Reference Collateral or the business operations of the Bank obtained in connection with the performance of this Agreement or otherwise in connection with the Transaction, *provided*, however, *that* the Guarantor shall be entitled to disclose such information if such disclosure is provided for in any Transaction Document or if, but only to the extent, it is legally required to be disclosed or is otherwise subject to legal, judicial, regulatory or self-regulatory requests for information or documents, in which event the Guarantor shall give the Bank or the Trustee, as the case may be, notice in writing as soon as practicable (which shall be prior notice if possible) of any such disclosure, and the Guarantor shall use its reasonable efforts to obtain assurance that confidential treatment will be accorded to the disclosed information.

14. COMMUNICATIONS

- 14.1 All communications under this Agreement shall be made by mail, e-mail or facsimile, *provided that* notices regarding termination of this Agreement given by e-mail or facsimile shall also be confirmed by mail.
- 14.2 Any communication under this Agreement shall be in the English.
- 14.3 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) if to the Guarantor:

Estate Germany 2007-I Limited
5 Harbourmaster Place
IFSC
Dublin 1
Ireland

Attn.: The Directors
Telephone: (+353) 1 680 600
Facsimile: (+353) 1 680 6050
E-mail: corporate.services@db.com

(b) if to the Bank:

Hypo Real Estate Bank AG
Prinzregentenstrasse 56
80538 Munich
Germany

Attn.: Alexander Stanischeff
Telephone: (+49) 89 2880 11161
Facsimile: (+49) 89 2880 2211161
E-mail: Alexander.Stanischeff@hyporealestate.de

15. THE SCHEDULES; SEVERABILITY

15.1 All Schedules to this Agreement form an integral part of this Agreement.

15.2 If any provision of this Agreement is or becomes invalid in whole or in part, the remaining provisions shall remain unaffected thereby. Invalid provisions shall be replaced by such valid provisions which taking into consideration the purpose and intent of this Agreement have to the extent legally possible the same economic effect as the invalid provisions. The preceding provisions shall be applicable *mutatis mutandis* to any lacunae (*Vertragslücken*) in this Agreement.

15.3 Each party to this Agreement undertakes *vis-à-vis* the respective other party to take all actions that become necessary pursuant to Clause 15.2 or for other reasons to implement this Agreement.

16. AMENDMENTS

This Agreement (including this Clause 16) may only be amended by agreement of all parties hereto in writing.

17. GOVERNING LAW; PLACE OF PERFORMANCE; JURISDICTION

17.1 This Agreement shall be governed by the laws of the Federal Republic of Germany.

17.2 Place of performance for the obligations of all parties is Munich.

17.3 The non-exclusive place of jurisdiction for any action or other legal proceedings arising out of or in connection with this Agreement shall be the District Court I (*Landgericht I*) in Munich. The Guarantor hereby submits to the jurisdiction of such court. The Guarantor has appointed FIDEUROP GmbH, with its seat on the Issue Date at Westhafen Tower, Westhafenplatz 1, 60327 Frankfurt am Main, Germany, as its authorised agent for service of process in relation to any legal proceedings initiated before a German court. The Guarantor undertakes to maintain an agent for the service of process in the Federal Republic of Germany as long as any Note remains outstanding.

18. CONDITION PRECEDENT

This Agreement and the rights and obligations hereunder shall be subject to the condition

precedent that the Notes will be issued and that the Issuer's claim for payment of the subscription monies for the Notes will be satisfied pursuant to the Subscription Agreement.

19. COUNTERPARTS

This Agreement may be executed in one or more counterparts. Each signed counterpart shall constitute an original.

THE COLLATERAL

HRE Pfandbriefe

The payment obligations of the Issuer under each Class of Notes will be secured by a corresponding Series of Public Sector Pfandbriefe (*Öffentliche Pfandbriefe*) of Hypo Real Estate Bank AG (the "**HRE Pfandbriefe**") which constitute direct, unconditional and unsubordinated obligations of Hypo Real Estate Bank AG and rank *pari passu* among themselves. The HRE Pfandbriefe are covered in accordance with the German Pfandbrief Act (*Pfandbriefgesetz*) and rank at least *pari passu* with all other obligations of Hypo Real Estate Bank AG arising from Public Sector Pfandbriefe (*Öffentliche Pfandbriefe*). Public Sector Pfandbriefe (*Öffentliche Pfandbriefe*) of Hypo Real Estate Bank AG are rated AAA by Fitch and Aaa by Moody's and AAA by S&P.

Each Series of HRE Pfandbriefe has terms and conditions matching with those of the Class of Notes secured by such Series, including with respect to principal and interest (except for the rate of interest), payment dates, re-increase as a result of allocation of the amounts standing to the credit of the Excess Spread Ledger, by Late Recoveries and/or as a result of the Unjustified Loss Allocation and maturity date. Allocation of any Realised Loss to any Class of Notes shall result in a redemption of the principal amount of the corresponding Series of HRE Pfandbriefe in an amount equal to the amount by which the Class Principal Amount of the relevant Class of Notes has been reduced pursuant to Loss Allocation.

On the Issue Date, the Issuer will purchase the HRE Pfandbriefe from Hypo Real Estate Bank AG pursuant to the Securities Purchase Agreement. Pursuant to the Securities Purchase Agreement, HRE will represent to the Issuer on the Issue Date that the HRE Pfandbriefe constitute valid obligations of HRE enforceable in accordance with their terms.

On the Issue Date the Issuer will pledge to the Bank the HRE Pfandbriefe as security for its obligations under the Loss Guarantee pursuant to the First Pledge Agreement. The pledge will extend to the principal but not income to be earned on the HRE Pfandbriefe.

Pursuant to the Trust Agreement the Issuer will pledge (*verpfänden*) to the Trustee for the purpose of securing the Trustee Claim:

- (a) EUR 500,000 floating rate Public Sector Pfandbriefe (*Öffentliche Pfandbriefe*) of Hypo Real Estate Bank AG (the "**Series A+ Collateral**") to secure the Trustee Claim with respect to the payment obligations of the Issuer under the Class A+ Notes,
- (b) EUR 68,500,000 floating rate Public Sector Pfandbriefe (*Öffentliche Pfandbriefe*) of Hypo Real Estate Bank AG (the "**Series A Collateral**") to secure the Trustee Claim with respect to the payment obligations of the Issuer under the Class A Notes,
- (c) EUR 95,700,000 floating rate Public Sector Pfandbriefe (*Öffentliche Pfandbriefe*) of Hypo Real Estate Bank AG (the "**Series B Collateral**") to secure the Trustee Claim with respect to the payment obligations of the Issuer under the Class B Notes,
- (d) EUR 60,700,000 floating rate Public Sector Pfandbriefe (*Öffentliche Pfandbriefe*) of Hypo Real Estate Bank AG (the "**Series C Collateral**") to secure the Trustee Claim with respect to the payment obligations of the Issuer under the Class C Notes,
- (e) EUR 45,600,000 floating rate Public Sector Pfandbriefe (*Öffentliche Pfandbriefe*) of Hypo Real Estate Bank AG (the "**Series D Collateral**") to secure the Trustee Claim with respect to the payment obligations of the Issuer under the Class D Notes,

- (f) EUR 39,900,000 floating rate Public Sector Pfandbriefe (*Öffentliche Pfandbriefe*) of Hypo Real Estate Bank AG (the "**Series E Collateral**") to secure the Trustee Claim with respect to the payment obligations of the Issuer under the Class E Notes, and
- (g) EUR 21,700,000 floating rate Public Sector Pfandbriefe (*Öffentliche Pfandbriefe*) of Hypo Real Estate Bank AG (the "**Series F Collateral**") to secure the Trustee Claim with respect to the payment obligations of the Issuer under the Class F Notes.

Each Series will be represented by a global certificate deposited with Clearstream Frankfurt. The HRE Pfandbriefe will be held in the securities account identified as 2007-1-EGSPV (the "**Custody Account**") of the Issuer with the Bank (in such capacity and each successor custodian, the "**Custodian**") pursuant to the Custody Agreement.

Key Terms and Conditions of the HRE Pfandbriefe

Issuer:	Hypo Real Estate Bank AG
Ratings:	AAA (Fitch) / Aaa (Moody's) / AAA (S&P)
Status:	Public Sector Pfandbriefe (<i>Öffentliche Pfandbriefe</i>) ranking <i>pari passu</i> among themselves and at least <i>pari passu</i> with all other Public Sector Pfandbriefe (<i>Öffentliche Pfandbriefe</i>) of Hypo Real Estate Bank AG.
Principal Amount / Clearing Codes:	EUR 500,000 / ISIN DE000A0S9BX5 / WKN A0S9BX (the " Series A+ Collateral "), EUR 68,500,000 / ISIN DE000A0S9BY3 / WKN A0S9BY (the " Series A Collateral "), EUR 95,700,000 / ISIN DE000A0S9BZ0 / WKN A0S9BZ (the " Series B Collateral "), EUR 60,700,000 / ISIN DE000A0S9B01 / WKN A0S9B0 (the " Series C Collateral "), EUR 45,600,000 / ISIN DE000A0S9B19 / WKN A0S9B1 (the " Series D Collateral "), EUR 39,900,000 / ISIN DE000A0S9B27 / WKN A0S9B2 (the " Series E Collateral "), and EUR 21,700,000 / ISIN DE000A0S9B35 / WKN A0S9B3 (the " Series F Collateral "); collectively, the " HRE Pfandbriefe ".
Denominations:	Series A+ Collateral: EUR 50,000; Series A Collateral, Series B Collateral, Series C Collateral, Series D Collateral, Series E Collateral and Series F Collateral: EUR 100,000
Issue Price:	100%
Currency:	EUR
Issue Date:	October 8, 2007
Maturity Date:	May 26, 2064

Interest Payments:	26 th February, May, August and November
Interest Rate:	3 month EURIBOR, for the first interest accrual period interpolated between two months EURIBOR and three months EURIBOR
Day Count Fraction:	Actual/360 adjusted basis
Business Days:	TARGET, Munich, Luxembourg and London
Scheduled Amortisation:	Matching the respective Class of Notes and in addition in the amount of Realised Losses allocated to such Class of Notes
Re-increase of the Principal Amount	Matching the respective Class of Notes
Early Redemption	Matching the respective Class of Notes
Form:	Bearer, represented by a global certificate deposited with Clearstream Frankfurt
Clearing:	Clearstream Frankfurt
Listing:	None
Governing Law:	German

Senior Security Interest of the Bank

The security interest of the Bank created under the First Pledge Agreement as security for the obligations of the Issuer under the Loss Guarantee for payment of Realised Losses allocated to the Notes will rank senior to any security interest in respect of the HRE Pfandbriefe of the Trustee in accordance with the Trust Agreement for the benefit of the Noteholders. The rights of the Bank as pledgee under the First Pledge Agreement will have priority over the rights of the Trustee as pledgee under the Trust Agreement.

Collateral and Loss Allocation

Notwithstanding the Collateral, the amount of principal of and, due to potential principal reductions, interest on the Notes may be reduced as a result of Realised Losses incurred with respect to the Reference Claims and only the obligations of the Issuer to pay any amount of principal and interest determined to be due to the Noteholders in accordance with the Terms and Conditions, which may be reduced by such Realised Losses, will have the benefit of the Collateral.

Other Collateral

Pursuant to the terms of the Trust Agreement, the Issuer will pledge (*verpfänden*) pursuant to §§ 1204, 1273 and 1279 of the German Civil Code (*Bürgerliches Gesetzbuch*) to the Trustee for the collateral purposes set out below all its present and future claims and rights arising from:

- (a) the agency agreement between the Issuer, the Trustee and the Principal Paying Agent dated September 24, 2007, as amended from time to time (the "**Agency Agreement**"),
- (b) the subscription agreement for the Notes between the Issuer and Hypo Public Finance Bank, 30 St. Mary Axe, London EC3A 8BF, United Kingdom (the "**Lead Manager**") dated October 8, 2007, as amended from time to time (the "**Subscription Agreement**"),
- (c) the Securities Purchase Agreement,
- (d) the Loss Guarantee,
- (e) the cash administration agreement between the Issuer, the Trustee and Deutsche Bank AG, London Branch (in such capacity, the "**Cash Administrator**" which term shall also include any replacement Cash Administrator) dated October 8, 2007, as amended from time to time (the "**Cash Administration Agreement**"),
- (f) the Custody Agreement,
- (g) the Transaction Account Agreement, and
- (h) the Trust Agreement.

The Trustee thereby accepts such pledges.

Such pledges serve to secure the Trustee Claim.

Pursuant to the Irish Security Agreement, the Issuer will charge and assign by way of security in favour of the Trustee all its present and future claims, right, title and interest in and to the Corporate Administration Agreement as security for the Trustee Claim.

ACCOUNTS AND CASH ADMINISTRATION

Transaction Account

In connection with the Transaction the Issuer will maintain the Transaction Account, which is an interest bearing account in EUR. The Issuer will open the Transaction Account with Deutsche Bank AG, Taunusanlage 12, 60325 Frankfurt am Main, Germany as the initial Transaction Account Bank, before the Issue Date.

Pursuant to the Irish Security Agreement, all of the Issuer's claims, right, title and interest in and to the Transaction Account and the Transaction Account Agreement are charged and assigned by way of security in favour of the Trustee to secure the Trustee Claim.

Pursuant to the Trust Agreement the Trustee has authorised the Issuer and the Cash Administrator on the Issuer's behalf to administer the Transaction Account. Such authorisation may be withdrawn by the Trustee upon the occurrence of a Foreclosure Event or if, in the professional judgement of the Trustee, such withdrawal is desirable or expedient to protect the interests of the Noteholders. See "THE TRUST AGREEMENT".

Consideration

As consideration for the performance of its services and functions under the Transaction Account Agreement, the Issuer will pay the Transaction Account Bank a fee as separately agreed by the Transaction Account Bank with the Issuer with the consent of the Bank. Recourse of the Transaction Account Bank against the Issuer is limited.

Set-off Waiver

Pursuant to the Transaction Account Agreement, the Transaction Account Bank will waive any right to set-off and similar rights on the basis of which the Transaction Account Bank would be entitled to refuse payment to the Issuer or the Trustee, as relevant, and will agree to certain non-petition provisions in relation to the Issuer.

Cash Administration

Pursuant to the Cash Administration Agreement, Deutsche Bank AG, London Branch will act as the initial Cash Administrator for the Issuer. The Cash Administrator will provide professional services to the Issuer with respect to, *inter alia*, the management of the Transaction Account.

As consideration for the performance of its services and functions under the Cash Administration Agreement, the Issuer will pay the Cash Administrator a fee as separately agreed with the Issuer with the consent of the Bank. Recourse of the Cash Administrator against the Issuer is limited.

CORPORATE ADMINISTRATION

Pursuant to the Corporate Administration Agreement governed by Irish law, the Corporate Administrator has agreed to provide book-keeping and other corporate and administrative services to the Issuer. The Issuer has a right to replace the Corporate Administrator at any time upon notice to the Corporate Administrator.

Description of the Corporate Administrator

The Administrator is Deutsche International Corporate Services (Ireland) Limited, a limited liability company, incorporated under the laws of Ireland (registered number 149528), whose business address is 5 Harbourmaster Place, IFSC, Dublin 1, Ireland.

Consideration

As consideration for the performance of its services and functions under the Corporate Administration Agreement, the Issuer will pay the Corporate Administrator a fee as separately agreed with the Issuer with the consent of the Bank. Recourse of the Corporate Administrator against the Issuer is limited accordingly.

Termination of the Corporate Administration Agreement

The following is the text of the provisions of the Corporate Administration Agreement regarding termination and appointment of a substitute Corporate Administrator:

"6. **TERMINATION AND APPOINTMENT OF SUBSTITUTE ADMINISTRATOR**

6.1 *If any of the following events shall occur:*

- (a) *material default is made by the Corporate Administrator in the performance or observance of any of its covenants and obligations under this Agreement, which in the opinion of the Trustee is materially prejudicial to the interests of the Secured Parties and which, in the case of a default that is in the sole opinion of the Trustee remediable, continues unremedied for a period of 30 days after written notice by the Trustee requiring the same to be remedied;*
- (b) *an order is made or an effective resolution passed for winding up the Issuer;*
- (c) *the Corporate Administrator ceases or threatens to cease to carry on its business or a substantial part of its business or stops payment or threatens to stop payment of any amounts due to its creditors generally or becomes unable to pay its debts as they fall due or otherwise becomes insolvent; or*
- (d) *(other than in the case of a reorganisation the terms of which have been approved by the Trustee and where the Corporate Administrator is solvent) an order is made against the Corporate Administrator under any applicable liquidation, insolvency, composition, reorganisation, examinership or other similar laws, or an administrative or other receiver, examiner or other similar official is appointed in relation to the Corporate Administrator or in relation to the whole or any substantial part of the undertaking or assets of the Corporate Administrator or an encumbrancer shall take possession of the whole or any substantial part of the undertaking or assets of the Corporate Administrator, and in any of the foregoing cases it shall not be discharged within 15 days; or if the Corporate Administrator shall initiate or consent to judicial proceedings relating to itself under any applicable liquidation, insolvency, examinership, composition, reorganisation or other similar laws or shall make a conveyance or*

assignment for the benefit of its creditors generally;

then the Issuer, with the prior written consent of the Trustee, or the Trustee may,

- (i) in writing appoint as administrator any person to succeed the Corporate Administrator or any successor Administrator previously appointed (a "Substitute Administrator"), on the condition in each case that the Substitute Administrator agrees with the Issuer to perform the duties and obligations of the Corporate Administrator pursuant to and in accordance with the terms of this Agreement, such appointment to be effective upon the termination of the appointment of the Corporate Administrator; and*
- (ii) following the giving to the holders of the Notes of a notice of the appointment of the Substitute Administrator, by notice in writing to the Corporate Administrator terminate the appointment of the Corporate Administrator and the arrangements with the Corporate Administrator hereunder, such termination to be effective from the date set out in the notice.*

6.2 The Corporate Administrator shall forthwith notify the Issuer and the Trustee in writing of the occurrence or expected occurrence of any of the events referred to in Clause 6.1 (a) to (d).

6.3 The Issuer and the Trustee shall, from the date of termination of the appointment of the Corporate Administrator pursuant to Clause 6.1, be discharged from performing further the obligations set out in this Agreement, except that the Issuer shall, following such termination, pay to the Corporate Administrator any amount due and outstanding in respect of the Administration Fees calculated up to the date of effectiveness of such termination. The termination of the appointment of the Corporate Administrator under Clause 6.1 shall be without liability or penalty on the part of the Issuer for so doing and the Corporate Administrator shall not be entitled to compensation in respect of such termination.

6.4 Forthwith after service of notice in writing of the termination of the appointment of the Corporate Administrator pursuant to Clause 6.1, the Corporate Administrator shall deliver to (and in the meantime hold on trust for and to the order of) the Issuer, as it shall direct all books of account, papers, records, registers, correspondence and documents in its possession or under its control relating to the affairs of or belonging to the Issuer, any original contracts and/or the Transaction Documents, any monies then held by the Corporate Administrator on behalf of the Issuer and any other assets of the Issuer and shall take such further action as the Issuer may reasonably direct.

6.5 The Corporate Administrator shall, from the later of (i) the date of termination of its appointment pursuant to Clause 6.1 and (ii) the date of its compliance in full with its obligations under Clause 6.4, be discharged from performing further the obligations set out in this Agreement, without prejudice to any then existing rights and liabilities of the Corporate Administrator, the Issuer and the Trustee hereunder, including, without limitation, the Issuer's or the Trustee's right to sue the Corporate Administrator or make any other claim or take any other action with respect to a breach by the Corporate Administrator of its obligations prior to the termination of its appointment as Administrator hereunder. "

THE ISSUER

The Issuer was incorporated in Ireland under registered number 439971 as a private company limited by shares under the Irish Companies Acts 1963 to 2006 under the name of Estate Germany 2007-I Limited on May 21, 2007. The registered office of the Issuer is at 5 Harbourmaster Place, IFSC, Dublin 1, Ireland. The Issuer has been incorporated for an unlimited duration. The authorised share capital of the Issuer is EUR 3 divided into 3 ordinary shares of EUR 1 each, 3 of which are issued and fully paid up (the "**Shares**") and will be held as follows: 1 by Medb Charitable Trust Limited, 1 by Badb Charitable Trust Limited and 1 by Eurydice Charitable Trust Limited (each a "**Shareholder Trustee**" and together, the "**Shareholder Trustees**"). The Shareholder Trustees hold the Shares on trust for certain charities and charitable institutions according to the terms of declarations of trust signed by the Shareholder Trustees.

The Issuer is not related to the Bank (in any of its respective capacities).

Business of the Issuer

The Issuer has been established as a special purpose vehicle for the purpose of issuing asset-backed securities. The objects and purposes of the Issuer are primarily the issue of securities. The principal objects of the Issuer are set forth in its Articles of Association and amongst other things are to carry on the business of securitisation including purchasing, acquiring, holding, collecting, discounting, financing, negotiating, managing, selling, disposing of and otherwise trading or dealing directly or indirectly in real or personal property of whatsoever nature (including, without limitation, securities, instruments or obligations of any nature whatsoever, howsoever described and financial assets of whatsoever nature howsoever described and trade accounts, receivables and book debts of whatsoever nature howsoever described and foreign currencies) and any proceeds arising therefrom or in relation thereto and any participation or interest (whether legal or equitable) therein and any certificates of participation or interest (whether legal or equitable) therein and any agreements in connection therewith. These objects allow the Issuer to issue the Notes and use the proceeds to acquire the HRE Pfandbriefe.

The Issuer has not engaged, since its incorporation, in any activities other than those incidental to its incorporation under the Irish Companies Acts 1963 to 2006, the authorisation and issue of the Notes, the acquisition of the HRE Pfandbriefe, the execution of the Trust Agreement and of the other documents and matters referred to or contemplated in this Prospectus to which it is or will be a party and matters which are incidental or ancillary to the foregoing. The Issuer has only carried on activities since May 21, 2007, its date of incorporation.

The Issuer has not commenced operations since the date of its incorporation and no financial statements have been made up as at the date of this Prospectus.

The Issuer will covenant to observe certain restrictions on its activities which are detailed in the Trust Agreement. See "THE TRUST AGREEMENT". The principal assets of the Issuer will consist of the HRE Pfandbriefe and, subject to Section 2.3 of the Terms and Conditions, the HRE Pfandbriefe will be the only assets available to meet the claims of the Noteholders. Pursuant to the Loss Guarantee, the Bank will pay the Issuer the Issuer Costs.

The Issuer has no employees.

The Issuer has entered into a number of contracts in connection with the issue of the Notes and in relation to the provision of administrative, legal, secretarial, audit and tax services to it. See "CORPORATE ADMINISTRATION"

Directors

The directors of the Issuer, all of whom are non-executive and their respective addresses and other principal activities are:

Name	Address	Description
Eimir McGrath	5 Harbourmaster Place IFSC Dublin 1 Ireland	Company Administrator
Priscilla Shire	5 Harbourmaster Place IFSC Dublin 1 Ireland	Company Administrator

The Articles of Association of the Issuer do not require that directors of the Issuer hold any shares in the Issuer in order to qualify to act as director. The Articles of Association of the Issuer provide that the remuneration of the directors shall from time to time be determined by the Issuer in a general meeting. Such remuneration shall be deemed to accrue from day to day. The directors may also be paid all travelling, hotel and other expenses properly incurred by them in attending and returning from meetings of the directors or any committee of the directors or general meetings of the Issuer or in connection with the business of the Issuer.

Corporate Administration and Secretary

Pursuant to a corporate administration agreement dated September 24, 2007 between the Issuer, the Corporate Administrator and the Trustee, the Issuer has appointed Deutsche International Corporate Services (Ireland) Limited as corporate administrator (the "**Corporate Administrator**") to provide corporate and secretarial and administrative services to the Issuer. The business address of the Corporate Administrator is 5 Harbourmaster Place, IFSC, Dublin 1, Ireland.

Indebtedness Statement

Apart from the indebtedness under the Notes, at the date of this Prospectus, the Issuer has no borrowings or indebtedness in the nature of borrowings (including loan capital issued or created but unissued), term loans, liabilities under acceptances or acceptance credits, mortgages, charges or guarantees or other contingent liabilities.

Financial Statements

Audited financial statements will be published on an annual basis. The Issuer will not prepare interim financial statements. The Issuer's accounting reference date in each year is December 31. The first set of audited financial statements will be in respect of the period up to December 31, 2007. Since the date of its incorporation no statutory financial statements have been prepared.

Auditors

The auditors of the Issuer are BDO Simpson Xavier, Beaux Lane House, Mercer Street Lower, Dublin 2, Ireland who are Registered Auditors regulated by the Institute of Chartered Accountants in Ireland.

Expenses

It is estimated that preliminary expenses and the expenses (including legal expenses, listing expenses

and initial expenses of service providers) associated with the issue of the Notes will not exceed 1% of the initial aggregate principal amount of the Notes and will be payable by the Bank.

Litigation

The Issuer is not and has not been since its incorporation engaged in any governmental, litigation or arbitration proceedings which may have or have had during such period a significant effect on its respective financial position and, as far as the Issuer is aware, no such governmental, litigation or arbitration proceedings are pending or threatened.

Material Change

Except as may be set out in this Prospectus, there has been no material adverse change in the financial position of the Issuer since the date of its incorporation.

Material Contracts

Apart from the Transaction Documents to which it is a party, the Issuer has not entered into any material contracts other than in the ordinary course of its business.

Accountant's Report

The Directors
Estate Germany 2007-I Limited
5 Harbourmaster Place,
IFSC,
Dublin 1,
Ireland.

3 October 2007

Issue of Euro 500,000 Class A+ Floating Rate Credit Linked Notes and Euro 68,500,000 Class A Floating Rate Credit Linked Notes and Euro 95,700,000 Class B Floating Rate Credit Linked Notes and Euro 60,700,000 Class C Floating Rate Credit Linked Notes and Euro 45,600,000 Class D Floating Rate Credit Linked Notes and Euro 39,900,000 Class E Floating Rate Credit Linked Notes and Euro 21,700,000 Class F Floating Rate Credit Linked Notes.

Dear Sirs

Estate Germany 2007-I Limited (the "Company")

Basis of preparation

This report is prepared solely for the purpose of the issue of the Notes referred to above.

The financial information set out in the balance sheet and related notes below is based on the financial statements of the Company from its date of incorporation, 21 May 2007 to 3 October 2007 prepared on the basis described in note 2.1, to which no adjustments were considered necessary.

Responsibility

The financial statements referred to above are the responsibility of the directors of the Company who approved their issue.

The Company is responsible for the contents of the Prospectus dated 4 October 2007 in which this report is included.

It is our responsibility to compile the financial information set out in our report from the unaudited non statutory financial statements, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investments Circular Reporting Standards issued by the Auditing Practices Board.

Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Prospectus, a true and fair view of the state of affairs of the Company as at 3 October 2007 and for the period from 21 May 2007 to 3 October 2007.

1 Balance sheet as at 3 October 2007

	€
<i>Current assets</i>	
Cash at bank and in hand	<u>3</u>
<i>Capital and reserves</i>	
Called up equity share capital	<u>3</u>

2 Notes

2.1 Accounting policies

The financial information has been prepared under the historical cost convention and in accordance with applicable accounting standards.

2.2 Trading activity

The Company has not traded during the period from incorporation on 21 May 2007 to 3 October 2007 nor did it receive any income, incur any expenses or pay any dividends. Consequently, no profit and loss account has been prepared. No audited financial statements have been made up for the Company.

Yours sincerely,

BDO Simpson Xavier
Registered Auditors

THE BANK

Incorporation and Seat

The Bank acts under its legal name "Hypo Real Estate Bank AG" (Hypo Germany)

Hypo Germany is incorporated as a stock corporation (*Aktiengesellschaft*) under the laws of the Federal Republic of Germany. It is registered with the commercial register in Munich under number HRB 41054. It was formed by the merger of two mixed mortgage banks (*gemischte Hypothekenbanken*), i.e. Bayerische Handelsbank AG and Nürnberger Hypothekenbank AG, and one mortgage bank (*Hypothekenbank*), i.e., Süddeutsche Bodencreditbank AG, on September 3, 2001, with retroactive effect as of January 2001. At this time the legal name of the Bank was "HVB Real Estate Bank AG". With the spin-off from HVB on 29 September 2003, the name was changed into "Hypo Real Estate Bank AG". On November 3, 2003, Westfälische Hypothekenbank AG, a former subsidiary of the Bank, was merged into Hypo Germany. The merger became effective retroactively as of January 1, 2003.

Hypo Germany has its registered office at Von-der-Tann-Strasse 2, D-80539 Munich. Its telephone number is +49 89 2880-0.

Integration into Hypo Real Estate Group

Hypo Germany is part of Hypo Real Estate Group. Hypo RE Group was formed in the course of the spin-off of a major part of the commercial real estate financing business of HVB AG and its consolidated subsidiaries. Hypo RE Group consists of the parent company Hypo RE Holding and the three independent subsidiary banks Hypo Real Estate Bank International AG, Stuttgart, Hypo Public Finance Bank, Dublin and Hypo Germany, Munich (and their subsidiaries, affiliates and associated companies). On September 24, 2007 the extraordinary general meeting of the shareholders of DEPFA BANK plc approved the transfer of the share capital of DEPFA BANK plc to Hypo RE Holding by way of a scheme of arrangement under Irish law thus adding a further independent subsidiary bank to the Hypo RE Group.

In order to consolidate core competencies within Hypo RE Group, the German real estate financing business was concentrated at Hypo Germany. For this reason, the entire German real estate lending portfolio amounting to approximately Euro 3.5 billion was transferred from Hypo International to Hypo Germany in the year 2006.

Furthermore, as of January 1, 2007 Hypo Real Estate Group has combined the segments "Hypo Real Estate International" and "Hypo Real Estate Germany" to form the segment "Commercial Real Estate" in order to overcome the previous distinction between separately managed national and international commercial real estate business.

It is currently contemplated to concentrate, at a later stage, the commercial real estate business in a single entity based in Munich. At the date of this Prospectus, no decisions have been made on the legal structure. One possibility currently discussed is the merger of Hypo International into Hypo Germany.

Major Shareholders

The Bank is totally owned (100 per cent.) by Hypo RE Holding

Operating performance as per German Commercial Code (HGB)

		2006	2005
Income before taxes	in €million	64	49
Net income/loss for the year	in €million	129	52

Balance Sheet highlights (HGB)

Balance Sheet total	in €billion	74	75
Equity (inc. fund for general banking risks)	in €billion	2	2

Results as per International Financial Reporting Standards (IFRS)

As reported by Hypo Real Estate Holding AG for the Germany segment

Operating performance

Income before taxes	in €million	169	139
Income after taxes	in €million	144*	101

Key ratios

Return on equity after taxes	in %	7.7*	5.7
Cost-income ratio (measured against operating income)	in %	23.2	27.3

Regulatory indicators compliant with BIS rules

Core capital ratio	in %	6.7	7.7
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*Excluding the effects of capitalised loss carry-forwards and corporation tax credits

Management and Supervisory Bodies

Supervisory Board

In accordance with the Articles of Association, the Supervisory Board consists of six members, of whom four are elected by the General Meeting of Shareholders and two are elected by the employees in accordance with the German Third-Participation Act (*Drittbeteiligungsgesetz*).

Current members of the Supervisory Board are as follows:

Georg Funke

Chairman

Chairman of the Executive Board of Hypo Real Estate Holding AG, Munich

Chairman of the Supervisory Board of Hypo Real Estate Bank International, Stuttgart

Chairman of the Management Board of Hypo Public Finance Bank, Dublin

Bettina von Oesterreich

Member of the Management Board of Hypo Real Estate Holding AG, Munich

Non-Executive Member of the Board of Directors of Hypo Public Finance Bank, Dublin/Ireland

Member of the Board of Quadra Realty Trust Inc., New York/USA (US REIT)

Dr. Markus Fell
Member of the Executive Board of Hypo Real Estate Holding AG, Munich
Deputy Chairman of the Supervisory Board of Hypo Real Estate Bank International AG, Stuttgart
Non-Executive Member of the Board of Hypo Public Finance Bank, Dublin
Director of Flint Nominees Limited, London
Chairman of the Supervisory Board of Hypo Real Estate Systems GmbH, Stuttgart

Frank Lamby
Member of the Executive Board of Hypo Real Estate Holding AG, Munich
Spokesman of the Management Board of Hypo Real Estate Bank International AG, Stuttgart

Georg Kordick
Employees' Representative, Munich

Ursula Bestler
Employees' Representative, Munich

Management Board

In accordance with the Articles of Association, the Management Board consists of two or more members. The Supervisory Board determines the number of the members of the Management Board and appoints the members of the Management Board. The Management Board represents Hypo Germany and is responsible for its management.

The current members of the Executive Board are:

Dr. Robert Grassinger
Spokesman of the Management Board
Member of the Management Board of Hypo Real Estate Holding AG, Munich (deputy)
Member of the Administrative Board of Hypo Pfandbrief Bank International S.A., Luxembourg

Reinhold Güntner
Member of the Management Board

Frank Hellwig
Member of the Management Board
Member of the Management Board of Hypo Real Estate Bank International AG, Stuttgart
Hypo Real Estate Systems GmbH, Stuttgart
Member of the Advisory Board of WH-Zweite-Grundstücks Verwaltungs GmbH, Schönefeld

The business address of the members of the Supervisory Board and the Executive Board is that of the head office of Hypo Germany.

Independent Auditors

Independent Auditor of Hypo Germany is Bayerische Treuhandgesellschaft Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Ganghoferstraße 29, D-80339 Munich.

Fiscal Year

The fiscal year is the calendar year.

Business

As a centre of competence for the German market within Hypo RE Group the Hypo Germany's target customers for new business include professional real estate investors, housing companies, property

developers and real-estate funds beside the still existing business which includes retail clients and the field of small investors. Hypo Germany targets both domestic investors and also international customers wishing to invest in the German real estate market. Hypo Germany offers a comprehensive range of financing services for professional real estate transactions, including for example senior lending, mezzanine financing, portfolio financing, financing for real estate companies and property developers, syndication and securitisation. Furthermore Hypo Germany offers innovative derivative products.

Funding

Under the German Pfandbrief Act (*Pfandbriefgesetz*) all banks that have a licence pursuant to Article 2 Pfandbrief Act have the ability to issue special bonds, so-called Pfandbriefe. There are two important sources of funding, the Mortgage Pfandbrief (*Hypothekendarlehen*) and the Public Pfandbrief (*Öffentlicher Pfandbrief*). Principal of and interest on these bonds have to be covered at all times by a pool of assets supervised by an independent trustee. For this purpose Pfandbrief Banks use two independent registers: Mortgage Pfandbriefe are backed by qualified mortgage loans, Public Pfandbriefe are backed by public sector loans. Though the assets are listed in special registers, they remain in the balance sheet of Hypo Germany. Hypo Germany funds the assets which are not eligible for any of the registers by senior unsecured bonds or other funding instruments.

Hypo Germany is refinancing its lending business largely congruently through the issuance of Pfandbriefe (including Jumbo Pfandbriefe with issue sizes of at least Euro one billion) and other financial instruments. Hypo Germany's whole funding activities amounted to Euro 48,688 million as at December 31, 2006 (thereof Euro 19,323 million Mortgage Pfandbriefe and Euro 26,196 million Public Pfandbriefe and Euro 3,169 million Senior unsecured bonds). In the year 2006, the volume of Pfandbriefe issued by Hypo Germany amounted to Euro 7.9 billion. Furthermore, Hypo Germany has established commercial paper and debt issuance programmes.

Employees

As at December 31, 2006, Hypo Germany had an annual average of 488 employees (including full-time, part-time employees and trainees).

Financial Statements of Hypo Germany

Balance Sheet of Hypo Real Estate Bank AG as of December 31, 2006 (audited)

Assets in €thousand	31 Dec. 2006	31 Dec. 2005
1. Cash reserve		
a) Cash on hand	2	10
b) Balances with central banks	57,817	55,387
thereof:	57,819	55,397
with the Bundesbank €57,817 thousand (prior year €55,387 thousand)		
2. Loans and advances to other banks		
a) Repayable on demand	1,130,935	695,928
b) Other loans and advances	13,479,981	13,742,493
	14,610,916	14,438,421
thereof:		
Mortgage loans €153,316 thousand (prior year €122,078 thousand)		
Municipal loans €7,761,790 thousand (prior year €9,216,915 thousand)		
3. Loans and advances to customers	43,137,085	43,929,578
thereof:		
Mortgage loans €30,377,591 thousand (prior year €28,230,183 thousand)		
Municipal loans €12,371,065 thousand (prior year €14,924,360 thousand)		
4. Bonds and other fixed-income securities		
a) Money market instruments issued by		
aa) public sector issuers		
thereof:		
eligible for Bundesbank borrowings € - thousand (prior year €- thousand)		
ab) other issuers		
thereof:		
eligible for Bundesbank borrowings € - thousand (prior year €- thousand)		
b) Bonds and notes issued by		
ba) public sector issuers	7,257,710	7,530,713
thereof:		
eligible for Bundesbank borrowings €5,290,951 thousand (prior year: €5,086,932 thousand)		
bb) other issuers	7,503,520	8,052,559
thereof:	14,761,230	15,583,272
eligible for Bundesbank borrowings €3,181,237 thousand (prior year: €3,024,837 thousand)		
c) Own bonds	255,148	237,084
Nominal value €252,978 thousand (prior year: €233,102 thousand)	15,016,378	15,820,356
Carryover	72,822,198	74,243,752

Assets		
in €thousand	31 Dec. 2006	31 Dec. 2005
Carryover	72,822,198	74,243,752
5. Participating interests	798	2,303
thereof:		
other banks €- thousand		
(prior year: €- thousand)		
in financial services providers €thousand		
(prior year: €- thousand)		
6. Shares in affiliated companies	40,014	39,020
thereof:		
other banks €- thousand		
(prior year: €- thousand)		
in financial services providers €thousand		
(prior year: €- thousand)		
7. Special assets	132,635	152,676
thereof:		
loans in transit €132,635 thousand		
(prior year: €152,676 thousand)		
8. Intangible assets	12,977	7,955
9. Tangible assets	3,584	4,009
10. Sundry assets	532,403	322,668
11. Deferred charges and prepaid expenses		
a) from issues and loans	153,229	139,065
b) others	72,070	60,017
	225,299	199,082
Total assets	73,769,908	74,971,465

Equity and liabilities

in €thousand

	<u>31 Dec. 2006</u>	<u>31 Dec. 2005</u>
1. Accounts due to other banks		
a) Repayable on demand	16,242	17,948
b) Fixed term or withdrawal notice thereof:	18,089,243	15,490,433
registered mortgage pfandbrief bonds issued €2,550,911 thousand (prior year: €2,403,071 thousand)	18,105,485	15,508,381
registered public sector pfandbrief bonds issued €1,233,181 thousand (prior year: €1,184,663 thousand)		
registrated mortgage pfandbrief bonds delivered to lender as collateral for loans €10,486 thousand (prior year: €10,486 thousand)		
registrated public sector pfandbrief bonds delivered to lender as collateral for loans €10,641 thousand (prior year: €16,017 thousand)		
2. Accounts due to customers		
a) Savings deposits		
aa) Withdrawal notice of three months	/	/
ab) Withdrawal notice of more than three months	/	/
b) Other liabilities		
ba) Repayable on demand	179,856	478,044
bb) Fixed term or withdrawal notice	19,339,910	18,214,034
thereof:	19,519,766	18,692,078
registered mortgage pfandbrief bonds issued €7,542,285 thousand (prior year: €6,907,267 thousand)		
registered public sector pfandbrief bonds issued €5,309,443 thousand (prior year: €5,226,239 thousand)		
registered mortgage pfandbrief bonds delivered to lender as collateral for loans €17,903 thousand (prior year: €26,137 thousand)		
registered public sector pfandbrief bonds delivered to lender as collateral for loans €63,660 thousand (prior year: €63, 724 thousand)		
3. Debts evidenced by certificates		
a) Bond issued		
aa) mortgage pfandbrief bonds	9,229,798	11,418,932
ab) public sector pfandbrief bonds	19,653,018	22,589,269
ac) other bonds	3,168,743	2,817,020
	32,051,559	36,825,221
b) Other	646,895	143,906
thereof:	32,698,454	36,969,127
money market instruments €646,895 thousand (prior year: €143,906 thousand)		
own acceptances and promissory notes outstanding €- thousand (prior year: € thousand)		
4. Special liabilities	132,635	152,676
thereof:		
borrowings in transit €132,635 thousand (prior year: €152,676 thousand)		
5. Sundry liabilities	58,732	197,873
Carryover	70,515,072	71,520,135

Equity and liabilities

in €thousand

	<u>31 Dec. 2006</u>	<u>31 Dec. 2005</u>
6. Deferred income	70,515,072	71,520,135
a) from issues and loans	124,877	151,048
b) other	59,916	58,088
	184,793	209,136
7. Provisions		
a) for pensions and similar commitments	90,571	90,032
b) for taxes	12,727	12,922
c) other	76,307	74,797
	179,605	177,751
8. Subordinated liabilities	659,393	696,576
9. Participatory capital	260,244	260,244
thereof:		
maturing in less than two years €7,669 thousand (prior year: €7,669 thousand)		
10. Fund for general banking risks	6,154	6,154
11. Equity		
a) Capital stock	132,860	132,860
b) Additional paid-in capital	1,441,742	1,441,742
c) Retained earnings		
ca) Legal reserve	12,655	12,655
cb) Reserve for treasury stock	/	/
cc) Statutory reserve	/	/
cd) other	248,334	248,334
	260,989	260,989
d) Unappropriated retained earnings	129,056	265,878
	1,964,647	2,101,469
Total equity and liabilities	<u>73,769,908</u>	<u>74,971,465</u>

THE TRUSTEE

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

Description of the Trustee

The Trustee, Ernst & Young AG, Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Arnulfstrasse 126, 80636 Munich, Germany, is an independent auditing and consulting firm pursuant to the law regulating the profession of certified public accountants in Germany (*Wirtschaftsprüferordnung*) and applicable regulations published thereunder.

Ernst & Young is one of the three largest auditing and consulting firms in Germany and is a member of the Ernst & Young Global network. Ernst & Young employs some 6,200 people in 22 business locations in Germany. Its total operating performance amounted to EUR 948m in fiscal year 2004/2005.

Ernst & Young's services include assurance and advisory business services, tax, corporate finance/transactions and real estate; Luther Rechtsanwalts-gesellschaft mbH provides legal services. The firm is geared toward both large companies and small and medium-sized enterprises. Worldwide Ernst & Young has revenues in excess of USD 16.9 billion in the financial year 2004/2005 and 106,000 employees.

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 Issuer will pay the Trustee a fee as separately agreed with the consent of the Bank.

RATING

The Class A+ Notes are expected to be rated AAA by Fitch and Aaa by Moody's.

The Class A Notes are expected to be rated AAA by Fitch and Aaa by Moody's.

The Class B Notes are expected to be rated AA by Fitch and Aa2 by Moody's.

The Class C Notes are expected to be rated A by Fitch and A2 by Moody's.

The Class D Notes are expected to be rated BBB by Fitch and Baa2 by Moody's.

The Class E Notes are expected to be rated BB+ by Fitch and Ba2 by Moody's.

It is a condition of the issue of the Notes that each Class of Notes, other than Class F Notes, receives the above indicated rating.

The rating of "AAA" is the highest rating that Fitch assigns to long term debts and the rating of "Aaa" is the highest rating that Moody's assigns to long term debts.

The ratings assigned by Moody's to each Class of Notes, other than Class F Notes, address the expected losses in proportion to the initial Class Principal Amount of such Class of Notes posed to investors by the Legal Maturity Date.

The rating of each Class of the Notes, other than Class F Notes, by Fitch addresses the likelihood that the holders of such Class will receive all payments to which they are entitled, as described herein. The rating of each Class of the Notes, other than Class F Notes, by Fitch also addresses the risk that a Realised Loss will be allocated to such Class pursuant to the Terms and Conditions as described herein. The rating of all Rating Agencies takes into consideration the characteristics of the Reference Claims and the current structural, legal, tax and Issuer-related aspects associated with the Notes. However, the ratings assigned to the Notes, other than Class F Notes, do not represent any assessment of the likelihood of principal prepayments. The ratings do not address the possibility that the Noteholders might suffer a lower than expected yield due to prepayments.

The ratings assigned to the Notes, other than Class F 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.

There can be no assurance as to whether any rating agency other than the Rating Agencies would rate the Notes or, if it did, what rating would be assigned by such other rating agency. The ratings assigned to the Notes by such other rating agency could be lower than the respective ratings assigned by the Rating Agencies.

TAXATION

TAXATION IN GERMANY

The following is a general discussion of certain German tax consequences of the acquisition and ownership of Notes. This discussion does not purport to be a comprehensive description of all tax considerations which may be relevant to a decision to purchase Notes. In particular, this discussion does not consider any specific facts or circumstances that may apply to a particular purchaser. 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 RESIDENTS.

TAXATION OF THE NOTEHOLDERS

Tax Residents

Payments of interest on the Notes to persons 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) are subject to German personal or corporate income tax (*Körperschaftsteuer*) (plus solidarity surcharge (*Solidaritätszuschlag*) at a rate of 5.5% thereon). Such interest payments may also be subject to trade tax (*Gewerbesteuer*) if the Notes form part of the property of a German trade or business.

Upon the disposition of a Note carrying interest, a holder of the Note will also have to include in his taxable income any consideration invoiced separately for such portion of the interest of the current interest payment period which is attributable to the period up to the disposition of the Note ("**Accrued Interest**"). Accrued Interest paid upon the acquisition of the Notes may be declared as negative income if the Note is held as a non-business asset. If for the determination of the issue price of the Note the redemption amount is reduced by a discount or if the redemption amount is increased as compared with the issue price of the Note (as, for example, in the case of a discounted Note or a Note with accrued interest added), the difference between the redemption amount and the issue price of the Note ("**Original Issue Discount**") realised when a Note held as a non-business asset is redeemed to its initial subscriber will be taxable investment income, however, only if the Original Issue Discount exceeds certain thresholds; in such case, the Note qualifies as a financial innovation under German tax law.

If the Note qualifies as a financial innovation (*Finanzinnovation*) (including, among other things, zero coupon Notes or other discounted Notes or Notes with accrued interest added) and is assigned or disposed of while outstanding or redeemed at maturity, such portion of the proceeds from the disposition of the Note or of the redemption amount of the Note which equals the yield to maturity of the Note attributable to the period over which the holder has held such Note, minus interest, including Accrued Interest, already taken into account, will be subject to income tax (plus solidarity surcharge), provided the holder of the Note is an individual. The yield to maturity is determined by taking into account the Original Issue Discount. If (i) the Notes do not have a predetermined yield to maturity or (ii) the holder of the Note does not give proof thereof the difference between the proceeds from the disposition, assignment or redemption and the issue or purchase price of the Note ("**Market Yield**") is subject to income tax (plus solidarity surcharge thereon) in the year of the disposition, assignment, or redemption of the Note. Where in the case of (ii) the tax authorities have issued a request for production of the predetermined yield to maturity and the holder of a Note has not complied, the tax authority may disregard a negative Market Yield. Where a Note forms part of the property of a German trade or business, in each fiscal year the yield to maturity of the Note to the extent

attributable to such period has to be taken into account as interest income by the initial subscriber of the Note and is subject to personal or corporate income tax (plus solidarity surcharge thereon) and may also be subject to trade tax.

Capital gains from the disposition of Notes, other than income described in the preceding paragraph, are only taxable to a German tax-resident individual if the Notes are disposed of within one year after their acquisition or form part of the property of a German trade or business. In the latter case the capital gains may also be subject to trade tax. Capital gains derived by German-resident corporate holders of Notes will be subject to corporate income tax (plus solidarity surcharge thereon) and trade tax, even if the Notes do not qualify as financial innovations. Losses incurred upon the sale or redemption of the Notes may give rise to negative income.

If the Notes are held in a custodial account which the Noteholder maintains with a German branch of a German or non-German bank or financial services institution (the "**Disbursing Agent**") a 30% withholding tax on interest payments (*Zinsabschlag*), plus 5.5% solidarity surcharge on such tax, will be levied, resulting in a total tax charge of 31.65% of the gross interest payment. Withholding tax is also imposed on accrued interest. If the Notes qualify as financial innovations, as explained above, withholding tax at the aforementioned rate will also be withheld from the difference between the proceeds from the disposition, assignment or redemption and the issue or purchase price of the Notes if the Note has been kept in a custodial account with such Disbursing Agent since the time of issuance or acquisition, respectively. If the Notes have been transferred into the custodial account of the Disbursing Agent only after such point in time, withholding tax at the aforementioned rate will be levied on a lump-sum basis on 30% of the proceeds from the disposition, assignment or redemption of the Notes. According to the bill for a corporate income tax reform (*Unternehmensteuerreformgesetz 2008* as of August 14, 2007, published in the Federal Gazette Vol. I p. 1914 et seqq.), the withholding tax on interest payments (*Zinsabschlag*) will decrease from 30% to 25% plus 5.5% solidarity surcharge on such tax. The 25% withholding tax would only be imposed on interest payments deriving from notes received after December 31, 2008.

In computing the tax to be withheld, the Disbursing Agent may deduct from the basis of the withholding tax any accrued interest paid by the holder of a Note to the Disbursing Agent during the same calendar year. In general, no withholding tax will be levied if the holder of a Note is an individual (i) whose Note does not form part of the property of a German trade or business nor gives rise to income from the letting and leasing of property, and (ii) who filed a withholding exemption certificate (*Freistellungsauftrag*) with the Disbursing Agent 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 Disbursing Agent a certificate of non-assessment (*Nichtveranlagungs-Bescheinigung*) issued by the relevant local tax office.

The Issuer is not obliged to compensate any tax amounts withheld. Withholding tax and the solidarity surcharge thereon are, however, credited as prepayments against the German personal or corporate income tax and the solidarity surcharge liability of the German resident. Amounts over-withheld will entitle the holder of a Note to a refund, based on an assessment to tax.

Introduction of a Flat Tax (*Abgeltungssteuer*) on Investment Income and Private Capital Gains

According to the bill for a corporate income tax reform (*Unternehmensteuerreformgesetz 2008* as of August 14, 2007, published in the Federal Gazette Vol. I p. 1914 et seqq.), a flat tax (*Abgeltungssteuer*) on investment income and private capital gains will be introduced as elements of said corporate income tax reform.

The flat tax would be levied by German withholding agents as a withholding tax, inter alia, on interest income and capital gains from the disposal of Notes held as non-business assets, irrespective of any holding period. Payment of the flat tax would satisfy any income tax liability of the Noteholders in respect of such investment income or private capital gains. The envisaged tax would be levied at a

rate of 25% (plus 5.5% solidarity surcharge thereon) of the relevant gross income and no expenses related to the investment income except for a small lump-sum tax allowance will be deductible. However, Noteholders would be able to apply for a tax assessment on the basis of net taxable income if the tax assessment will lower the income tax burden. In this case, the personal income tax rate will be levied as well on the gross investment income, no expenses related to the investment income except for a small lump-sum tax allowance will be deductible.

According to the bill, the flat tax would become effective from January 1, 2009. The flat tax would generally be imposed on private capital gains deriving from Notes and realised after December 31, 2008 even if the Notes were acquired prior to January 1, 2009.

Inheritance and Gift Tax

No inheritance or gift taxes with respect to any Note will arise under the laws of Germany, if, in the case of inheritance tax, neither the decedent nor the beneficiary, or, in the case of gift tax, neither the donor nor the donee, is a resident of Germany and such Note is not attributable to a German trade or business for which a permanent establishment is maintained, or a permanent representative has been appointed, in Germany. Exceptions from this rule apply to certain German citizens who previously maintained a residence in Germany.

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.

Application of the German Investment Tax Act

It is expected that a German resident Noteholder will not be viewed as having acquired in substance units of an investment fund, i.e. an asset that represents units in respect of a portfolio of assets within the meaning of the German Investment Act (*Investmentgesetz*).

Non-Residents

Interest, including Accrued Interest and (in the case of financial innovations) Original Issue Discount, and capital gains are not subject to German taxation, unless (i) the Notes form part of the business property of a permanent establishment, including a permanent representative, or a fixed base maintained in Germany by the holder of a Note or (ii) the interest income otherwise constitutes German source income (such as the income from the letting and leasing of certain German-situs properties). If the nonresident of Germany is subject to German taxation with income from the Notes, a tax regime similar to that explained above at "Tax Residents" applies; capital gains from the disposition of Notes are, however, only taxable in the case of (i).

Non-residents of Germany are, in general, exempt from German withholding tax on interest and the solidarity surcharge thereon. However, where the interest is subject to German taxation as set forth in the preceding paragraph and the Notes are held in a custodial account with a Disbursing Agent, withholding tax is levied as explained above at "Tax Residents".

The Issuer is not obliged to compensate any tax amounts withheld.

Although the obligations under the Notes are secured by German-situs real property and/or landed property rights relating to German real property (*grundstücksgleiche Rechte*) it is expected that non-resident Noteholders will not for this reason become subject to German taxation levied by way of assessment on income derived from the Notes because the Notes should (within their respective class) qualify as fungible debt instruments (*Teilschuldverschreibungen*) and therefore should fall within the scope of the securitized debt exception (§ 49 para. 1 no. 5 lit. c sub-paragraph aa 2nd sentence German Income Tax Act). For the same reason it is expected that it would not be justified for the

German tax authorities to require the Issuer to withhold tax from payments it makes to a Noteholder.

EU Savings Tax Directive

On June 3, 2003 the Council of the European Union approved 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 EU Savings Tax Directive at a rate of 15% for the first three years from application of the provisions of such directive, of 20% for the subsequent three years, and of 35% from the seventh year after application of the provisions of such directive.

In conformity with the prerequisites for the application of the EU Savings Tax 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 German Federal Government enacted the provisions for implementing the EU Savings Tax Directive into German law. These provisions apply as from July 1, 2005.

Holders who are individuals should note that the Issuer will not pay additional in respect of any withholding tax imposed as a result of the EU Savings Tax Directive.

TAXATION OF THE ISSUER

Business profits derived by the Issuer would only be subject to German corporate income tax if the Issuer (i) had its place of effective management and control (*Geschäftsleitung*) or otherwise maintained a permanent establishment (*Betriebsstätte*) in Germany or (ii) appointed a permanent representative (*ständiger Vertreter*) for its business in Germany or (iii) otherwise received German-source income. In the case of (i) such business profits would be subject to German trade tax if the Issuer maintained a permanent establishment in Germany to the extent that the net income would be attributable to such permanent establishment.

For German tax purposes, the place of effective management and control of the Issuer is defined as the place where the preponderance of managerial decisions which are relevant in conducting the day-to-day business of the Issuer, is taken. The place of effective management and control constitutes a permanent establishment. A permanent establishment is otherwise constituted by any fixed place of business or facility which serves the purposes of the Issuer and over which the Issuer's management has effective power of disposal (*Verfügungsmacht*), such as an office or a branch.

A permanent representative of an Issuer is defined as a person that habitually acts in an agency capacity and – subject to the instructions of such Issuer in respect of business dealings of the Issuer – in particular concludes contracts in the name of or acts as an intermediary with respect to contracts

concluded by the Issuer.

In principle, as there are no significant activities in Germany attributable to the Issuer for tax purposes, the Issuer should neither maintain a permanent establishment (*Betriebsstätte*) in Germany nor should have been treated as having appointed a permanent representative (*ständiger Vertreter*). However, investors should note that there is no certainty that the German tax authorities will agree with this assessment. In particular, it should be noted that recent legislative changes may be viewed as an indication that vehicles such as those typically used in securitisation transactions will be required to satisfy increased "substance" criteria in the future. As a consequence, the Issuer may be exposed to a higher risk that a tax authority considers it having its place of effective management and control, or otherwise maintaining a permanent establishment, or as having appointed a permanent representative, in Germany. The German tax authorities have, so far, not made an official statement, that would support such interpretation.

If the Issuer were treated (i) as effectively managed and controlled in Germany or otherwise maintaining a German permanent establishment or (ii) as having appointed a German permanent representative, the Issuer would be subject to German corporate income tax and, in the case of (i) above, to trade tax. In calculating the tax base, the Issuer would, however, generally be entitled to deduct expenses accrued in a given tax year, including the interest paid on the Notes for corporate income tax purposes. The Issuer could therefore be expected to have a relatively small if not a flat corporate income tax base. In the case of (i) above, half of the interest payments deducted for corporate income tax purposes would have to be added-back in order to determine the trade tax base and consequently trade tax on such amount would be levied. Investors should note that according to the bill for a corporate income tax reform (*Unternehmensteuerreformgesetz 2008* as of August 14, 2007, published in the Federal Gazette Vol. I p. 1914 et seqq.), the addition of 50% of the interest on long term debt (if applicable) mechanism will be replaced by an addition to the tax base of 25% of all interest payments and certain other interest components in excess of EUR 100,000 rule. However, pursuant to an exemption provided for by Sec. 19 Para 3 No. 2 of the Trade Tax Application Directive (*Gewerbesteuerdurchführungsverordnung*), the addition of half of the interest paid by an issuer is not applicable to certain qualifying business entities. The exemption is applicable to business entities which are exclusively acquiring credit receivables or are assuming credit risks relating to certain credit receivables originated by banks in the sense of Sec. 1 German Banking Act (*Kreditwesengesetz – KWG*) directly or indirectly and by refinancing the acquisition or the granting of a security in respect of the assumed credit risk by notes. Pursuant to the documents, the Issuer is acquiring such credit risks. Insofar the Issuer should benefit from the exemption provided by Sec. 19 Trade Tax Application Directive. According to the bill for a corporate income tax reform, the scope of the exemption provided by Sec. 19 Trade Tax Application Directive will not be modified. Consequently, the exemption provision would also apply under the new legislation.

According to the bill for a corporate income tax reform (*Unternehmensteuerreformgesetz 2008* as of August 14, 2007, published in the Federal Gazette Vol. I p. 1914 et seqq.), the corporate income tax rate will decrease from 25% to 15% (in each case plus 5.5% solidarity surcharge thereon) such that the aggregate nominal income tax burden for corporations (corporate income tax and trade tax) decrease to below 30%. The tax reform enters into force on January 1, 2008 and also contains certain revenue raisers. The corporate income tax reform will introduce new interest-stripping rules (*Zinsschranke*) in order to reduce the tax deductibility of interest payments and debt financing of companies accordingly. The interest stripping rules provide that interest paid by a company is only fully tax deductible for corporate income tax purposes, if the net interest expenses (balance of interest expenses and interest received in a calendar year) did not exceed EUR 1 million. If such net interest payments exceeded the threshold of EUR 1 million, the interest expenses would generally not be tax deductible to the extent that they exceeded 30% of the current year net earnings before interest, tax and depreciation/amortisation (EBITDA). Non-deductible interest expenses would be carried forward and would generally be deductible in subsequent fiscal years, subject to limitations similar to those applicable in the current year. Such provisions are expected not to apply to nonconsolidated companies and further, according to the technical explanation of the bill under certain conditions not to securitisation vehicles. However, investors should note that the technical explanation does not have

any binding effects upon the German tax authorities, which, in principle, could take a different view.

Even if the German tax authorities agreed with the above assessment and do not view the Issuer's activities as carried out by a permanent establishment or permanent representative in Germany, the Issuer might otherwise receive German-source income, i.e., deriving from the (i) interest and, potentially, capital gains from the Note Collateral and, in addition thereto, (ii) Guarantee Fees under the Loss Guarantee. German-source income would, however, not result in a limited (*beschränkte*) German corporate income tax liability (and trade tax liability) in the case that the acquired Note Collateral solely consists of Public Sector Pfandbriefe (*Öffentliche Pfandbriefe*). According to Art. VII para 1 of the Double Treaty between Germany and Ireland only Ireland is entitled to tax interest arising in Germany. By contrast, if the Issuer exchanged the Note Collateral by certain other collateral assets, the income received from such other collateral assets may constitute income taxable in Germany. German-source income deriving from the Loss Guarantee would not be subject to a limited (*beschränkte*) German corporate income tax liability (and trade tax liability). By contrast, certain other collateral assets constituting taxable German-source income may trigger withholding tax. With regard to such income, according to the German Tax Act 2007, the Issuer would have to meet additional requirements for the exemption from and the reimbursement of such German withholding tax under applicable double taxation treaties or under European Community law. Hence, tax withheld may not be recoverable by the Issuer or, as the case may be, the Issuer may not apply for a certificate of exemption (*Freistellungsbescheinigung im Steuerabzugsverfahren*) unless the Issuer met certain substance requirements as specified by such rules.

TAXATION IN IRELAND

The following is a summary of certain Irish tax consequences of the purchase, ownership and disposition of the Notes. The summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes. The summary relates only to the position of persons who are the absolute beneficial owners of the Notes and may not apply to certain other classes of persons such as dealers in securities.

THE SUMMARY IS BASED UPON IRISH TAX LAWS AND THE PRACTICE OF THE IRISH REVENUE COMMISSIONERS AS IN EFFECT ON THE DATE OF THIS PROSPECTUS, WHICH ARE SUBJECT TO PROSPECTIVE OR RETROACTIVE CHANGE. PROSPECTIVE INVESTORS IN THE NOTES SHOULD CONSULT THEIR OWN ADVISORS AS TO THE IRISH OR OTHER TAX CONSEQUENCES OF THE PURCHASE, BENEFICIAL OWNERSHIP AND DISPOSITION OF THE NOTES INCLUDING, IN PARTICULAR, THE EFFECT OF ANY STATE OR LOCAL TAX LAWS.

Income Tax

In general, persons who are resident in Ireland are liable to Irish taxation on their worldwide income whereas persons who are not resident in Ireland are only liable to Irish taxation on their Irish source income. All persons are under a statutory obligation to account for Irish tax on a self-assessment basis and there is no requirement for the Irish Revenue Commissioners to issue or raise an assessment.

A Note issued by the Issuer may be regarded as property situate in Ireland (and hence Irish source income) on the grounds that a bearer note is deemed to be situate where it is physically held or a debt is deemed to be situate where the debtor resides. However, the interest earned on such Notes is exempt from income tax if paid to a person who for the purposes of Section 198 of the Taxes Consolidation Act 1997 ("**TCA 1997**") is regarded as being a resident of a relevant territory. A relevant territory for this purpose is a Member State of the European Communities (other than Ireland) or not being such a Member State a territory with which Ireland has entered into a double tax treaty. Ireland has currently ratified a double tax treaty with each of Australia, Austria, Belgium, Bulgaria, Canada, China, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, India, Israel, Italy, Japan, Korea (Rep. of), Latvia, Lithuania, Luxembourg, Malaysia, Mexico, the Netherlands, New Zealand, Norway, Pakistan, Poland, Portugal, Romania, Russia, Slovak Republic, Slovenia, South Africa, Spain, Sweden, Switzerland, United Kingdom, U.S.A. and Zambia.

If the above exemption does not apply there is a long standing unpublished practice whereby no action will be taken to pursue any liability to such Irish tax in respect of persons who are regarded as not being resident in Ireland except where such persons:

- (a) are chargeable in the name of a person (including a trustee) or in the name of an agent or branch in Ireland having the management or control of the interest; or
- (b) seek to claim relief and/or repayment of tax deducted at source in respect of taxed income from Irish sources; or
- (c) are chargeable to Irish corporation tax on the income of an Irish branch or agency or to income tax on the profits of a trade carried on in Ireland to which the interest is attributable.

There can be no assurance that this practise will continue to apply.

Withholding Taxes

In general, withholding tax at the rate of 20 per cent. must be deducted from interest payments made

by an Irish company. However, Section 246 TCA 1997 ("**Section 246**") provides that this general obligation to withhold tax does not apply in respect of, *inter alia*, interest payments made by the Issuer to a person, who by virtue of the law of the relevant territory, is resident for the purposes of tax in a relevant territory (see above for details). This exemption does not apply if the interest is paid to a company in connection with a trade or business which is carried on in Ireland by the company through a branch or agency.

Apart from Section 246, Section 64 TCA 1997 ("**Section 64**") provides for the payment of interest on a "**quoted Eurobond**" without deduction of tax in certain circumstances. A quoted Eurobond is defined in Section 64 as a security which:

- (i) is issued by a company;
- (ii) is quoted on a recognised stock exchange (this term is not defined but is understood to mean an exchange which is recognised in the country in which it is established); and
- (iii) carries a right to interest.

There is no obligation to withhold tax on quoted Eurobonds where:

- (a) the person by or through whom the payment is made is not in Ireland, or
- (b) the payment is made by or through a person in Ireland, and
 - (i) the quoted Eurobond is held in a recognised clearing system (Euroclear, Clearstream, Frankfurt and Clearstream, Luxembourg have been designated as recognised clearing systems); or
 - (ii) the person who is the beneficial owner of the quoted Eurobond and who is beneficially entitled to the interest is not resident in Ireland and has made an appropriate written declaration to this effect.

In certain circumstances, Irish encashment tax may be required to be withheld at the standard rate (currently 20 percent) from interest on any quoted Eurobond, where such interest is collected by a person in Ireland on behalf of any holder of Notes.

Capital Gains Tax

A Noteholder will not be subject to Irish taxes on capital gains provided that such Noteholder is neither resident nor ordinarily resident in Ireland and such Noteholder does not have an enterprise, or an interest in an enterprise, which carries on business in Ireland through a branch or agency or a permanent representative to which or to whom the Notes are attributable.

Capital Acquisitions Tax

If the Notes are comprised in a gift or inheritance taken from an Irish domiciled, resident or ordinarily resident disponent or if the donee/successor is resident or ordinarily resident in Ireland, or if any of the Notes are regarded as property situate in Ireland, the donee/successor may be liable to Irish capital acquisitions tax. As stated above, Notes issued by the Issuer may be regarded as property situate in Ireland. Accordingly, if such Notes are comprised in a gift or inheritance, the donee/successor may be liable to Irish capital acquisitions tax, even though the disponent may not be domiciled in Ireland.

Stamp duty

For as long as the Issuer is a qualifying company within the meaning of Section 110 TCA 1997, no Irish stamp duty will be payable on either the issue or transfer of the Notes, provided that the money raised by the issue of the Notes is used in the course of the Issuer's business.

SUBSCRIPTION AND SALE

Subscription of the Notes

Pursuant to the Subscription Agreement dated October 8, 2007, the Lead Manager has agreed, subject to certain conditions, to subscribe for the Notes. Conditions as referred to in the previous sentence are customary closing conditions as set out in the Subscription Agreement. Pursuant to the Subscription Agreement, the Issuer has agreed to pay to the Lead Manager a combined management and underwriting commission and selling concession on each Class of Notes.

In the Subscription Agreement, the Issuer has made certain representations and warranties in respect of its legal and financial matters. The Subscription Agreement entitles the Lead Manager to terminate its respective obligations thereunder in certain circumstances prior to payment of the purchase price of the Notes. The Issuer has agreed to indemnify the Lead Manager against certain liabilities in connection with the offer and sale of the Notes.

The Class A+ Notes will be privately placed.

Other than as provided in the Selling Restrictions and under any applicable law, and subject to the Notes being transferable in book-entry form only, there are no restrictions with respect to the transferability of the Notes.

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. The Lead Manager has represented and agreed 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 respective affiliates nor any persons acting on its 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. At or prior to confirmation of sale of Notes, the Lead Manager 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 have the meaning given to them by Regulation S under the Securities Act.

(2) Further, the Lead Manager has represented and agreed that:

- (a) except to the extent permitted under U.S. Treas. Reg. Section 1.163-5 (c)(2)(i)(D) (the "**TEFRA D Rules**"), (i) it has not offered or sold, and during the restricted period will not offer or sell, directly or indirectly, Notes in bearer form to a person who is within the United States or its possessions or to a United States person, and (ii) it has not delivered and will not deliver, directly or indirectly, within the United States or its possessions definitive Notes in bearer form that are sold during the restricted period;

- (b) it has and throughout the restricted period will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes in bearer form are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the TEFRA D Rules;
- (c) if it was considered a United States person, that it is acquiring the Notes for purposes of resale in connection with their original issuance and agrees that if it retains Notes in bearer form for its own account, it will only do so in accordance with the requirements of U.S. Treas. Reg. Section 1.63-5 (c)(2)(i)(D)(6); and
- (d) with respect to each affiliate that acquires from it Notes in bearer form for the purpose of offering or selling such Notes during the restricted period that it will either (i) repeat and confirm the representations and agreements contained in sub-clauses (a), (b) and (c); or (ii) obtain from such affiliate for the benefit of the Issuer the representations and agreements contained in sub-clauses (a), (b) and (c).

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 D Rules.

Ireland. The Lead Manager has confirmed and agreed that (i) it has not offered or sold, and will not offer or sell, the Notes to the public within Ireland except in circumstances which do not require the prior publication of a prospectus pursuant to Article 3(2) of Directive 2003/71/EC; (ii) it has not and will not do anything in Ireland in connection with the Notes that might constitute a breach of Section 9(1), 23(1), 23(6) or 23(7) of the Investment Intermediaries Act 1995; and (iii) anything done in Ireland with respect to the Notes will only be done in conformity with the provisions of the Irish Market Abuse Directive (2003/6/EC) Regulations 2005 and any rules IFSRA issue pursuant thereto.

Japan. The Lead Manager has acknowledged 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 has represented and agreed 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.

United Kingdom. The Lead Managers has represented and agreed that:

- (a) (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell the Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an 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 the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer;
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to

anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

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

General. The Lead Manager 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.

USE OF PROCEEDS

The net proceeds from the issue of the Notes will amount to approximately EUR 332,600,000. The Issuer will use the net proceeds from the issue of the Notes to acquire the HRE Pfandbriefe.

GENERAL INFORMATION

Authorisation

The issue of the Notes was authorised by a resolution of the board of directors of the Issuer on September 18, 2007.

Litigation

The Issuer is not and has not been since its incorporation engaged in any governmental, litigation or arbitration proceedings which may have or have had during such period a significant effect on its respective financial position and, as far as the Issuer is aware, no such governmental, litigation or arbitration proceedings are pending or threatened.

Material Change

Save as disclosed in this Prospectus, there has been no material adverse change in the financial position of the Issuer since its incorporation.

Payment Information

For as long as any of the Notes are admitted to trading on the market of the Luxembourg Stock Exchange appearing on the list of regulated markets issued by the European Commission, the Issuer will notify the Luxembourg Stock Exchange of the Interest Amounts, Interest Accrual Periods and the Interest Rates and the payments of principal on each Class of Notes, in each case, without delay after their determination pursuant to the Terms and Conditions.

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg.

All notices to the Noteholders regarding the Notes shall be either (A) delivered to Euroclear and Clearstream, Luxembourg for communication by it to the Noteholders, or (B) made available for a period of not less than 30 calendar days (i) on the following web site: www.bourse.lu or (ii) on a web site the address of which has been notified to the Noteholders in accordance with the Terms and Conditions.

Luxembourg Listing

Application has been made to list each Class of Notes on the official list of the Luxembourg Stock Exchange and for admission of each Class of Notes on the regulated market of the Luxembourg Stock Exchange appearing on the list of regulated markets issued by the European Commission. The Issuer has appointed Deutsche Bank Luxembourg S.A., 2 Boulevard Konrad Adenauer, L-1115 Luxembourg as the initial Luxembourg Intermediary. The Luxembourg Intermediary will act as intermediary between the Issuer and the holders of the Notes admitted to trading on the market of the Luxembourg Stock Exchange appearing on the list of regulated markets issued by the European Commission. For as long as any of the Notes are admitted to trading on the regulated market of the Luxembourg Stock Exchange, the Issuer will maintain a Luxembourg Intermediary.

Miscellaneous

No statutory or non-statutory accounts in respect of any financial year of the Issuer have been prepared other than as contained in this Prospectus. The Issuer will not publish interim accounts. The financial year end in respect of the Issuer is December 31. The Issuer will produce non-consolidated audited financial statements in respect of each financial year and will not produce consolidated audited financial statements.

Clearing Codes

Class A+
ISIN XS0322844696
Common Code 032284469
WKN A0S9B4

Class D
ISIN XS0322848846
Common Code 032284884
WKN A0S9B8

Class A
ISIN XS0322846048
Common Code 032284604
WKN A0S9B5

Class E
ISIN XS0322851477
Common Code 032285147
WKN A0S9B9

Class B
ISIN XS0322847368
Common Code 032284736
WKN A0S9B6

Class F
ISIN XS0322857672
Common Code 032285767
WKN A0S9CA

Class C
ISIN XS0322848333
Common Code 032284833
WKN A0S9B7

Publication of Documents

This Prospectus will be made available to the public by publication in the electronic form on the website of the Luxembourg Stock Exchange (www.bourse.lu).

Availability of Documents

Copies of the following documents may be obtained in physical form during customary business hours on any working day from the date hereof (or the date of publication of such document, as relevant) as long as this Prospectus is valid and as long as any of the Notes remain outstanding at the registered office of the Issuer and the head office of the Principal Paying Agent and as long as any of the Notes are admitted to trading on the market of the Luxembourg Stock Exchange appearing on the list of regulated markets issued by the European Commission they will also be available and may be obtained (free of charge) at the specified offices of the Luxembourg Intermediary:

- (i) the Memorandum and Articles of Association of the Issuer;
- (ii) the resolution of the board of directors of the Issuer approving the issue of the Notes and the Transaction;
- (iii) this Prospectus, the Trust Agreement dated October 8, 2007, the Corporate Administration Agreement dated September 24, 2007, the Cash Administration Agreement dated October 8, 2007, the Agency Agreement dated September 24, 2007, the Custody Agreement dated October 8, 2007, the Transaction Account Agreement dated October 8, 2007, the Subscription Agreement dated October 8, 2007, the First Pledge Agreement dated October 8, 2007, and the Loss Guarantee dated October 8, 2007;
- (iv) all future annual financial statements of the Issuer, the annual financial statements of the Bank for the years ending 2004, 2005 and 2006 and all future annual financial statements (consolidated) of the Bank; the Issuer does not publish audited interim financial statements; and
- (v) the Investor Notifications for Noteholders and all other notices given to the Noteholders pursuant to the Terms and Conditions (see "THE NOTES - Investor Notifications").

INDEX OF DEFINED TERMS

1990 Act	25
A+ Increase Factor	43
A+ Reduction Factor	35
Accrued Interest.....	36
Additional Cash Deposit.....	59, 60
Additional Cash Deposit Account	59
Additional Cash Deposit Guarantee Fee Fraction.....	60
Additional Collateral.....	87
Additional Reference Collateral.....	87
Advisor	77
Affected Reference Claim	94
Agency Agreement.....	61
Agents.....	51
Aggregate Principal Balance	41
Appraised Loss.....	44
Appraised Value.....	44
Bank	1, 55
Bank Event of Default	47
Bankruptcy	38
Borrower.....	89
Business Day.....	32
Cash Administration Agreement	62
Cash Administrator	62
Cash Settlement	56
Cash Settlement Amount	55
Class	1, 27
Class A Notes.....	27
Class A+ Notes.....	27
Class B Notes.....	28
Class C Notes.....	28
Class D Notes.....	28
Class E Notes	28
Class Excess.....	42
Class F Notes	28
Class Principal Amount	33
Clearstream, Luxembourg.....	2, 28
Clearstream, Luxembourg Participant	29
Collateral	31
Collection Period.....	37
Collections	37
Common Depository	2, 28
Contractual Rate of Interest.....	36
Corporate Administration Agreement	31
Corporate Administrator	31, 132
Cost Calculation Period	60, 117
Credit and Collection Policies	92
Credit Event	38
Credit Event Notice	38
CSSF.....	1
Custodian.....	58, 125
Custody Account.....	58, 125
Custody Agreement	59
Cut-off Date.....	85
Dealer	63

Deemed Note.....	36
Default Event.....	44
Defaulted Reference Claim.....	37
Determination Date.....	37
Direct Debit.....	37
Direct Debit Increase.....	37
Direct Debit Increase Amount.....	37
Early Redemption.....	46
Early Redemption Date.....	46
Early Redemption Notification.....	50
Early Redemption Report.....	66
EC Treaty.....	34
Eligibility Criteria.....	88
Enforcement Costs.....	37
EUR.....	90
EURIBOR.....	34
EURIBOR Determination Date.....	34
euro.....	90
Euroclear.....	2, 28
Euroclear Participant.....	29
Euro-zone.....	34
Excess Amount.....	42
Excess Spread Amount.....	40
Excess Spread Ledger.....	39
Exchange Date.....	28
Expert.....	71
Failure to Pay.....	38
First Pledge Agreement.....	59
Fitch.....	4, 50
Foreclosure.....	88
Foreclosure Amount.....	63
Foreclosure Event.....	63
Foreclosure Note.....	62
Foreclosure Proceeds.....	88
Germany.....	2
Global Note.....	28
Guarantee Fee.....	60
Guarantee Fee Payment Date.....	60, 117
HRE.....	1
HRE Pfandbriefe.....	58
Indemnification Claim.....	73
Information Tables.....	95
Initial Aggregate Principal Balance.....	85
Interest Accrual Period.....	33
Interest Amount.....	33
Interest Ledger.....	40
Interest Rate.....	34
Investor Notification.....	69
Irish Security Agreement.....	31
Issue.....	1
Issue Date.....	1, 33
Issuer.....	1, 27, 55
Issuer Costs.....	60, 117
Issuer Event of Default.....	47
Late Recovery.....	38
Lead Manager.....	1, 62

Legal Maturity Date	43
Legal Maturity Report	66
Liquidated Reference Claim.....	37
London Business Day	33
Loss Allocation	35
Loss Guarantee	4, 55
Loss Guarantee Bankruptcy	47
Loss Guarantee Termination.....	46
LTAV	90
Luxembourg Business Day.....	33
Luxembourg Intermediary	51
Maximum LTAV.....	90
Minimum LTAV	90
Moody's.....	4, 50
Mortgage.....	86
Mortgaged Property	1, 86
Mortgages	1
Munich Business Day	33
New Claim	86
New Issuer	52
New Reference Claim	86
Non-compliance Notice.....	70
Non-complying Reference Claim	70
Non-qualifying Reference Claim.....	94
Note Principal Amount	33
Noteholders.....	28
Notes.....	1, 27
Notice	69
Order of Seniority.....	82
Outstanding Nominal Amount	36
Overdue Reference Claim.....	43
Payment Date	33
Permanent Global Note.....	28
Pool Report.....	65
Principal Paying Agent	51
Priority of Payments.....	81
Procedure.....	69
Process Agent	54
Property Value	90
Prospectus.....	91
Rated Notes.....	4
Rating Agencies.....	4, 50
Realised Loss	36
Reference Banks	34
Reference Claim.....	1, 85
Reference Claim List.....	85
Reference Collateral	1, 87
Reference Loan	85
Reference Mortgage	86
Reference Pool.....	1, 32
Reference Pool Provisions.....	32
Regular Notification	49
Regulatory Event	46
Related Collection Period	37
Relevant Determination Date	37
Reporting Date	65

Reports.....	67
Scheduled Maturity Date	43
Scheduled Maturity Report	66
SECURITIES ACT.....	2
Securities Purchase Agreement	58
Senior Swap.....	4, 55
Senior Swap Counterparty	4, 55
Series	58
Series A Collateral	30, 58, 124
Series A+ Collateral.....	30, 58, 124
Series B Collateral	30, 58, 124
Series C Collateral	30, 58, 124
Series D Collateral	30, 58, 124
Series E Collateral	30, 58, 125
Series F Collateral	31, 58, 125
Servicer	106
Servicing Principles	92
Servicing Standards.....	92
Shareholder Trustee	131
Shareholder Trustees.....	131
Shares.....	131
Subscription Agreement.....	62
TARGET Settlement Day	33
taxes.....	49
Temporary Global Note	28
Termination Date.....	45
Termination Redemption Date.....	45
Terms and Conditions	27, 56
Transaction.....	31
Transaction Account	57
Transaction Account Agreement.....	57
Transaction Account Bank	57
Transaction Account Bank Required Rating.....	58
Transaction Creditors	55
Transaction Documents.....	31
Trust Agreement.....	31
Trustee	31, 55
Trustee Claim.....	56
Trustee Documents	56
Trustee Duties	56
Trustee Resignation Effective Date.....	44
Trustee Resignation Notice	44
United States.....	29
Unjustified Cash Settlement	56
Unjustified Loss Allocation.....	41
Unjustified Loss Allocation Interest Amount	41
Value Expert.....	72

ISSUER

Estate Germany 2007-I Limited
5 Harbourmaster Place
IFSC
Dublin 1
Ireland

LEAD MANAGER

Hypo Public Finance Bank
30 St. Mary Axe
London EC3A 8BF
United Kingdom

THE BANK

Hypo Real Estate Bank AG
Von-der-Tann-Strasse 2
80539 Munich
Germany

TRUSTEE

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft
Arnulfstrasse 126
80636 Munich
Germany

PRINCIPAL PAYING AGENT

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

**THE LUXEMBOURG INTERMEDIARY
AND**

THE LUXEMBOURG LISTING AGENT

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

**CORPORATE ADMINISTRATOR TO
THE ISSUER**

Deutsche International Corporate Services
(Ireland) Limited
5 Harbourmaster Place
IFSC
Ireland

AUDITORS OF THE ISSUER

BDO Simpson Xavier
Beaux Lane House
Mercer Street Lower
Dublin 2
Ireland