STANDARD & POOR'S

Structured Finance

CMBS

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Hypo Real Estate Bank International AG

Floating-rate amortizing credit-linked notes

Auxiliary Deck

Closing date: April 10, 2006.

Collateral: Public sector Pfandbriefe.

Issuer/arranger/lead manager/servicer: Hypo Real Estate Bank International AG.

Custodian: Deutsche Bank Luxembourg.

Trustee: Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft.

Supporting ratings: Deutsche Bank Luxembourg ('AA-/A-1+') as custodian.

Rationale

The credit ratings assigned to the $39.10 million floating-rate amortizing credit-linked notes issued by Hypo Real Estate Bank International AG (Hypo) in its Estate US-1 transaction reflect the underlying credit quality of the reference pool loans and Hypo's ability to service the pool.

The transaction uses credit-linked notes issued directly by Hypo. The payment of amounts due on the notes is predicated on the performance of a pool of commercial mortgage loans (the reference pool) purchased and serviced by Hypo.

Losses incurred in the reference pool will trigger the allocation of losses to the credit-linked notes in reverse alphabetical order. The loans in the reference pool are secured by three properties. Table 1 details the ratings.

Table 1

Credit ratings As Of April 10, 2006

Class	Final credit ratings	Final amount ($)	Credit support (%)
A1+	AAA	700,000	15.02
A2	AAA	14,300,000	10.83
B1	AA+	5,100,000	9.34
B2	AA	7,300,000	7.20
B3	AA-	9,600,000	4.39
C1+	A+	700,000	3.08
C2+	A	700,000	1.78
C3+	A-	700,000	0.00

Strengths, Concerns, And Mitigating Factors

Strengths

The following strengths were observed in the rating analysis

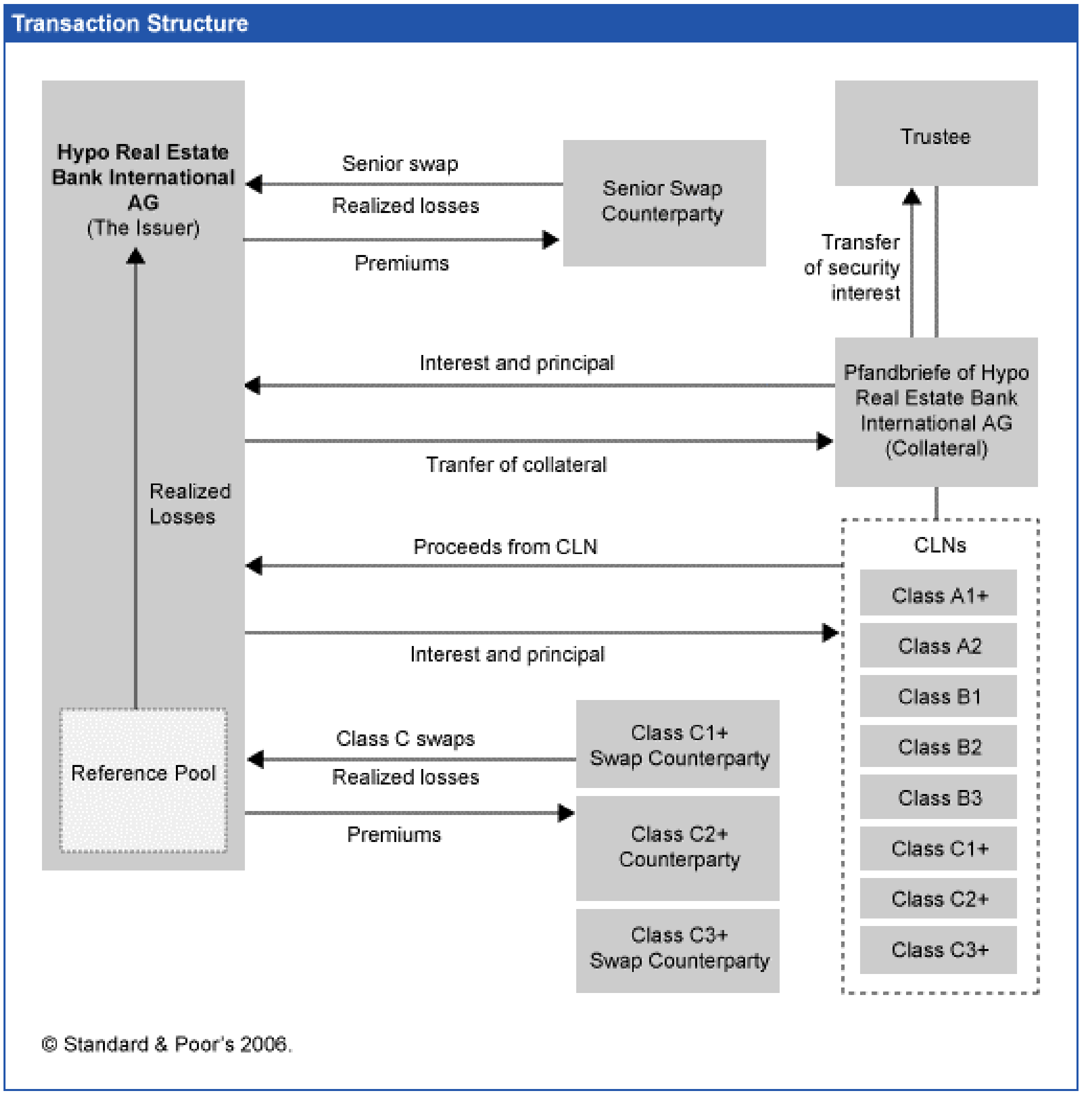
- The average quality score for the three properties was 2.56, which is above-average on Standard & Poor's Ratings Services' quality scale of 1 (highest) to 5 (lowest);
- The three properties securing the reference loans are institutional quality trophy assets located at prestigious addresses in New York City and Washington, D.C.;
- A significant amount of gross potential rent (GPR), 80.9% for 1345 Avenue of the Americas, 57.9% for Park Avenue Plaza, and 99.6% for Station Place I, is generated from investment-grade tenants or tenants with an investment-grade parent company on long-term leases;
- The weighted average starting LTV ratio is 69.2% (using Standard & Poor's underwritten values). At cutoff, the weighted average Standard & Poor's debt service coverage (DSC) was 1.81x;
- The 1345 Avenue of the Americas, Park Avenue Plaza, and Station Place reference loans exhibit credit characteristics consistent with 'A-', 'AA+', and 'AA+' rated obligations, respectively; and
- The class A1+, A2, B1, B2, B3, C1+, C2+, and C3+ notes are collateralized by public sector Pfandbriefe.

Concerns and mitigating factors

The following concerns were identified in the rating analysis:

- With two of the three assets located in New York City, there is considerable geographic concentration; however, the properties are located in separate submarkets in the city; and
- There is a $100.0 million junior C note and future allowable mezzanine financing that will be secured by a pledge of equity interests in the 1345 Avenue of the Americas loan borrower and will be subject to a subordination and intercreditor agreement. There is existing mezzanine financing of $85.0 million and future allowable mezzanine financing that are both to be secured by pledges of equity interests in the Park Avenue Plaza borrower and to be subject to subordination and intercreditor agreements. However, the 1345 Avenue of the Americas and the Park Avenue Plaza reference loan balances exhibit credit characteristics consistent with 'A-' and 'AA+' rated obligations, respectively. Standard & Poor's took both the loan structure and all additional debt into consideration when sizing the capital structure for the loans.

Transaction Structure



Allocation of realized losses to the credit-linked notes

Under the terms and conditions of the credit-linked notes, the occurrence of realized losses affecting the reference portfolio will trigger a reduction in the principal amount outstanding of the credit-linked notes (loss allocation). Realized losses are defined as net principal losses after the application of gross proceeds from foreclosure of the loan, or proof that a foreclosure will not enhance recoveries. Realized losses will also include accrued interest and enforcement costs in respect of each reference loan. The reduction in the principal amount of the credit-linked notes will occur once the foreclosure process has been finalized in accordance with Hypo's servicing guidelines and the foreclosure methods.

Subject to certain conditions, no allocation of realized losses is scheduled to occur if the reference claim does not meet the eligibility criteria, or if servicing standards and principles have been breached (see the Credit analysis and Role of the trustee *sections*).

The class A1+, C1+, C2+, and C3+ notes are reference notes for separate credit default swaps. Given the class size, any losses to be allocated to these notes will be subject to a reduction factor that reflects the relative size of the class and the corresponding reference pool tranche. Standard & Poor's is not rating these credit default swaps.

Collateralization of class A1+, A2, B1, B2, B3, C1+, C2+, and C3+ Notes

The class A1+, A2, B1, B2, B3, C1+, C2+, and C3+ notes will be secured by distinct classes of 'AAA' rated floating-rate public sector Pfandbriefe issued by Hypo. The Pfandbriefe will be issued for the purpose of this transaction in such a way that the par amount, the interest coupon, and the maturity of the Pfandbriefe will match the principal amount of the class A1+, A2, B1, B2, B3, C1+, C2+, and C3+ notes at closing. The Pfandbriefe are expected to pay interest on the same dates and in the same amount as the interest to be paid on the notes.

At closing, the Pfandbriefe will be deposited with the custodian in an account in the name of the trustee. Under the terms of the trust agreement, the trustee will be entitled to sell the Pfandbriefe to redeem the notes in a default event of the issuer (see *Terms And Conditions Of The Credit-Linked Notes*). The trustee will be required to sell the Pfandbriefe only if the proceeds of the sale are sufficient to redeem the class A1+, A2, B1, B2, B3, C1+, C2+, and C3+ notes and accrued interest in full. If the proceeds of the sale are not sufficient, then the Pfandbriefe will be delivered to the relevant noteholders as payment in kind.

The analysis of the redemption of the class A1+, A2, B1, B2, B3, C1+, C2+, and C3+ notes at the final legal maturity and in the event of an involuntary termination before the legal maturity is based solely on the Pfandbriefe, as the source of redemption, and their transfer to the noteholders.

Role of the trustee

The trustee will act to protect the interest of the noteholders. In particular, the trustee will be entitled to verify and challenge the determination and the allocation of the realized losses and of all other calculations concerning the credit-linked notes, to appoint third-party experts, and to procure the sale of the Pfandbriefe collateral for the redemption of the notes (subject to the applicable loss definitions at that stage).

The trustee can resign at any time for good cause. However, losses cannot be allocated in the absence of a trustee.

Terms And Conditions Of The Credit-Linked Notes

Principal repayment

The principal amount of the credit-linked notes is expected to be repaid in full at the latest on the legal maturity date in December 2027.

If no overdue reference claims are outstanding on the scheduled maturity date of Dec. 18, 2025, the credit-linked notes are expected to be fully repaid on the scheduled maturity date.

The transaction agreements provide for two types of early termination, voluntary and involuntary. Hypo, as issuer, may elect to terminate the transaction in the following instances:

- At any time because of tax or regulatory changes imposed on Hypo;
- In connection with a clean-up call of the credit-linked notes once the remaining principal balance of the reference pool has been reduced to less than 10% of its balance at the cutoff date; or
- In connection with an optional call of the credit-linked notes on any payment date after the fifth anniversary of the closing date.

An involuntary termination or default event on the part of Hypo occurs in the following circumstances:

- If the issuer, for any reason, fails to make a payment within 30 days of the due date, and the noteholders call the transaction; and
- If Hypo is insolvent, a moratorium is declared, or a similar event occurs.

On an involuntary termination, the class A1+, A2, B1, B2, B3, C1+, C2+, and C3+ noteholders might receive the Pfandbriefe, which mature in December 2027. The rating analysis of an involuntary termination is based solely on the delivery of these Pfandbriefe to the class A1+, A2, B1, B2, B3, C1+, C2+, and C3+ noteholders as payment in kind.

Theoretically, realized losses relating to any unresolved defaults could be allocated to the credit-linked notes in connection with the exercise of any call. The documentation provides that if there are any unresolved defaults outstanding at the time of an involuntary termination, holders of the lower-rated classes may receive less than par for their securities if the unresolved defaults lead to estimated losses.

Alternatively, if any overdue reference loans with unresolved defaults are outstanding in respect of an early redemption date, Hypo may exercise a partial call, beginning with the notes with the then-highest rating and leaving outstanding notes with an unpaid balance equal to the unpaid balance of the overdue loans.

In this case, the reference pool would be reduced to the overdue loans only. The protection for Hypo would remain in effect with respect to the outstanding credit-linked notes. Once the overdue loans were resolved and the losses crystallized, the realized losses would be allocated to the remaining credit-linked notes up to their remaining balance.

Reference loan monitoring

Loans are reviewed regularly and tenancy schedules, lease details, rents, and vacancies are monitored via individual property reports provided by the borrowers or managing agents.

Standard & Poor's has undertaken a review of underwriting, servicing operations, and standards and considers them to be of commensurate quality to the ratings.

Reference Pool Loans

1345 Avenue of the Americas

1345 Avenue of the Americas is a 1,896,140-sq.-ft. 50-story, class A office building located on Avenue of the Americas between 54th and 55th Streets in Midtown Manhattan. The property was developed by the Fisher Brothers in 1969. To date and over the past 10 years, the property has undergone $15.7 million ($8.27 per sq. ft.) in renovations, including $6.0 million for ongoing elevator modernization, $4.0 million for an emergency generator, and $2.7 million for front plaza renovations. The subject is the tallest building on the northwest side of Avenue of the Americas, with unobstructed views of Central Park from the top 16 floors. The property is well-serviced by public transportation including the Sixth Avenue, Broadway, and Seventh Avenue subways and is near landmarks including Rockefeller Center, Radio City Music Hall, and St. Patrick's Cathedral.

The property, which was 96.2% leased as of June 2005 at an average rent of $51.87 per sq. ft., serves as the world headquarters for Alliance Capital ('A+', 46.3% net rentable area (NRA)).

Table 2 lists the major office tenants at the property. The investment-grade tenants (including ratings of parent companies) currently contribute 80.9% of gross rents.

Table 2

Major Tenants At 1345 Avenue of the Americas						
Tenants*	***Lease expiration***	***Sq. ft.***	***% of NRA***	***Gross rent/sq. ft.¶***	***% of gross rent ¶***	***S&P rating***
Alliance Capital Management L.P.	December 2024	879,211	46.4	52.53	48.7	A+
Pimco Advisors L.P.	December 2016	179,441	9.5	45.00	8.5	A (parent company Allianz AG)
Linklaters	July 2020	159,199	8.4	48.87	4.0	NR
Avon Products Inc.	October 2016	132,425	7.0	43.68	6.1	A
Accenture LLP	May 2019	117,619	6.2	65.58	8.0	A+
MedPointe (formerly Carter-Wallace Inc.) subleased to Hearst Publishing	May 2011	116,544	6.1	60.00	7.3	NR
Nichimen America Inc.	April 2012	40,372	2.1	41.33	1.7	NR
Stern Stewart Mgmt. Services Inc.	July 2008	39,509	2.1	38.42	1.6	NR
Totals	—	1,664,320	87.8	47.2	85.9	—

*Information as of Aug. 25, 2005. ¶Excluding reimbursements. NRA—Net rentable area. NR—Not rated.

On July 6, 2005, a $730.0 million loan was jointly originated by Morgan Stanley Mortgage Capital Inc. and UBS Real Estate Investments Inc. The loan is secured by the $730.0 million first mortgage. Of the total loan, $436.4 million was contributed to the 1345 Avenue of the Americas and Park Avenue Plaza Trust transaction and divided into notes that include note 1-A3 ($169.2 million), note 1-A4 ($169.2 million), note 1-B1 ($49.0 million), and note 1-B2 ($49.0 million). In addition, pari passu note 1-A2 ($46.8 million) was contributed to the LB-UBS 2005-C5 pool and pari passu note 1-A1 ($46.8 million) will be securitized in a future transaction. The pari passu note 2 component A ($81.5 million) and note 2 component B ($18.5 million) are reference loans for this transaction. In addition, there is a $100.0 million junior C note, divided into note 1-C1 ($33.4 million), note 1-C2 ($33.4 million), note 1-C3 ($16.6 million), and note 1-C4 ($16.6 million), which will be held outside of the trust. The 20-year loan bears interest at 5.3645%, requires interest-only (IO) payments for the first 24 months and the past 36 months, amortizes on a 30-year amortization schedule between that time, and matures on July 8, 2025. In addition, the $46.8 million note 1-A1 and the $46.8 million note 1-A2, contributed to the LB-UBS 2005-C5 pool, both fully amortize over the first 10 years of the loan term.

Park Avenue Plaza

Park Avenue Plaza is a 1,137,452-sq.-ft., 44-story class A office building located on 52nd Street off of Park Avenue in Midtown Manhattan, which was developed by the Fisher Brothers in 1981. The property is well-serviced by public transportation including the 53rd Street and Lexington Avenue subways and is near landmarks including Grand Central Station, Rockefeller Center, and some of the most prestigious shopping, dining, and hotel accommodations in New York City City.

The property was 99.9% occupied as of June 2005 at an average gross rent of $49.91 per sq. ft. In addition, 1.1% of the NRA is leased to ground floor retail tenants.

Table 3 lists the major office tenants at the property. The investment-grade tenants currently contribute 58.2% of gross rents.

Table 3

Major Tenants At Park Avenue Plaza						
Tenants*	***Lease expiration***	***Sq. ft.***	***% of NRA***	***Gross rent/sq. ft.¶***	***% of gross rent¶***	***S&P rating***
McKinsey & Co.	April 2007/July 2017	356,514	31.3	53.10	33.4	NR
AON Corp.	April 2023	272,080	23.9	55.75	23.7	BBB+
Swiss Reinsurance	October 2012	181,638	16.0	50.00	13.5	AA
ABN Amro Bank	April 2023	133,663	11.8	39.40	9.3	AA-
UFJ Bank	June 2015	90,528	8.0	52.76	8.4	A
Blackrock Inc.	February 2017	88,538	7.8	46.00	7.2	NR
Totals	—	1,122,961	98.8	49.72	98.5	—

*Information as of Aug. 25, 2005. ¶Excludes reimbursements. NRA—Net rentable area. NR—Not rated.

On July 25, 2005, a $251 million loan was jointly originated by Morgan Stanley Mortgage Capital Inc. and UBS Real Estate Investments Inc. The loan is secured by a $251 million first mortgage. Of the total loan, $112.3 million was contributed to the 1345 Avenue of the Americas and Park Avenue Plaza Trust transaction and divided into notes that include note 1-A3 ($55.5 million), note 1-A4 ($55.5 million), note 1-B1 ($655,955), and note 1-B2 ($655,955). In addition, pari passu note 1-A2 ($19.4 million) was contributed to the LB-UBS 2005-C5 pool and pari passu note 1-A1 ($19.4 million) will be securitized in a future transaction. The pari passu note 2 component A ($99.1 million) and note 2 component B ($868,815) are reference loans for this transaction. In addition, there is existing mezzanine financing of $85.0 million. The 20-year loan bears interest at 5.3911%, requires IO payments for the first 30-months and the past 36-months with amortization scheduled in between that time based upon a 30-year schedule, and matures on Aug. 8, 2025. In addition, the $19.4 million note 1-A1 and the $19.4 million note 1-A2, contributed to the LB-UBS 2005-C5 pool, both fully amortize over the first 10 years of the loan term.

Station Place I

Station Place I is a 707,483-sq.-ft., 11-story class A office building developed in 2004. The property is located in Washington, D.C. at the northwest corner of F Street and Second Street, adjacent to Union Station. The immediate neighborhood includes predominantly office development with a strong government presence, cultural and educational facilities, as well as restaurants and hotels. Union Station is the nearest Metro station to the property, providing convenient access to the most of the Washington, D.C. metro area.

The property, which is 100% leased at an average rent of $42.60 per sq. ft., is occupied by two tenants; the U.S. Securities and Exchange Commission (‘AAA’, 99.6% of NRA, lease expiring April 25, 2019), and Louis Dreyfus Property Group (0.4% of NRA).

On Aug. 23, 2005, a $245.0 million loan was originated by UBS Real Estate Investments Inc. The loan is secured by a $245.0 million first mortgage. The $40.6 million note A-1 was contributed to the LB-UBS 2005-C7 transaction. In addition, the $63.0 million B note will be included in a future transaction. The pari passu note A-2 ($141.4 million) is a reference loan for this transaction. The 20-year loan bears interest at 5.531%, requires IO payments for the past 36 months, amortizes on a 30-year amortization schedule before that time, and matures on Sept. 11, 2025. In addition, the $40.6 million note A-1, contributed to the LB-UBS 2005-C7 pool, fully amortizes over the first 10 years of the loan term.

Credit Evaluation

In line with Standard & Poor's CMBS methodology, each loan in the reference pool was individually analyzed focusing on initial leverage, the sufficiency of rental cash flow to cover interest and scheduled amortization, and the refinancing prospects for the underlying properties at or before loan maturity.

Standard & Poor's visited all three of the underlying properties. The average Standard & Poor's quality score for the assets was 2.56, an above-average score on Standard & Poor's scale of 1.0 to 5.0.

For each property, current income and rental rates were compared to what are considered to be market rental levels to establish a sustainable gross rental value. This figure was then adjusted to take account of irrecoverable borrower costs of ownership, as well as the rollover risk inherent in the short-term tenant leases present in the properties.

The Standard & Poor's adjusted property cash flow was then tested against the debt service requirements of the loan to establish the robustness of the loan cash flows, likelihood of default, and outstanding principal balance at the point of default.

Losses in the event of default of individual loans were calculated in accordance with the loss allocation formula set out in the terms and conditions of the notes.