

# PROVIDE BLUE 2004-1 PLC

(incorporated in the Republic of Ireland)

Credit linked notes

**EUR 250,000 Class A+ Floating Rate Credit Linked Notes**

**Issue Price: 100%**

**EUR 31,400,000 Class A Floating Rate Credit Linked Notes**

**Issue Price: 100%**

**EUR 32,700,000 Class B Floating Rate Credit Linked Notes**

**Issue Price: 100%**

**EUR 15,200,000 Class C Floating Rate Credit Linked Notes**

**Issue Price: 100%**

**EUR 13,000,000 Class D Floating Rate Credit Linked Notes**

**Issue Price: 100%**

The Class A+, Class A, Class B, Class C and Class D Notes (each Class of Notes, a "Class", and all Classes collectively, the "Issue" or the "Notes") of PROVIDE BLUE 2004-1 PLC (the "Issuer") are linked to the performance of a reference pool (the "Reference Pool") of certain residential loan claims for the payment of principal and interest (each such claim, a "Reference Claim") arising from certain mortgage loans originated by BHW Bausparkasse AG ("BHW" or the "Bank") (including its branches) and by the former BHW Allgemeine Bausparkasse AG which was merged into BHW with effect from August 1, 2003 and serviced by the Servicer. Each Reference Claim is secured by one or more first priority or subordinated mortgages (*Hypotheken* or *Grundschulden*) (the "Mortgages") on one or more residential 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 (subject to customary real rights of use such as real servitudes (*Grunddienstbarkeiten*)) 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 2,176,164,273.61.

The Notes are being issued as part of a transaction under the Programme "PROVIDE" set up by Kreditanstalt für Wiederaufbau ("KfW").

Application has been made to list the Notes on the Luxembourg Stock Exchange.

Deutsche Bank AG London (in this capacity, the "Manager") will purchase the Notes from the Issuer on April 29, 2004 (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.

A copy of this Information Memorandum, together with a copy of the written consent referred to under "GENERAL INFORMATION - Auditor's Consent", has been delivered for registration to the Registrar of Companies in Ireland in accordance with Section 47 of the Companies Act, 1963 of Ireland.

## Arranger and Manager



The date of this Information Memorandum is April 22, 2004.

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 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.**

On the Issue Date, the Issuer will grant a pledge (*Pfandrecht*) to the Trustee over all its present and future claims and rights under the Certificates, which are certificates of indebtedness of Kreditanstalt für Wiederaufbau credit linked to the Reference Claims, as well as all its present and future claims and rights under the other Transaction Documents (other than the Noteholder Security Agreement, the Swap Agreements, the Account Agreement, the Administration Agreement and the Irish Security Agreement) 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. On the Issue Date, the Issuer will also assign by way of security in favour of the Trustee all its present and future claims, right, title and interest in and to: the Administration Agreement, the Account Agreement and the Account to secure the Trustee Claim. See "THE TRUST AGREEMENT", "THE CERTIFICATES, COLLATERAL AND NOTEHOLDER COLLATERAL".

In addition to the Collateral, the Issuer will on the Issue Date grant a second, junior pledge (*nachrangiges Pfandrecht*) for each Note of a Class over all its present and future rights and claims under the corresponding Certificate to the Manager as initial holder of the Notes purchased by it under the Subscription Agreement, to secure the Issuer's obligations under such Note. The second pledges securing the Notes of a particular Class will rank *pari passu* among each other. The Trustee's pledge on any Certificate will rank senior to all such second pledges in respect of such Certificate. The second pledges in respect of any Certificate may only be exercised if (i) the first pledge in favour of the Trustee in respect of such Certificate no longer validly exists or (ii) the Trustee has waived the first pledge or, in certain circumstances described herein, if (iii) no trustee is appointed in accordance with the Terms and Conditions. The second pledges will be accessory (*akzessorisch*) to the Notes and therefore upon the transfer of each Note the second pledge securing such Note will pass on to the transferee by operation of law and so benefit each subsequent holder of such Note in accordance with the Noteholder Security Agreement, subject to the applicable conflict of law rules. See "THE CERTIFICATES, COLLATERAL AND NOTEHOLDER COLLATERAL" and "THE NOTEHOLDER SECURITY AGREEMENT".

**Notwithstanding the Collateral and/or the Noteholder 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 and/or the Noteholder 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 Clearstream Banking AG, Frankfurt am Main ("**Clearstream Frankfurt**"). The Temporary Global Notes will be deposited with Clearstream Frankfurt on or before the Issue Date. Clearstream Frankfurt

will hold the Global Notes in custody for the Clearstream Frankfurt Accountholders, including such Notes which are held through Euroclear Bank S.A./N.V. as operator of the Euroclear System ("Euroclear"), and Clearstream Banking, société anonyme ("Clearstream, Luxembourg").

The Notes may be transferred in book-entry form only. The Class A, Class B, Class C and Class D Notes will be issued in denominations of EUR 100,000 and the Class A+ Notes will be issued in denominations of EUR 10,000. The Global Notes will not be exchangeable for definitive securities.

Application has been made to list the Notes on the Luxembourg Stock Exchange.

THE NOTES REPRESENT OBLIGATIONS OF THE ISSUER ONLY, AND DO NOT REPRESENT AN INTEREST IN OR OBLIGATIONS OF THE MANAGER, THE TRUSTEE, ANY OF THE AGENTS, BHW, KFW 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 MANAGER, THE TRUSTEE, ANY OF THE AGENTS, BHW, KFW OR ANY OF THEIR RESPECTIVE AFFILIATES OR BY ANY OTHER PERSON OR ENTITY EXCEPT AS DESCRIBED HEREIN.

<b>Class</b>	<b>Initial Class Principal Amount (EUR)</b>	<b>Interest Rate</b>	<b>ISIN</b>
Class A+	250,000	EURIBOR* + 0.20%	DE000A0BA800
Class A	31,400,000	EURIBOR* + 0.20%	DE000A0BA818
Class B	32,700,000	EURIBOR* + 0.40%	DE000A0BA826
Class C	15,200,000	EURIBOR* + 0.55%	DE000A0BA834
Class D	13,000,000	EURIBOR* + 0.95%	DE000A0BA842

(\*) 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 certain Notes may remain outstanding after the Scheduled Maturity Date and payments 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 in euro and without deduction or withholding of taxes, unless otherwise required by law.

Neither the Notes nor the Certificates will provide for gross-up payments in the case that payments on the Notes and/or payments under the Certificates, under which the Issuer will receive the amounts necessary for the payments on the Notes as described herein, become subject to any deduction or withholding of taxes. See "THE NOTES - Taxes" and "THE CERTIFICATES, COLLATERAL AND NOTEHOLDER COLLATERAL".

The Issuer will redeem all of the Notes if the Certificate Termination occurs as a result of deduction or

withholding of taxes with respect to payments on the Notes, the Certificates or any of the Swap Agreements. See "THE NOTES - Early Redemption by the Issuer".

In connection with the issue of the Notes,

- (i) BHW as protection buyer will enter into a credit default swap with KfW (the "**Bank Swap**"). Pursuant to the Bank Swap, KfW will pay to BHW amounts equal to all Realised Losses allocated pursuant to the Loss Allocation;
- (ii) KfW will issue certificates of indebtedness credit linked to the Reference Claims (the "**Certificates**") signed by KfW as obligor and the Issuer as creditor under which KfW undertakes to pay to the creditor of the Certificates the principal amount and interest equal to the aggregate of the principal amounts and interest payable under the Notes subject to the conditions of the Certificates;
- (iii) the Issuer will use the proceeds from the issue of the Notes to purchase the Certificates from KfW on the Issue Date; and
- (iv) KfW as protection buyer intends to enter into two credit default swaps: a senior swap (the "**Senior Swap**") between KfW and a counterparty (the "**Senior Swap Counterparty**") and a junior swap (the "**Junior Swap**") between KfW and a counterparty (the "**Junior Swap Counterparty**"), and together with the Senior Swap Counterparty, the "**Swap Counterparties**"). Pursuant to the Senior Swap, the Senior Swap Counterparty will pay to KfW 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. Pursuant to the Junior Swap, the Junior Swap Counterparty will pay to KfW amounts equal to the Realised Losses allocated to the Outstanding Threshold Amount.

The allocation of Realised Losses to the Notes and the Outstanding Threshold Amount as described herein will not be affected by the Senior Swap and the Junior Swap and the respective rights and obligations of KfW and the Swap Counterparties thereunder, *provided that* in the case of a conflict of interest between the interests of the Swap Counterparties 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 or Classes of Notes which rank most senior for the purposes of the Loss Allocation, and thereafter to the interests of the Junior Swap Counterparty. See "THE TRUST AGREEMENT" and "REFERENCE POOL SERVICING".

Each Class of Notes is expected to be rated by Fitch Ratings Ltd. ("**Fitch**") and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("**S&P**" and together with Fitch, the "**Rating Agencies**"). It is a condition of the issue of the Notes that each Class receives the rating indicated below:

<b>Class</b>	<b>Fitch</b>	<b>S&amp;P</b>
Class A+	AAA	AAA
Class A	AAA	AAA
Class B	AA	AA
Class C	A	A
Class D	BBB	BBB

The rating of "AAA" is the highest rating that Fitch and S&P assign to long term debt.

The rating of each Class of Notes by S&P and 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 Notes by S&P and Fitch addresses also the risk that a Realised Loss will be allocated to such Class pursuant to the Terms and Conditions as described herein. The rating by S&P and Fitch 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 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 Notes will have the benefit of the Collateral, including the Certificates, securing the Trustee Claim. A change in the long term unsecured debt rating of KfW as the supporting rating for the Certificates or a change in the view of Fitch in respect of the long term unsecured debt of KfW below the rating of the respective Class or Classes of Notes may affect the rating of the relevant Class or Classes of Notes. See "THE CERTIFICATES, COLLATERAL AND NOTEHOLDER COLLATERAL" and "KfW".

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 other 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 rating assigned to the Notes by such other rating agency could be lower than the respective ratings assigned by the Rating Agencies.

In this Information Memorandum references to "euro", "EUR" or "€" are to the single currency which was introduced in Germany and Ireland as of January 1, 1999 and will have the meaning given to them in the Reference Pool Provisions forming part of the Terms and Conditions (see "DESCRIPTION OF THE REFERENCE POOL - Reference Pool Provisions").

This Information Memorandum serves to describe the Notes, the Issuer, BHW, the Certificates and the Reference Pool.

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

- (a) the Trustee only is responsible for the information under "THE TRUSTEE - Description of the Trustee",
- (b) the Bank only is responsible for the information under:
  - "DOCUMENTS INCORPORATED BY REFERENCE",
  - "SUMMARY - Reference Pool",
  - "RISK FACTORS - No Interest in the Reference Claims",
  - "RISK FACTORS - Trust Agreement, Servicing Principles - Interests of the Noteholders, the Swap Counterparties and KfW",
  - "RISK FACTORS - Geographical Distribution of the Mortgaged Properties",
  - "RISK FACTORS - The Subordinated Nature of Certain Reference Mortgages",
  - "RISK FACTORS - Reliance on Administration and Collection Procedures",
  - "RISK FACTORS - Conflicts of Interest",
  - "EXCHANGE CONTROLS",
  - "DESCRIPTION OF THE REFERENCE POOL",
  - "REFERENCE POOL SERVICING",
  - "CREDIT AND COLLECTION POLICIES",
  - "WEIGHTED AVERAGE LIVES OF THE NOTES",
  - "THE BANK",
  - "RATING", and
  - "GENERAL INFORMATION - Luxembourg Listing",
- (c) KfW only is responsible for the information under "KfW",

- (d) the Administrator only is responsible for the information under "CORPORATE ADMINISTRATION AND ACCOUNT - Corporate Administration - Description of the Administrator" and
- (e) the Account Bank only is responsible for the information under "CORPORATE ADMINISTRATION AND ACCOUNT - Account - Description of the Account Bank".

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

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

*No person has been authorised to give any information or to make any representation other than as contained in this Information Memorandum 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, BHW, KfW, the Trustee or the Manager.*

*Neither the delivery of this Information Memorandum nor any offering, sale or delivery of any Notes shall, under any circumstances, create any implication (i) that the information in this Information Memorandum is correct as of any time subsequent to the date hereof or, as the case may be, subsequent to the date on which this Information Memorandum 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 BHW or of KfW 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 Information Memorandum or, as the case may be, the date on which this Information Memorandum has been most recently amended or supplemented, or the balance sheet date of the most recent financial statements which are deemed to be incorporated into this Information Memorandum by reference 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.*

*Save for compliance with the Companies Acts 1963 to 2003 of Ireland, no action has been taken by the Issuer or the Manager other than as set out in this Information Memorandum that would permit a public offering of the Notes, or possession or distribution of this Information Memorandum 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 Information Memorandum (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 Manager has represented that all offers and sales by it have been made on such terms.*

*This Information Memorandum 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 Information Memorandum (or of any part thereof)*

*and the offering and sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Information Memorandum (or any part thereof) comes are required by the Issuer and the Manager to inform themselves about and to observe any such restrictions. This Information Memorandum does not constitute, and may not be used for, or in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.*

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

**In connection with the issue of the Notes, the Manager or its affiliates may conduct any activity to support the exchange or maintain the market price of the Notes in order to offset short-term price movements. Such activities, if any, may be conducted upon announcement of the offer and must be terminated no later than on the 30th calendar day after the date on which the issuer received the proceeds of the issue or the 60th calendar day following the allotment of the Notes, whichever is the earlier. These activities may result in a price of the Notes higher than that which would otherwise prevail, at the risk that the price might be kept at an artificial level over too long a period. However there is no obligation to engage in any stabilising, which, if commenced, may be discontinued at any time. Such stabilising shall be in compliance with all laws, regulations and rules of any relevant jurisdiction.**

## **DOCUMENTS INCORPORATED BY REFERENCE**

The audited consolidated annual financial statements of BHW for the financial years ended December 31, 2001, December 31, 2002 and December 31, 2003, respectively, are incorporated by reference into this Information Memorandum.

Copies of the documents which are incorporated into this Information Memorandum by reference will be available free of charge from the specified offices of each of the Issuer, the Principal Paying Agent and at the offices of Deutsche Bank Luxembourg S.A., 2 Boulevard Konrad Adenauer, 1115 Luxembourg, Luxembourg, in its capacity as the Luxembourg Intermediary and the Luxembourg Listing Agent.

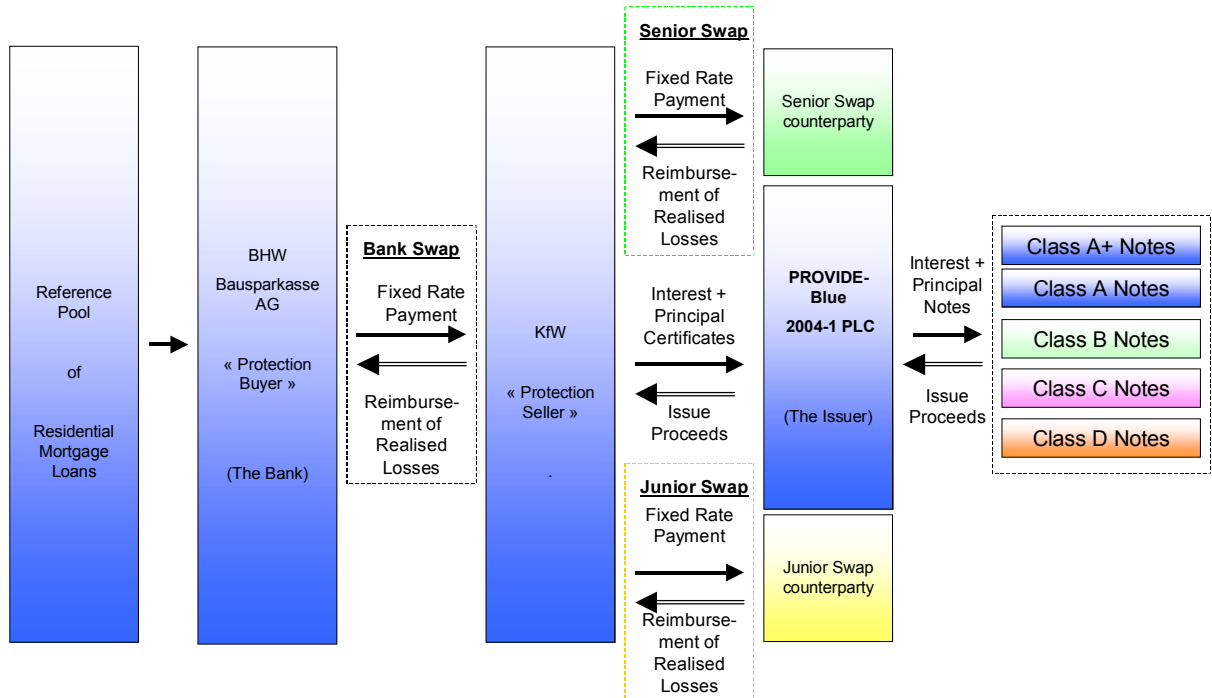


## TABLE OF CONTENTS

<b>SECTION</b>	<b>PAGE</b>
TRANSACTION OVERVIEW .....	10
SUMMARY .....	11
RISK FACTORS.....	19
EXCHANGE CONTROLS .....	27
THE NOTES .....	28
THE TRUST AGREEMENT .....	54
DESCRIPTION OF THE REFERENCE POOL.....	83
REFERENCE POOL SERVICING .....	111
CREDIT AND COLLECTION POLICIES.....	116
WEIGHTED AVERAGE LIVES OF THE NOTES .....	121
THE CERTIFICATES, COLLATERAL AND NOTEHOLDER COLLATERAL.....	123
NOTEHOLDER SECURITY AGREEMENT.....	133
THE ISSUER .....	137
CORPORATE ADMINISTRATION AND ACCOUNTS .....	142
THE BANK.....	144
THE TRUSTEE .....	149
KFW .....	150
RATING.....	151
TAXATION .....	152
SUBSCRIPTION AND SALE .....	157
USE OF PROCEEDS.....	160
GENERAL INFORMATION.....	161
INDEX OF DEFINED TERMS.....	164

**TRANSACTION OVERVIEW**  
(as of the end of business on the Issue Date)

*This transaction overview is qualified in its entirety by reference to the detailed information appearing elsewhere in this Information Memorandum. In the event of any inconsistency between this transaction overview and the information provided elsewhere in this Information Memorandum, such information shall prevail.*



## SUMMARY

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

**The Issuer** PROVIDE BLUE 2004-1 PLC, 5 Harbourmaster Place, IFSC, Dublin 1, Ireland. See "THE ISSUER".

**The Notes** The Notes are credit linked to the performance of a pool of certain loan claims for the payment of principal and interest arising from certain residential mortgage loans originated by the Bank and by the former BHW Allgemeine Bausparkasse AG which was merged into BHW with effect from August 1, 2003 and serviced by the Servicer. Each Reference Claim is secured by one or more first priority or subordinated mortgages (*Hypotheken* or *Grundschulden*) on one or more residential properties located in Germany and in some cases by certain additional collateral. See "THE NOTES".

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".

**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, the Collateral and the Noteholder 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.

**PROVIDE** KfW's programme for residential mortgage loans securitisation. In order to expand its promotion of residential mortgage lending, KfW is sponsoring a synthetic securitisation programme of residential mortgage loans in connection with which the Notes are being issued. PROVIDE is set up as a standardised platform that can be used by various financial institutions to facilitate the efficient transfer of credit risk exposure on residential mortgage loans to the capital markets.

**Corporate Administrator** Deutsche International Corporate Services (Ireland) Limited, 5 Harbourmaster Place, IFSC, Dublin 1, Ireland (the "**Administrator**").

**Account Bank** BNP Paribas-Dublin Branch, 5 George's Dock, IFSC, Dublin 1, Ireland (the "**Account Bank**").

**The Bank** BHW Bausparkasse AG, Lubahnstrasse 2, 31789 Hameln, Germany (including its branches). See "THE BANK".

**The Servicer** The Bank. See "REFERENCE POOL SERVICING".

<b>The Arranger and the Manager</b>	Deutsche Bank AG London, Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom.
<b>The Trustee</b>	Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Schwannstrasse 6, 40476 Düsseldorf, Germany.
<b>KfW</b>	Kreditanstalt für Wiederaufbau, Palmengartenstrasse 5-9, 60325 Frankfurt am Main, Germany. See "KfW".
<b>Principal Paying Agent</b>	BHW Bank AG, Lubahnstrasse 2, 31789 Hameln, Germany. See "THE NOTES - Agents".
<b>Luxembourg Listing Agent and Luxembourg Intermediary</b>	Deutsche Bank Luxembourg S.A., 2 Boulevard Konrad Adenauer, 1115 Luxembourg, Luxembourg.
<b>Cut-off Date</b>	February 29, 2004
<b>Issue Date</b>	April 29, 2004
<b>Payment Dates</b>	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 each 7 <sup>th</sup> 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 on August 7, 2004.
<b>Interest Accrual Period</b>	The Interest Accrual Period will be for all Classes, 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.
<b>Payment of Interest and Principal</b>	<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 Class 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. See "THE NOTES - Payments of Interest" and "- Loss Allocation".</p> <p>On each Payment Date, the Notes will be redeemed in an amount</p>

based on the sum of (i) the aggregate Collections during the Related Collection Period (as defined in "THE NOTES – Loss Allocation - Order and Conditions") and (ii) the aggregate Outstanding Nominal Amounts of all Reference Claims, or portions thereof, as relevant, removed from the Reference Pool during the Related Collection Period pursuant to "REFERENCE POOL PROVISIONS – Non-compliance –" as follows:

(i) the Class A+ Notes will be redeemed in an amount equal to such sum multiplied by the A+ Reduction Factor; and

(ii) after the Class A+ Notes have been redeemed in full, the Class A, the Class B, the Class C and then the Class D Notes, in this order sequentially, will be redeemed in an amount equal to such sum;

*provided that* if such sum, multiplied in the case of (i) above by the A+ Reduction Factor, exceeds the Class Principal Amount of the relevant Class of Notes, (x) such Class shall be redeemed only in the amount of such Class Principal Amount and (y) the amount of such excess, multiplied, if such excess results from the application of (i) above, by the A+ Increase Factor, shall constitute the "sum" 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; and

*provided further that* the redemption amount allocated to each Class of Notes will be, in each case, calculated after the reduction of the Class Principal Amount(s) by allocation of Realised Losses, if any, and the increase of the Class Principal Amount(s) as a result of allocation of Late Recoveries and/or Unjustified Loss Allocation, if any, in each case on the relevant Payment Date. See "THE NOTES - Redemption - Amortisation of the Notes".

**Redemption - Scheduled Maturity Date**

The Payment Date falling on November 7, 2022. 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 certain Notes may remain outstanding after the Scheduled Maturity Date and payments will be made on such Notes on each Payment Date after the Scheduled Maturity Date as described herein. See "THE NOTES - Redemption - Scheduled Maturity", "- Early Redemption for Default" and "- Early Redemption by the Issuer".

**Redemption - Legal Maturity Date**

The Payment Date falling on November 7, 2024. See "THE NOTES - Redemption - Legal Maturity".

**Early Redemption**

The Issuer will redeem the Notes before the Scheduled Maturity Date as described herein if KfW exercises its pre-payment option under the Certificates (i) upon the occurrence of a Tax Event, (ii) upon the occurrence of a Regulatory Event in respect of

KfW, or (iii) as a result of the termination of the Mezzanine Tranche of the Bank Swap (A) by the Bank, at its option, (x) as of any Payment Date following the occurrence of a Regulatory Event, (y) as of any Payment Date following the reduction of the Aggregate Principal Balance to less than 10% of the Initial Aggregate Principal Balance or (z) on or after the Payment Date falling in February 2008, or (B) because of the occurrence of Serious Cause in respect of the Bank or Insolvency of the Bank.

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 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. 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".

**Determination Date**

The 4th Frankfurt Business Day following the delivery date for the relevant Report pursuant to Clause 7 of the Trust Agreement.

**Collection Period**

With respect to the first Payment Date the period from (and excluding) the Cut-off Date until (and including) the last Hameln Business Day of the second calendar month preceding the month in which the first Payment Date occurs, 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 Hameln Business Day of the second calendar month 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 158,242 fixed rate, mortgage loans of the Bank. The loans bear interest at a rate that is fixed until the redemption of the loans. The aggregate Outstanding Nominal Amount of the Reference Claims as of the Cut-off Date was EUR 2,176,164,273.61.

Each Reference Claim is secured by one or more first priority or subordinated mortgages (*Hypotheken* or *Grundschulden*) (subject to customary real rights of use such as real servitudes (*Grunddienstbarkeiten*)) on one or more residential 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 Information Memorandum. 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. 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.

The Servicer, will service the Reference Claims in accordance with the Servicing Standards. See "REFERENCE POOL SERVICING".

#### **Servicing Standards**

The standard credit and collection policies of the Bank and certain specific servicing principles (the "**Servicing Principles**") are set out in this Information Memorandum. 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 Outstanding Threshold Amount and then to reduce the Note Principal Amounts to EUR 1 per Note of 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 Class Principal Amount of the Class A+ Notes, only after the Class Principal Amount of the Class A Notes has 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 Class Principal Amount of the Class A+ Notes.

Realised Loss will not include any accrued interest on the Liquidated Reference Claims.

Realised Loss will include Enforcement Costs in respect of each Reference Claim which becomes a Liquidated Reference Claim as described herein and any external costs and expenses in

connection with payment rescheduling or debt restructuring in respect of such Reference Claim. 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".

### **Certificates and Collateral**

On the Issue Date, the Issuer will purchase the Certificates from KfW pursuant to the Certificate Purchase Agreement.

The Certificates constitute unsecured and unsubordinated obligations of KfW, ranking *pari passu* among themselves and *pari passu* with all other unsecured and unsubordinated obligations of KfW, subject to reductions of principal of and, due to such principal reductions, interest on the Certificates as a result of the Loss Allocation to the Notes and each Certificate has terms and conditions regarding payments of principal and interest matching with the corresponding Class of Notes as set out herein.

On the Issue Date, the Issuer will grant a pledge (*Pfandrecht*) over all its present and future claims and rights against KfW under the Certificates as well as all its present and future claims and rights under the other Transaction Documents (other than the Noteholder Security Agreement, the Swap Agreements, the Account Agreement, the Administration Agreement and the Irish Security Agreement) to the Trustee 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. On the Issue Date, the Issuer will also assign by way of security in favour of the Trustee all its present and future claims, right, title and interest in and to: the Administration Agreement, the Account Agreement and the Account to secure the Trustee Claim.

See "THE CERTIFICATES, COLLATERAL AND NOTEHOLDER COLLATERAL" and "THE TRUST AGREEMENT".

### **Noteholder Collateral**

In addition to the Collateral, the Issuer will on the Issue Date grant a second, junior pledge (*nachrangiges Pfandrecht*), (each a "**Second Pledge**"), for each Note of a Class over all its present and future rights and claims under the corresponding Certificate to the Manager as initial holder of the Notes purchased by it under the Subscription Agreement, to secure the Issuer's obligations under such Note. The Second Pledges securing the



Notes of a particular Class will rank *pari passu* among each other. The pledge on any Certificate in favour of the Trustee under the Trust Agreement (the "**First Pledge**") will rank senior to all Second Pledges in respect of such Certificate. The Second Pledges in respect of any Certificate may only be exercised if (i) the First Pledge in favour of the Trustee in respect of such Certificate no longer validly exists or (ii) the Trustee has waived the First Pledge or, in certain circumstances described herein, if (iii) no trustee is appointed in accordance with the Terms and Conditions. The Second Pledges will be accessory (*akzessorisch*) to the Notes and therefore upon the transfer of each Note the Second Pledge securing such Note will pass on to the transferee by operation of law and so benefit each subsequent holder of such Note in accordance with the Noteholder Security Agreement, subject to the applicable conflict of law rules. See "THE CERTIFICATES, COLLATERAL AND NOTEHOLDER COLLATERAL" and "THE NOTEHOLDER SECURITY AGREEMENT".

### **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, Class B, Class C and Class D Notes will be issued in denominations of EUR 100,000 and the Class A+ Notes will be issued in denominations of EUR 10,000. The Global Notes representing the Notes will not be exchangeable for definitive securities. Clearstream Frankfurt will hold the Global Notes for Clearstream Frankfurt Accountholders, including for the account of the operator of Euroclear and Clearstream, Luxembourg, each of which is a Clearstream Frankfurt Accountholder. See "THE NOTES - Notes".

### **Trust Agreement**

Pursuant to the Trust Agreement between the Issuer, the Bank, KfW and the Trustee for the benefit of the Noteholders and the Swap Counterparties the Trustee will 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 and the Swap Agreements.

Pursuant to the Trust Agreement the Issuer will also grant a pledge (*Pfandrecht*) to the Trustee over all its present and future claims and rights under the Certificates and all other Transaction Documents (other than the Noteholder Security Agreement, the Swap Agreements, the Administration Agreement, the Account Agreement and the Irish Security Agreement). See "THE TRUST AGREEMENT".

### **Issuer's Source of Income**

The Issuer will receive the funds necessary for the payments under the Notes from payments under the Certificates. On each Payment Date payments of principal, if any, and interest on each Class of Notes will be made from the principal and interest received under the corresponding Certificate.

The Issuer will receive the funds necessary to pay all ongoing costs and expenses from the Bank and/or KfW pursuant to the Trust Agreement. See "THE TRUST AGREEMENT".

The Bank has agreed to pay to the Issuer on the Issue Date the aggregate amount of the combined management and underwriting commission and any other fees which the Issuer owes to the Manager under the Subscription Agreement. See "SUBSCRIPTION AND SALE - Subscription of the Notes".

**Use of Proceeds**

The net proceeds from the issue of the Notes are approx. EUR 92,550,000. The net proceeds are equal to the gross proceeds and will be used by the Issuer for the purchase of the Certificates from KfW on the Issue Date.

**Selling Restrictions**

Subject to certain exceptions, the Notes are not being offered, sold or delivered within the United States or to U.S. persons. For a description of these and other restrictions on sale and transfer see "SUBSCRIPTION AND SALE".

**Listing**

Application has been made to list each Class of Notes on the Luxembourg Stock Exchange.

**Settlement**

It is expected that delivery of the Notes will be made on or about the Issue Date through the book-entry facilities of Clearstream Frankfurt 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 are expected to be rated on the Issue Date by S&P and Fitch. It is a condition of the issue of the Notes, that each such Class of Notes receives the ratings specified herein. See "RATING".

## **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 consider all of the information provided in this Information Memorandum and consult with their own professional advisers if they consider it necessary.**

### **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 Manager, the Trustee, any of the Agents, the Bank, KfW or any of their respective affiliates or any affiliate of the Issuer or any other third person or entity. Neither the Manager, nor the Trustee, nor any of the Agents, nor the Bank, nor KfW, 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 it receiving in full the amounts payable to it under the Certificates and under the other Transaction Documents or the amount of the proceeds resulting from enforcement of the security granted by the Issuer to the Trustee over the Certificates and its other assets pursuant to the Trust Agreement and the Irish Security Agreement or, as the case may be, the amount of proceeds resulting from enforcement of the security granted by the Issuer to the Manager as the initial holder of the Notes purchased by it under the Subscription Agreement, pursuant to the Noteholder Security 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. 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 Manager, the Agents, the Process Agent, the Administrator or the 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 until the expiration of a period of one year and one day following payment of all amounts payable under the Notes.

### **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.

### **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, Class B, Class C and Class D Notes together with the initial Outstanding Threshold Amount will be EUR 109,709,314.19. However, the Initial Aggregate Principal Balance of the Reference Pool will be EUR 2,176,164,273.61. Upon the occurrence of any Realised Loss, first the Outstanding Threshold Amount will be reduced and after it has been reduced to zero, the Class Principal Amount of the Class D Notes will be reduced and after it has been reduced to EUR 1 per Note, then of the Class C Notes, then of the Class B Notes, and then of the Class A Notes will be reduced to EUR 1 per Note by such Realised Losses. Realised Losses will be allocated to reduce the Class Principal Amount of the Class A+ Notes and the notional amount of the Senior Swap only after the Class Principal Amount of the Class A Notes has been reduced to EUR 1 per Note. Accordingly, the Outstanding Threshold Amount, 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 Outstanding Threshold Amount together with 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, the Swap Counterparties and KfW**

Pursuant to the Trust Agreement the Trustee will carry out its duties thereunder as a trustee for the benefit of the Noteholders and the Swap Counterparties. The Trustee will also give due regard to and protect the interests of KfW as the protection seller under the Bank Swap to the extent that such interests are compatible with the interests of the Noteholders and the Swap Counterparties. In the case of a conflict of interest among the interests of the Swap Counterparties 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 or Classes of Notes which rank most senior for the purposes of the Loss Allocation, and lastly to the interests of the Junior Swap Counterparty. In the case of a conflict of interest between the interests of KfW on the one hand and the Noteholders and/or the Swap Counterparties on the other hand, priority will be given to the interests of the Noteholders and/or the Swap Counterparties.

Similarly, pursuant to the Servicing Principles, the Servicer will, in the case of a conflict of interest among the interests of the Swap Counterparties 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 or Classes of Notes which then ranks most senior for the purposes of the Loss Allocation, and lastly to the interests of the Junior Swap Counterparty. In the case of a conflict of interest between the interests of KfW on the one hand and the Noteholders and/or the Swap Counterparties on the other hand, priority will be given to the interests of the Noteholders and/or the Swap Counterparties.

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

## **Certificates**

The payment of principal of and, due to potential principal reductions, interest on the Certificates is conditional upon the performance of the Notes which in turn is conditional upon the performance of the Reference Claims as set out herein.

The amount of principal of and, due to potential principal reductions, interest on the Certificates may be reduced as a result of allocation of Realised Losses to the Notes. KfW shall only be obliged to pay

amounts of principal and interest under the Certificates determined to be due to the creditor thereof in accordance with the Certificate Conditions, which may be reduced as a result of such Realised Losses.

The creditor of the Certificates shall have no right to or interest in any Note or Reference Claim even in the case that a Realised Loss in respect of such Reference Claim has been allocated to the Notes and accordingly reduced the principal amount payable on the corresponding Certificate.

### **Collateral and Trustee Claim**

The Issuer will grant a pledge (*Pfandrecht*) to the Trustee over all its present and future claims and rights against KfW under the Certificates as well as all its present and future claims and rights under the other Transaction Documents (other than the Administration Agreement, the Noteholder Security Agreement, the Swap Agreements, the Account Agreement and the Irish Security Agreement) 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 CERTIFICATES, COLLATERAL AND NOTEHOLDER 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. See "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.

It is unclear how the Irish courts would interpret the pledge purported to be created pursuant to the Trust Agreement. It is likely that, subject to the Trust Agreement constituting a valid pledge (*Pfandrecht*) as a matter of German law, the Irish courts would view the pledge as creating a fixed charge rather than 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 moneys 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 moneys standing to the credit of such account without the consent of the chargee. Accordingly, since the Issuer is prohibited under the terms of the Trust Agreement from dealing with and disposing of the assets constituting the Collateral and the wording of the Trust Agreement is sufficiently clear to create fixed security in respect of the Collateral and the assets to be charged are clearly identifiable, the Irish courts are likely to consider the charges in the Trust Agreement as fixed charges.

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.

### **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 (which would include the Certificates) 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 and/or the Noteholder 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 and/or the Noteholder 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".

### **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, 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, if KfW exercises its pre-payment option under the Certificates (i) upon the occurrence of a Tax Event, (ii) upon the occurrence of a Regulatory Event in respect of KfW, or (iii) as a result of the termination of the Mezzanine Tranche of the Bank Swap (A) by the Bank, at its option, (x) as of any Payment Date following the occurrence of a Regulatory Event, (y) as of any Payment Date following the reduction of the Aggregate Principal Balance to less than 10% of the Initial Aggregate Principal Balance or (z) on or after the Payment Date falling in February 2008, or (B) because of the occurrence of a Serious Cause in respect of the Bank or Insolvency of the Bank.

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

### **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 — Distribution by Property Postcodes" (Table 13). Any deterioration in prices in the residential 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**

97.11% 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. While a subordinated mortgagee has the right to initiate foreclosure proceedings, the minimum purchase price in a forced sale needs only to 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 starting with 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 any other mortgage, 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. See "DESCRIPTION OF THE REFERENCE POOL — The Mortgages and the Mortgaged Properties".



## **Compliance and Realised Losses**

Compliance with the Terms and Conditions, in particular the Eligibility Criteria and the 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.

## **Reliance on the Creditworthiness of the Bank and KfW**

The ability of the Issuer to meet its obligations under the Notes will be dependent on its receipt of payments under the Certificates from KfW and of payments in respect of the Issuer Costs pursuant to the Trust Agreement from the Bank and/or KfW which jointly and severally undertake to pay the Issuer Costs. In addition, pursuant to the Certificate Conditions, KfW may re-pay the principal amounts of the Certificates together with interest accrued thereon if the Bank Swap is terminated as described herein. Such re-payment of the Certificates will result in early redemption of the Notes as described herein. See "THE NOTES - Early Redemption by the Issuer" and "THE CERTIFICATES, COLLATERAL AND NOTEHOLDER COLLATERAL".

Consequently, the Issuer is relying on the creditworthiness of KfW and, to the extent described in the preceding paragraph, the Bank in respect of the receipt of payments from the Certificates, as well as in respect of payments under the Trust Agreement, respectively.

## **Limited Information**

The Bank and/or the Servicer 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. Except as set out in the Notes and the Trust Agreement, the Issuer and the Bank and/or the Servicer 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 borrowers 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 and/or the Servicer.

## **No Independent Investigation**

Neither the 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 the 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 a subsidiary of the Bank, another 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, 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 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 and 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, provide 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 list each Class of Notes on the Luxembourg Stock Exchange. 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**

The Notes will not provide for a gross-up of payments in the case that the payments on the Notes become subject to deduction or withholding of taxes. See "THE NOTES - Taxes".

The Issuer will receive the funds necessary for the payments under the Notes from payments under the Certificates. On each Payment Date payments of principal, if any, and interest on each Class of Notes will be made from the principal and interest received under the corresponding Certificate.

Neither the Notes nor the Certificates will provide for gross-up payments in the case that payments under the Certificates become subject to deduction or withholding of taxes. See "THE CERTIFICATES; COLLATERAL AND NOTEHOLDER COLLATERAL".

If on any Payment Date any withholding or deduction on account of taxes is imposed with respect to payments by KfW under the Certificates, 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 corresponding Certificate divided by the number of Notes of the Class of Notes relating to such Certificate.

The Noteholders will not have the right to require an early redemption of the Notes if withholding or deduction of taxes is imposed with respect to payments on the Notes and/or the Certificates.

The Issuer will redeem all of the Notes in the event that the Certificate Termination occurs as a result of certain tax events, including if the Bank, KfW and/or the Issuer would become required to make any withholding or deduction of taxes in respect of any payments on the Notes, the Certificates or any Swap Agreement. See "THE NOTES - Early Redemption by the Issuer".

See "TAXATION".

## EXCHANGE CONTROLS

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

Except in limited embargo circumstances, there are no legal restrictions in Ireland on international capital movements and foreign exchange transactions.

## 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 Information Memorandum, 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 TRUSTEE, ANY OF THE AGENTS, THE BANK, THE MANAGER, KFW 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 BANK, THE MANAGER, THE TRUSTEE, ANY OF THE AGENTS OR KFW OR ANY OF THEIR RESPECTIVE AFFILIATES OR BY ANY OTHER PERSON OR ENTITY EXCEPT AS DESCRIBED HEREIN.**

### **1. Notes**

#### *1.1 Principal Amounts; Definitions*

PROVIDE BLUE 2004-1 PLC, incorporated under the laws of Ireland as a public 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 250,000 and divided into 25 Class A+ Notes, each having an initial principal amount of EUR 10,000,
- (b) Class A Floating Rate Credit Linked Notes (the "**Class A Notes**") which are issued in an initial aggregate principal amount of EUR 31,400,000 and divided into 314 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 32,700,000 and divided into 327 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 15,200,000 and divided into 152 Class C Notes, each having an initial principal amount of EUR 100,000, and
- (e) Class D Floating Rate Credit Linked Notes (the "**Class D Notes**") which are issued in an initial aggregate principal amount of EUR 13,000,000 and divided into 130 Class D Notes, each having an initial principal amount of EUR 100,000.

Terms used but not defined in the Terms and Conditions have the same meaning as in Appendix A (The Trust Agreement), B (Reference Pool Provisions), C (Servicing Principles) or D (Noteholder Security Agreement) 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 Clearstream Banking AG, Frankfurt am Main ("**Clearstream Frankfurt**"), 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 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 "**Clearstream Frankfurt Accountholder**") to Clearstream Frankfurt, and by Clearstream Frankfurt to the Principal Paying Agent, 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 on behalf of the Issuer.

## **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, the Collateral and the Noteholder Collateral pursuant to Section 3 (Collateral; Noteholder 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 Manager, the Trustee, any of the Agents, the Bank, KfW 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 Manager, any of the Agents, the Bank, the Trustee or KfW or any of their respective affiliates or by any other person or entity except as described herein.

### 2.3 *Limited Recourse*

The Issuer's ability to satisfy its payment obligations under the Notes in full is dependent upon it receiving in full the amounts payable to it under the Certificates and under the other Transaction Documents or the amount of the proceeds resulting from enforcement of the security granted by the Issuer to the Trustee over the Certificates and its other assets pursuant to the Trust Agreement and the Irish Security Agreement or, as the case may be, the amount of proceeds resulting from enforcement of the security granted by the Issuer to the Manager as the initial holder of the Notes purchased by it under the Subscription Agreement, pursuant to the Noteholder Security 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; Noteholder Collateral

The Issuer will:

(i) grant a pledge (*Pfandrecht*) over all its present and future claims and rights against KfW under the Certificates as well as all its present and future claims and rights under the other Transaction Documents (other than the Noteholder Security Agreement, the Swap Agreements, the Account Agreement, the Administration Agreement and the Irish Security Agreement) to the Trustee 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, as set out in Appendix A to the Terms and Conditions; and

(ii) assign by way of security all its present and future claims, right, title and interest in and to (a) the administration agreement (the "**Administration Agreement**") between the Issuer, the Trustee and Deutsche International Corporate Services (Ireland) Limited as corporate administrator of the Issuer (the "**Administrator**") dated April 23, 2004, (b) the Account with the Account Bank and (c) the bank mandate dated April 20, 2004 and the agreement in respect of the Account between the Issuer, the Trustee, and the Account Bank dated April 29, 2004 (together, the "**Account Agreement**", which term shall also include any other agreement in respect of the Account) (together with the claims and rights pledged as set out under (i), the "**Collateral**") to the Trustee as security for the Trustee Claim (*Treuhänderanspruch*) pursuant to an Irish security agreement (the "**Irish Security Agreement**") between the Issuer and the Trustee dated April 29, 2004.

In addition to the Collateral, the Issuer will on the Issue Date grant a second, junior pledge (*nachrangiges Pfandrecht*) (each a "**Second Pledge**") for each Note of a Class over all its present and future rights and claims under the corresponding Certificate to the Manager as initial holder of the Notes purchased by it under the Subscription Agreement, to secure the Issuer's obligations under such Note (together, the "**Noteholder Collateral**") pursuant to an agreement (the "**Noteholder Security Agreement**") between the Issuer, the Trustee and the Manager dated April 29, 2004. The text of the Noteholder Security Agreement is attached as Appendix D to the Terms and Conditions and constitutes an integral part of the Terms and Conditions. The Second Pledges securing the Notes of a particular Class shall rank *pari passu* among each other. The pledge on any Certificate in favour of the Trustee under the Trust Agreement (the "**First Pledge**") will rank senior to all Second Pledges in respect of such Certificate. The Second Pledges in respect of any Certificate may only be exercised if (i) the First Pledge in favour of the Trustee in respect of such Certificate no longer validly exists or (ii) the Trustee has waived the First Pledge or, in certain circumstances described herein, if (iii) no trustee is appointed in accordance with the Terms and Conditions. The Second Pledges will be accessory (*akzessorisch*) to the Notes and therefore upon the transfer of each Note the Second Pledge securing such Note will pass on to the transferee by operation of law and so benefit each subsequent holder of such Note in accordance with the Noteholder Security Agreement, subject to the applicable conflict of law rules.

**Notwithstanding the Collateral and/or the Noteholder 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 and/or the Noteholder Collateral.**

#### **4. 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 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 must comply with certain requirements and conditions (the "**Reference Pool Provisions**") set out in Appendix B attached to the Terms and Conditions. The Reference Pool Provisions constitute an integral part of the Terms and Conditions.

#### **5. Trustee**

##### *5.1 Trust Agreement*

For the benefit of the Noteholders and the Swap Counterparties, the Issuer has entered into a trust agreement dated April 29, 2004 (the "**Trust Agreement**") with Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Schwannstrasse 6, 40476 Düsseldorf, Germany (the "**Trustee**"), the Bank and KfW. 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 Certificate Purchase Agreement, the Certificates, the Noteholder Security Agreement, the Administration Agreement, the Agency Agreement, the Subscription Agreement, the Account Agreement, the Irish Security Agreement and the Swap Agreements, as amended from time to time, 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**".

##### *5.2 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.

#### **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 Clearstream Frankfurt for credit to the accounts held by the relevant Clearstream Frankfurt Accountholders with Clearstream Frankfurt 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 Clearstream Frankfurt for credit to the accounts held by the relevant Clearstream Frankfurt Accountholders upon due certification as provided in Section 1.3 (Notes — Exchange of Temporary Global Notes).

##### *6.3 Discharge*

All payments in respect of any Note made by or on behalf of the Issuer to Clearstream Frankfurt 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 Frankfurt Business Day and a Dublin Business Day. "**TARGET Settlement Day**" means a day on which TARGET (the Trans-European Automated Real-time Gross settlement Express Transfer system) is open. "**Frankfurt 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 Frankfurt am Main, Germany, and on which TARGET is open. "**Dublin 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 Dublin, Ireland, and on which TARGET is open.

### 7. **Payments of Interest**

#### 7.1 *Accrual Basis*

The Note Principal Amount shall bear interest from April 29, 2004 (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 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 each 7<sup>th</sup> day of February, May, August and November of each year, subject to Section 6.4 (Business Day) (each, a "**Payment Date**"). The first Payment Date shall be on August 7, 2004.

#### 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), and multiplying the result by the actual number of days in the relevant Interest Accrual Period divided by 360, 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, 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 0.20% per annum,  
in the case of the Class A Notes, EURIBOR plus 0.20% per annum,  
in the case of the Class B Notes, EURIBOR plus 0.40% per annum,  
in the case of the Class C Notes, EURIBOR plus 0.55% per annum, and  
in the case of the Class D Notes, EURIBOR plus 0.95% 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 three and four months) which appears on Moneyline Telerate Page 248 of the Associated Press-Dow Jones Telerate Service (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 Moneyline Telerate Page 248 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).

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 Amount, the aggregate of the Interest Amounts for all Notes of each Class and the Interest Rates in each case for the immediately following Interest Accrual Period shall be determined by the Principal Paying Agent and notified, together with the Payment Date immediately following such Interest Accrual Period, by the Principal Paying Agent to the Luxembourg Intermediary and the Luxembourg Stock Exchange not later than on the first day of such Interest Accrual Period.

## 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 Outstanding Threshold Amount,

*second*, after the Outstanding Threshold Amount has been reduced to zero, to reduce equally the Note Principal Amounts of the Class D Notes,

*third*, 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,

*fourth*, 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,

*fifth*, 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,

*sixth*, 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 Class Principal Amount of the Class A+ Notes on such Payment Date, whereby "**A+ Reduction Factor**" means 250,000 divided by 2,066,454,959.42;

*provided that* (i) the Bank has duly notified the Trustee pursuant to Section 8.4 (Loss Allocation — Notice to Trustee) and (ii) such Loss Allocation shall be made in accordance with the terms of the Trustee's confirmation pursuant to Clause 8(4) of the Trust Agreement. Realised Losses may not be allocated pursuant to the Loss Allocation if and for as long as the Issuer is in breach of its obligation to maintain a trustee pursuant to Section 5 (Trustee) or any conditions for the Loss Allocation which are to be fulfilled by the Bank are not complied with or the Bank, KfW or the Issuer is in breach of its obligations under the Trust Agreement, including, without limitation, a breach of Clause 20, 21, 22 or 25 of 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 a portion of 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.

The allocation of Realised Losses to any Note shall not be affected by the invalidity or unenforceability of any other Note ranking equal or junior to such Note for the purposes of the Loss Allocation. If any Note remains outstanding after any other Note, ranking equal or junior to such outstanding Note for the purposes of the Loss Allocation, has, for any reason, been redeemed, other than in accordance with the Terms and Conditions, in full or in part (as opposed to any reduction of the principal amount by the Loss Allocation), each such redeemed Note shall be deemed to remain outstanding for the purposes of the Loss Allocation in respect of such Note.

**"Realised Loss"** means, with respect to a Liquidated Reference Claim, the Outstanding Nominal Amount of and the related Enforcement Costs in respect of such Liquidated Reference Claim, as of the end of the Collection Period during which it became a Liquidated Reference Claim, 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, *provided that* in connection with payment rescheduling or debt restructuring of a Reference Claim (i) the external costs and expenses connected therewith and (ii) any amount of principal foregone as part thereof in accordance with the Servicing Standards shall be included in, or (where the remaining Outstanding Nominal Amount of such Reference Claim has been redeemed in full so that there are no other losses with respect to such Liquidated Reference Claim) constitute the Realised Loss with respect to such Liquidated Reference Claim.

**"Outstanding Nominal Amount"** means 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, thus, not to constitute a Collection.

**"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"**) (*Lastschrifteinzugsverfahren*) shall constitute a Collection at the time it is made, *provided that* if it 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 re-increased 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.

**"Enforcement Costs"** means in relation to a Reference Claim all amounts outstanding with respect to reasonable fees, disbursements, costs and expenses (excluding internal costs and expenses of the Servicer) payable or incurred in connection with the enforcement of such Reference Claim.

**"Collection Period"** means with respect to the first Payment Date the period from (and excluding) the Cut-off Date until (and including) the last Hameln Business Day of the second calendar month preceding the month in which the first Payment Date occurs, 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 Hameln Business Day of the second calendar month 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.

**"Hameln Business Day"** means a day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in Hameln, Germany.

**"Determination Date"** means the 4<sup>th</sup> Frankfurt Business Day following the delivery date for the relevant Report pursuant to Clause 7 of the Trust Agreement and **"Relevant Determination Date"** means the Determination Date immediately following a given Collection Period.

**"Outstanding Threshold Amount"** means, in respect of any date, EUR 17,409,314.19 as, on or before such date, (i) reduced by any Realised Losses allocated to the Outstanding Threshold Amount pursuant to this Section 8.1 and (ii) increased by any Late Recoveries and/or as a result of the Unjustified Loss Allocation procedure.

**"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 — Notice to Trustee).

**"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, the occurrence of Bankruptcy or Failure to Pay will constitute a Credit Event whether or not such occurrence arises directly or indirectly from 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) if relevant, has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger); (e) 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; (f) 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; (g) 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 (f) (inclusive); or (h) 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 one or more payments due under the related Reference Loan in an aggregate amount of not less than the Minimum Amount remain unpaid for 90 calendar days from the relevant due date after which due and unpaid amounts equal to the Minimum Amount were first outstanding (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.

**"Minimum Amount"** means in respect of a Reference Claim on any date the product of (i) the amount of the scheduled payments which fall due on any single scheduled interest payment date under the related Reference Loan, which amount may include without limitation, interest on such Reference Loan and life insurance premiums (each, an **"Instalment"**) and (ii) the lesser of (A) three and (B) the total number of Instalments yet to become payable under the related Reference Loan.

**"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 90 calendar days, after the Bank has become aware of the occurrence of the Credit Event, and, where relevant, 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. (Frankfurt time) on any Frankfurt Business Day by mail, telefax or e-mail in accordance with the Trust Agreement. If a Credit Event Notice is delivered to the Trustee after 4:00 p.m. (Frankfurt time) on a Frankfurt Business Day or on a day which is not a Frankfurt Business Day, such Credit Event Notice shall be deemed delivered on the immediately following Frankfurt 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 and/or the Outstanding Threshold Amount (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 and/or to increase the Outstanding Threshold Amount, *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 to the extent allocable to the principal of the relevant Reference Claim shall constitute Collections on the relevant 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 (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) and to the Outstanding Threshold Amount 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 *Notice to Trustee*

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 expected to be recovered in respect of any Defaulted Reference Claim and allocable to its principal amount and/or the Enforcement Costs in respect thereof, 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.

## **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, in respect of each Payment Date since the Payment Date on which the Unjustified Loss Allocation was made, pay 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, increased in each case by default interest at a rate of 6% per annum on the amount by which the Note Principal Amounts of each relevant Class of Notes are increased in accordance with Section 8.2 (Loss Allocation - Late Recoveries) as a result of such Unjustified Loss Allocation.

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*

Unjustified Loss Allocation for a given Collection Period, if any, shall be determined and the reinstatement of the Outstanding Threshold Amount and/or the Note Principal Amount of any Note shall be calculated by the Bank 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 based on the sum of (i) the aggregate Collections during the Related Collection Period and (ii) the aggregate Outstanding Nominal Amounts of all Reference Claims or portions thereof, as relevant, removed from the Reference Pool during the Related Collection Period pursuant to Provision 8 (Transfers) of the Reference Pool Provisions or pursuant to Provision 9 (Non-compliance) of the Reference Pool Provisions (such sum, the "**Pool Reduction**") as follows:

- (i) the Class A+ Notes shall be redeemed in an amount equal to the Pool Reduction multiplied by the A+ Reduction Factor; and
- (ii) after the Class A+ Notes have been redeemed in full, the Class A, the Class B, the Class C and then the Class D Notes, in this order sequentially, shall be redeemed in an amount equal to the Pool Reduction;

*provided that* if the Pool Reduction, multiplied in the case of (i) above by the A+ Reduction Factor, exceeds the Class Principal Amount of the relevant Class of Notes, (x) such Class shall be redeemed only in the amount of such Class Principal Amount and (y) the amount of such excess, multiplied, if such excess results from the application of (i) above, by the A+ Increase Factor, shall constitute the "Pool Reduction" 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; and

*provided further that* the redemption amount allocated to each Class of Notes will be, in each case, calculated after the reduction of the Class Principal Amount(s) by allocation of Realised



Losses, if any, and the increase of the Class Principal Amount(s) as a result of allocation of Late Recoveries and/or Unjustified Loss Allocation, if any, in each case on the relevant Payment Date pursuant to Section 8 (Loss Allocation) and Section 9 (Unjustified Loss Allocation), respectively.

- (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 on November 7, 2022 (the "**Scheduled Maturity Date**") at their Note Principal Amount as of the Scheduled Maturity Date. If any Reference Claim (other than a Liquidated Reference Claim or a Non-qualifying Reference Claim) is overdue and outstanding 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) as of the end of the Collection Period immediately preceding the Scheduled Maturity Date, and the aggregate of the Outstanding Nominal Amounts of such Overdue Reference Claims exceeds the Outstanding Threshold Amount as of 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 Outstanding Nominal Amounts of such Overdue Reference Claims 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 the Class A+ Notes by the A+ Increase Factor) immediately after the Scheduled Maturity 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 Scheduled Maturity Date minus the Outstanding Threshold Amount as of 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 pursuant to the order set out in Section 10.1(a) (Redemption - Amortisation of the Notes) as follows: the Note Principal Amount of each Note of the relevant Class shall be repaid in an amount equal to the excess of (A) the aggregate of the Note Principal Amounts of all Notes (multiplied in the case of the Class A+ Notes by the A+ Increase Factor) as of the calendar day preceding such Payment Date reduced by Realised Losses allocated to such Notes as of such Payment Date and increased by any Late Recoveries or as a result of any Unjustified Loss Allocation procedure as of such Payment Date over (B) the amount of the aggregate of the Outstanding Nominal Amounts of all Overdue Reference Claims as of the end of the Collection Period immediately preceding such Payment Date minus the Outstanding Threshold Amount as of such Payment Date;

*provided that* such amount shall

- (A) in the case of the Class A+ Notes be multiplied by the A+ Reduction Factor; and
- (B) in each case, be divided by the number of Notes of such Class and rounded to the nearest EUR 0.01 (with EUR 0.005 being rounded upwards); and

*provided further that* if the amount of such excess, multiplied in the case of the Class A+ Notes by the A+ Reduction Factor, exceeds the Class Principal Amount (as reduced as a result of Loss

Allocation and/or increased as a result of any Late Recoveries and/or Unjustified Loss Allocation) of the relevant Class of Notes (such excess amount for the purposes of this Section, the "**Class Excess**"), (x) such Class shall be redeemed only in the amount of such Class Principal Amount and (y) the Class Excess (as defined in this paragraph), multiplied, if such Class Excess (as defined in this paragraph) results from the application of (A) above in respect of the Class A+ Notes, by the A+ Increase Factor, shall constitute the "excess" for the purposes of calculating the redemption amount for the Class of Notes next to be redeemed pursuant to the order set out in Section 10.1(a) (Redemption - Amortisation of the Notes); and

- (c) if on or before the Reporting Date preceding the Scheduled Maturity Date or any subsequent Payment Date, as applicable, the Bank confirms to the Trustee that all Overdue Reference Claims will be settled in accordance with the terms of the Junior Swap on the Scheduled Maturity Date or such Payment Date, as applicable, all then outstanding Notes shall be redeemed in full at their Note Principal Amounts on the Scheduled Maturity Date or such Payment Date, as the case may be.

"**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 on November 7, 2024 (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) redeem the remaining outstanding Notes at their Note Principal Amounts on the Legal Maturity Date.

"**Appraised Loss**" means, with respect to any Reference Claim, the excess of (A) the Outstanding Nominal Amount, the Enforcement Costs and any external costs and expenses in connection with payment rescheduling or debt restructuring 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, with respect to Enforcement Costs) in accordance with the Reference Pool Provisions and the Servicing Standards, determined as the arithmetic mean of amounts determined by two independent experts appointed for this purpose by the Trustee in accordance with the Trust Agreement, *provided that* for the determination of an Appraised Value otherwise than for the purposes of this Section 10.3 (Redemption - Legal Maturity) and Section 11.2 (Early Redemption for Default - Method and Amount) an amount determined by one independent expert appointed for this purpose by the Trustee in accordance with the Trust Agreement shall suffice.

## 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 either 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 (as reduced 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 last Hameln Business Day of the month immediately preceding 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); *provided that*, if the aggregate of the Outstanding Nominal Amounts of all Defaulted Reference Claims as of the last Hameln Business Day of the month immediately preceding the Termination Date exceeds the Outstanding Threshold Amount as of the Termination Date, 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 last Hameln Business Day of the month immediately preceding 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 such Outstanding Nominal Amounts as of the last Hameln Business Day of the month immediately preceding the Termination Date minus the Outstanding Threshold Amount as of the Termination Date; and

- (b) the Issuer shall procure that Appraised Losses in respect of all Defaulted Reference Claims as of the last Hameln Business Day of the month immediately preceding the Termination Date are determined within 30 calendar days of the Termination Date in accordance with the Trust Agreement. 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: (i) each such Realised Loss shall be allocated pursuant to the Loss Allocation, and (ii) the Issuer shall redeem the remaining outstanding Notes at the then outstanding Note Principal Amounts following such Loss Allocation and (iii) 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)(ii) 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 Certificate Termination*

The Issuer shall redeem the Notes (all Classes but not some only, in whole but not in part except by operation of Section 12.2 (Early Redemption by the Issuer - Deferred Redemption)) on the Payment Date on which the Certificate Termination occurs, in each case, at the then current Note Principal Amount as of the relevant Payment Date (the **"Early Redemption Date"**) in accordance with this Section 12 (the **"Early Redemption"**).

**"Certificate Termination"** occurs on the Payment Date as of which KfW exercises its prepayment option under the Certificates (i) upon the occurrence of a Tax Event or (ii) upon the occurrence of a Regulatory Event in respect of KfW, or (iii) as a result of the termination of the Mezzanine Tranche of the Bank Swap:

(A) by the Bank, at its option, (x) as of any Payment Date following the occurrence of a Regulatory Event or (y) as of any Payment Date following the reduction of the Aggregate Principal Balance of the Reference Claims to less than 10% of the Initial Aggregate Principal Balance (as defined in Provision 1 of the Reference Pool Provisions) or (z) on or after the Payment Date falling in February 2008; or

(B) because of the occurrence of a Serious Cause or Insolvency.

**"Mezzanine Tranche"** (as defined in the Bank Swap) means the rights and obligations under the Bank Swap related to the credit protection in respect of Realised Losses allocated to the Notes pursuant to the Loss Allocation.

**"Tax Event"** means any enactment of or supplement or amendment to, or change in, 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, in each case that becomes effective on or after the Issue Date, as a result of which, in the determination of KfW, for reasons outside its control KfW 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 and/or the Certificates or the Issuer would be required to pay any insurance tax in respect of the Notes.

**"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 Basle Committee on Banking Supervision or an official communication of previously not existing or not publicly available official interpretation of any such accord, standard or recommendation, or a change in the official interpretation, implementation or application of any such accord, standard or recommendation, in each case that becomes effective on or after the Issue Date, as a result of which, in the determination of the Bank subject to the professional judgement of the Trustee, or, in relation to the definition of Certificate Termination, KfW, 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, KfW or the Issuer), (i) the Bank would be materially restricted from complying with the conditions for the Loss Allocation and/or the Bank, KfW and/or the Issuer would be materially restricted from performing any of their obligations under any of the Notes, the Swap Agreements, the Certificates, the Trust Agreement and/or the Certificate Purchase Agreement, (ii) the Bank and/or KfW would be subject to less favourable capital adequacy treatment with respect to the Transaction, the Reference Claims (taking into account any capital relief from the Notes, the Certificates or the Swap Agreements) and/or the amount of regulatory capital freed up in respect of any Reference Claim, including as a result of a reduction of the risk weighting factor for such Reference Claim, by comparison to the situation that existed on the Issue Date immediately after the issue of the Notes, or (iii) the Bank, KfW 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 Certificates or any Swap Agreement 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 Basle Committee on Banking Supervision (including any document or other communication in draft form) or expressed in any statement by any official of the competent authority in expert meetings or other discussions in connection with such change or (b) the competent authority has taken any decision or expressed any view with respect to any individual transaction other than the Transaction. Accordingly, such proposals, statements, decisions or views shall not be taken into account when assessing the capital adequacy treatment to which the Bank and/or KfW is subject on the Issue Date immediately after the issue of the Notes.

**"Serious Cause"** occurs, *inter alia*, where a payment or other performance due by the Bank under the Bank Swap has not been received, for whatever reason, by KfW within five Business Days after the Bank has been notified of non-receipt of the payment or other non-performance.

**"Insolvency"** occurs if an application is filed for the commencement of bankruptcy or other insolvency proceedings against the assets of the Bank and the Bank either has filed the application itself or is generally unable to pay its debts as they fall due or is otherwise in a situation which justifies the commencement of such proceedings.

**"Aggregate Principal Balance"** means the aggregate of the Outstanding Nominal Amounts of all

Reference Claims including the Outstanding Nominal Amount of any Reference Claim which is either a Defaulted Reference Claim or a Liquidated Reference Claim, but, for the avoidance of doubt, excluding the Outstanding Nominal Amounts of any Reference Claims removed from the Reference Pool pursuant to Provision 9 (Non-compliance) or Provision 8 (Transfers) of the Reference Pool Provisions.

## 12.2 *Deferred Redemption*

If (1) the Certificate Termination does *not* result from the occurrence of Serious Cause or Insolvency pursuant to clause (iii)(B) of the definition of Certificate Termination, and (2) 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 Outstanding Threshold Amount as of the Early Redemption Date, then the Early Redemption pursuant to Section 12.1 (Early Redemption - Certificate Termination) shall be subject to the following:

- (i) the redemption of those Notes to which the Outstanding Nominal Amounts of such Overdue Reference Claims as of the end of the Collection Period immediately preceding the 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) 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 minus the Outstanding Threshold Amount as of the Early Redemption Date; and
- (ii) if one or more Classes of Notes remain outstanding pursuant to paragraph (i) 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 pursuant to the order set out in Section 10.1 (Redemption —Amortisation of the Notes), as follows: the Note Principal Amount of each Note of the relevant Class shall be repaid in an amount equal to the excess of (A) the aggregate of the Note Principal Amounts of all Notes (multiplied in the case of the Class A+ Notes by the A+ Increase Factor) as of the calendar day preceding such Payment Date reduced by Realised Losses allocated to such Notes as of such Payment Date and increased by any Late Recoveries or as a result of any Unjustified Loss Allocation procedure as of such Payment Date, over (B) the aggregate of the Outstanding Nominal Amounts of all Overdue Reference Claims as of the end of the Collection Period immediately preceding such Payment Date minus the Outstanding Threshold Amount as of such Payment Date;

*provided that* the amount of such excess shall

- (A) in the case of the Class A+ Notes be multiplied by the A+ Reduction Factor; and
- (B) in each case, be divided by the number of Notes of such Class and rounded to the nearest EUR 0.001 (with EUR 0.005 being rounded upwards); and

*provided further that*, if the amount of such excess, multiplied in the case of the Class A+ Notes by the A+ Reduction Factor, exceeds the Class Principal Amount (as reduced as a result of Loss Allocation and/or increased as a result of any Late Recoveries and/or Unjustified Loss Allocation) of the relevant Class of Notes (such excess amount for the purposes of this section, the "**Class Excess**"), (x) such Class shall be redeemed only in the amount of such Class Principal Amount and (y) the Class Excess (as defined in this paragraph), multiplied, if such Class Excess (as defined in this section) results from the application of (A) above in respect of the Class A+ Notes, by the A+ Increase Factor, shall constitute the "excess" for the purposes of calculating the redemption amount for the Class of Notes next to be redeemed pursuant to the order set out in

Section 10.1(a) (Redemption - Amortisation of the Notes); and

- (iii) if on or before the Reporting Date preceding the Early Redemption Date or any subsequent Payment Date, as applicable, the Bank confirms to the Trustee that all Overdue Reference Claims will be settled in accordance with the terms of the Junior Swap on the Early Redemption Date or such subsequent Payment Date, as applicable, all then outstanding Notes shall be redeemed in full at their Note Principal Amounts on the Early Redemption Date or such subsequent Payment Date, as the case may be; and
- (iv) if (1) one or more Classes of Notes remain outstanding pursuant to paragraphs (i) to (iii) above and (2) an Insolvency occurs after the Early Redemption Date, the Notes shall be redeemed in accordance with Section 11.2 (Early Redemption for Default - Method and Amount), except that (A) the redemption pursuant to Section 11.2 (subject to any deferral pursuant to Section 11.2(b)) shall be made on the Payment Date immediately following the Collection Period in which the Insolvency occurred and (B) references to the Termination Date shall be deemed to be references to such Payment Date for the purpose of this Section 12.2(iv).

### 12.3 *Redemption due to Serious Cause or Insolvency*

If (i) the Certificate Termination results from the occurrence of Serious Cause or Insolvency pursuant to clause (iii)(B) of the definition of Certificate Termination, and (ii) any Defaulted Reference Claims are outstanding as of the end of the Collection Period immediately preceding the Early Redemption Date, the Notes shall be redeemed in accordance with Section 11.2 (Early Redemption for Default - Method and Amount), except that (x) the redemption pursuant to Section 11.2 (subject to any deferral pursuant to Section 11.2(b)) shall be made on the Early Redemption Date and (y) 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.

## 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.

**Neither the Issuer nor KfW is 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 by KfW under the Certificates, 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 corresponding Certificate divided by the number of Notes of the Class of Notes relating to such Certificate.

## 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 Frankfurt Business Day preceding the Payment Date, (i) notify the holders of Notes of each Class in accordance with Section 15(ii) (Form of Notices) of, (ii) notify each of the Rating Agencies of and (iii) as long as any Class is listed on the Luxembourg Stock Exchange, notify the Luxembourg Stock Exchange of and make available upon request at the offices of the Luxembourg Intermediary and Luxembourg Listing Agent, 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 of the Outstanding Nominal Amounts of the Reference Claims or portions thereof, as relevant, removed from the Reference Pool pursuant to Provisions 8 (Transfers) and 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 as from such Payment Date;
- f) allocation of Realised Losses, if any, to the Outstanding Threshold Amount on such Payment Date;
- g) re-instatement 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 and/or the Outstanding Threshold Amount pursuant to 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;
- h) determination of Appraised Losses, if applicable;
- i) in the event of final payment on such Class, the fact that such is the final payment;
- j) the aggregate of the Outstanding Nominal Amounts and the aggregate of the amounts of the overdue payments in respect of all Reference Claims in the Reference Pool which are Defaulted Reference Claims as of the end of the Related Collection Period;
- k) stratification tables profiling the Reference Pool in respect of distribution by current Outstanding Nominal Amount, current LTAV, prior ranking charges, amortising type and interest rate;
- l) the Aggregate Principal Balance as of the beginning and as of the end of the Related Collection Period; and
- m) information in (l) as to the Extended Reference Pool.

"**Rating Agencies**" means Fitch Ratings Ltd. ("**Fitch**") and Standard & Poor's Ratings Services, a



division of The McGraw-Hill Companies, Inc. ("**S&P**").

#### 14.2 *Early Redemption*

In connection with the early redemption pursuant to Section 11 (Early Redemption for Default) or the Early Redemption pursuant to Section 12 (Early Redemption by the Issuer), the Issuer, or the Principal Paying Agent on its behalf, shall, not later than the Frankfurt Business Day prior to the date of the redemption or the Early Redemption Date, as applicable, notify or procure the notification of, (i) the holders of Notes of each Class in accordance with Section 15 (Form of Notices), (ii) each of the Rating Agencies and (iii) *provided that* any Notes are then listed on the Luxembourg Stock Exchange, 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; and
- (b) 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 regarding the Notes shall be (i) published in a leading daily newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) if and to the extent a publication in such form is required by the rules of the Luxembourg Stock Exchange and (ii) either (A) delivered to Clearstream Frankfurt for communication by it to the Noteholders or (B) made available for a period of not less than 30 calendar days on a web site the address of which has been notified to the Noteholders in the manner set out in (i) and (ii)(A) and to the Luxembourg Intermediary on or before the date on which the relevant notice is given in accordance with (ii)(B). Any notice referred to under (i) above shall be deemed to have been given to all Noteholders on the date of such publication. Any notice referred to under (ii)(A) above shall be deemed to have been given to all Noteholders on the seventh calendar day after the day on which the said notice was delivered to Clearstream Frankfurt. Any notice referred to under (ii)(B) above shall be deemed to have been given to all Noteholders on the day on which it is made available on the web site, *provided that* if so made available after 4:00 p.m. (Frankfurt 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 BHW Bank AG, Lubahnstrasse 2, 31789 Hameln, Germany, as the principal paying agent and interest determination bank (in each 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, 1115 Luxembourg, Luxembourg, as the initial Luxembourg intermediary (the "**Luxembourg Intermediary**" which term shall include any substitute Luxembourg Intermediary appointed in accordance with the Transaction Documents). 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 listed on the Luxembourg Stock Exchange. The Luxembourg Intermediary shall, among others, make

available documents and information as specified in the Terms and Conditions and deliver copies of the Information Memorandum and the published financial statements of the Issuer and the Bank upon request.

The Principal Paying Agent (including any successor Principal Paying Agent) shall act solely as agent 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 listed on the Luxembourg Stock Exchange there shall always be an intermediary in Luxembourg.

The Issuer may with the prior written consent of KfW and the Trustee, 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 banks or other financial institutions 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 (i) BHW Bausparkasse AG, as long as BHW Bank AG is acting as the Principal Paying Agent, or (ii) in any other case, the Principal Paying Agent or an affiliate of the Principal Paying Agent, the rating of which was taken into account at the appointment of such Principal Paying Agent, in each case is withdrawn or falls below F1 by Fitch, A-1 by S&P and/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, with the prior written consent of KfW, 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, A-1 by S&P or 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 and with the consent of KfW 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 Tax Event or other withholding or deduction of taxes on the amounts payable under the Notes and/or Certificates which would not arise if there was no such substitution;
- (iv) there shall have been delivered to the Trustee, KfW, 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, shall not adversely affect the interests of the Transaction Creditors and KfW 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 Information Memorandum 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 Frankfurt am Main.

## 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 Swap Counterparties*

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

## 18.6 *Relation to the Bank and KfW*

Unless expressly stated in the Trust Agreement, neither the Bank nor KfW assumes any obligation or duty in connection with the Notes.

Any reference in the Terms and Conditions to the Bank and/or KfW shall not entitle any Noteholder to rely on any obligation or duty of the Bank and/or KfW 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 (*Landgericht*) in Frankfurt am Main. 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 Treuhandgesellschaft für den Gemeinsamen Markt mbH, Wirtschaftsprüfungsgesellschaft, with its seat on the Issue Date at Bockenheimer Anlage 15, Mozartplatz, 60322 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. The text is attached as Appendix A to the Terms and Conditions and constitutes an integral part of the Terms and Conditions. In case of any overlap or inconsistency in the definition of a term or expression in the Trust Agreement and elsewhere in this Information Memorandum, the definition in the Trust Agreement will prevail.

This Trust Agreement is entered into as of April 29, 2004 between Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Schwannstrasse 6, 40476 Düsseldorf, Germany (the "**Trustee**"), PROVIDE BLUE 2004-1 PLC, 5 Harbourmaster Place, IFSC, Dublin 1, Ireland, a public limited company incorporated under the laws of Ireland (the "**Issuer**"), BHW Bausparkasse AG, Lubahnstrasse 2, 31789 Hameln, Germany (the "**Bank**") and Kreditanstalt für Wiederaufbau, Palmengartenstrasse 5-9, 60325 Frankfurt am Main, Germany ("**KfW**"), and *inter alia* 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) EUR 250,000 Class A+ Floating Rate Credit Linked Notes,
  - (b) EUR 31,400,000 Class A Floating Rate Credit Linked Notes,
  - (c) EUR 32,700,000 Class B Floating Rate Credit Linked Notes,
  - (d) EUR 15,200,000 Class C Floating Rate Credit Linked Notes, and
  - (e) EUR 13,000,000 Class D Floating Rate Credit Linked Notes,
- (ii) the following certificates of indebtedness credit linked to the Reference Claims (each, a "**Certificate**") signed by KfW as obligor and the Issuer as creditor on April 29, 2004, each constituting an undertaking of indebtedness of KfW to pay the following principal amounts and interest thereon to the creditor of the Certificates or its assignee pursuant to the conditions set out in the Certificates (the "**Certificate Conditions**"):
  - (a) Floating Rate Class A+ Certificate (the "**A+ Certificate**") in an initial principal amount of EUR 250,000,
  - (b) Floating Rate Class A Certificate (the "**A Certificate**") in an initial principal amount of EUR 31,400,000,
  - (c) Floating Rate Class B Certificate (the "**B Certificate**") in an initial principal amount of EUR 32,700,000,
  - (d) Floating Rate Class C Certificate (the "**C Certificate**") in an initial principal amount of EUR 15,200,000, and
  - (e) Floating Rate Class D Certificate (the "**D Certificate**") in an initial principal amount of EUR 13,000,000.

The Certificates constitute unsecured and unsubordinated obligations of KfW ranking *pari passu* among themselves and *pari passu* with all other unsecured and unsubordinated obligations of KfW, subject to reductions of principal of and, due to such principal reductions, interest on the Certificates as a result of the Loss Allocation to the Notes and each Certificate has terms and

conditions regarding payments of principal and interest matching with the corresponding Class of Notes as follows:

- (a) the conditions of the A+ Certificate match with the terms and conditions of the Class A+ Notes;
  - (b) the conditions of the A Certificate match with the terms and conditions of the Class A Notes;
  - (c) the conditions of the B Certificate match with the terms and conditions of the Class B Notes;
  - (d) the conditions of the C Certificate match with the terms and conditions of the Class C Notes; and
  - (e) the conditions of the D Certificate match with the terms and conditions of the Class D Notes,
- (iii) a credit default swap (the "**Bank Swap**") between KfW as protection seller and the Bank as protection buyer effective as of April 29, 2004. Pursuant to the Bank Swap, KfW will pay to the Bank amounts equal to all Realised Losses allocated pursuant to the Loss Allocation; and
- (iv) two credit default swaps into which KfW as protection buyer intends to enter with one or more protection sellers: a senior swap (the "**Senior Swap**") between KfW and a counterparty (the "**Senior Swap Counterparty**") and a junior swap ( the "**Junior Swap**") between KfW and a counterparty (the "**Junior Swap Counterparty**" and, together with the Senior Swap Counterparty, the "**Swap Counterparties**"). Pursuant to the Senior Swap, the Senior Swap Counterparty will pay to KfW 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. Pursuant to the Junior Swap, the Junior Swap Counterparty will pay to KfW amounts equal to the Realised Losses allocated to the Outstanding Threshold Amount.

Each amount payable as a result of Realised Losses under the Senior Swap, the Junior Swap and the Bank Swap (together the "**Swap Agreements**") is referred to as a "**Cash Settlement Amount**". The Noteholders and the Swap Counterparties are jointly referred to as "**Transaction Creditors**". For as long as there is no Junior Swap and/or Senior Swap, KfW shall be itself deemed a Transaction Creditor in the position of the Junior Swap Counterparty and/or Senior Swap Counterparty, as relevant, for the purposes of this Trust Agreement.

Terms used but not defined herein have the same meaning as in the terms and conditions of the Notes (the "**Terms and Conditions**"), or, if not defined therein, in the Certificates or the Swap Agreements. With respect to Realised Losses giving rise to the payment of any Cash Settlement Amount under the Swap Agreements, 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:

**Clause 1**  
**Duties of the Trustee; Compliance by the Bank**

- (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.

(2) Unless otherwise stated in this Trust Agreement, the Trustee is not obliged to supervise the discharge by the Issuer, KfW 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, KfW or the Bank.

(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 7(1), (2), (3), (4), (6), (8), Clause 8(6), Clause 10(1), Clause 13(4), Clause 16(1), are conditions for the Loss Allocation, *provided that* there shall be against the Bank no recourse for or other legal effect of any non-compliance with any such requirements.

## **Clause 2 Position of the Trustee**

(1) The Trustee shall carry out the duties (the "**Trustee Duties**") hereunder 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. The Trustee shall also give due regard to and protect the interests of KfW as the protection seller under the Bank Swap to the extent that such interests are compatible with the interests of the Noteholders and the Swap Counterparties. In case of a conflict of interest between the interests of the Swap Counterparties and the Noteholders, the Trustee shall 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 or Classes of Notes which then rank most senior for the purposes of the Loss Allocation and thereafter to the interests of the Junior Swap Counterparty. In the case of a conflict of interest between the interests of KfW on the one hand and the Noteholders and/or the Swap Counterparties on the other hand, priority will be given to the interests of the Noteholders and/or the Swap Counterparties.

(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 obligations of the Trustee under this Trust Agreement are owed exclusively to the Transaction Creditors, unless otherwise specified or the context requires otherwise.

## **Clause 3 Trustee Claim; Account**

(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 Clearstream Frankfurt, 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.

(2) The Issuer has opened and shall maintain for the purposes of the Transaction a current account no. 00206 012454 001 23 EUR (the "**Account**" which term shall also include any replacement Account pursuant hereto) with BNP Paribas-Dublin Branch, 5 George's Dock, IFSC, Dublin 1, Ireland, as account bank (the "**Account Bank**" which term shall also include any replacement Account Bank pursuant hereto).

The Issuer may, for good cause (*aus wichtigem Grund*), with the prior written consent of the Trustee (which shall not be unreasonably withheld), close the Account and open a new Account with another Account Bank. In such case the Issuer shall within 30 calendar days after receiving such written consent (i) close the Account with the Account Bank, (ii) open a new Account with another Account Bank having at least the Required Ratings from each of the Rating Agencies and (iii) transfer any amounts standing to the credit of the Account to such new Account.

In the event that the rating of the Account Bank by any of the Rating Agencies is withdrawn or falls below the relevant Required Rating, the Issuer or, if the Issuer fails to do so, the Trustee, shall within 30 calendar days (i) close the Account with the Account Bank and (ii) open a new Account with another Account Bank having at least the Required Ratings from each of the Rating Agencies and (iii) transfer any amounts standing to the credit of the Account to such new Account.

**"Required Rating"** means for the Account Bank, each of the following ratings: A-1 by S&P and F1 by Fitch.

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

#### **Clause 4** **Purchase of Certificates; Collateral; Waiver**

(1) On the Issue Date the Issuer has purchased the Certificates from KfW pursuant to a purchase

agreement between KfW and the Issuer dated April 29, 2004 (the "**Certificate Purchase Agreement**"). Each Certificate has been delivered to the Issuer, or its attorney, has been countersigned by, or on behalf of, the Issuer, and thereafter deposited with KfW.

(2) The Issuer hereby grants a pledge (*Pfandrecht* 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 over the following claims and rights:

- (a) all its present and future claims and rights against KfW under the Certificates;
- (b) all its present and future claims and rights arising from (i) the Certificate Purchase Agreement, (ii) the agency agreement (the "**Agency Agreement**") between the Issuer and the Principal Paying Agent dated April 23, 2004 and (iii) the subscription agreement for the Notes (the "**Subscription Agreement**") between the Issuer and Deutsche Bank AG London (in such capacity, the "**Manager**") dated April 29, 2004; and
- (c) all its present and future claims and rights against the Trustee arising under this Agreement.

The Trustee hereby accepts such pledge.

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

(3) The Issuer hereby gives notice to KfW of the pledge pursuant to paragraph (2)(a) and KfW hereby confirms receipt of such notice. KfW undertakes, upon delivery of the Certificates to KfW by the Issuer as set out in Clause 4(1), to hold each Certificate in custody, at its own cost, for the Issuer for as long as any obligation of KfW evidenced by such Certificate remains outstanding.

(4) The Issuer hereby gives notice to KfW of the pledge pursuant to paragraphs (2)(b)(i) and KfW hereby confirms receipt of such notice.

(5) The Issuer shall give written notice in the form of Schedule 2 hereto to the debtors of the claims pledged pursuant to paragraphs (2)(b)(ii) and (2)(b)(iii) and shall provide a written confirmation to the Trustee that it has received a confirmation of receipt of such notice from each such debtor.

(6) The Trustee shall waive its pledge granted pursuant to paragraph (2)(a) above if, in its professional judgement, such waiver is in the interest of the Noteholders having regard to the Second Pledges.

(7) Notwithstanding the resignation of the Trustee pursuant to Clause 24(1), the Trustee:

- (i) shall be obliged to hold and transfer to a successor trustee, if any, appointed in accordance with Clause 24 any Collateral then existing and held by the Trustee, and
- (ii) shall not be entitled to exercise its rights in respect of the pledge granted pursuant to paragraph 2(a) above as from the Trustee Resignation Effective Date, and
- (iii) hereby acknowledges and undertakes to give full effect to the rights of the Noteholders to exercise the Second Pledges as from the Trustee Resignation Effective Date in accordance with the Noteholder Security Agreement.

(8) If (i) a Default Event under Section 11.1(iii) (Early Redemption for Default - Default Events) of the Terms and Conditions occurs and (ii) any Noteholder exercises its right to declare due the Notes held by it pursuant to Section 11 (Early Redemption for Default) of the Terms and Conditions and (iii) no successor trustee is appointed prior to the Termination Date, the pledge granted pursuant to paragraph 2(a) above and held by the resigning Trustee shall cease to exist on the Termination Date.

**Clause 5**  
**Collateral Purpose; Collections; Foreclosure on Collateral**

(1) The pledges pursuant to Clause 4(2) and the security created pursuant to the Irish Security Agreement serve to secure the Trustee Claim (*Treuhänderanspruch*).

(2) The Issuer hereby instructs KfW, until further instruction with the consent of the Trustee only, to pay to the Account the amounts payable under the Certificates on any Payment Date (or such other day on which any amount under the Certificates is payable pursuant to the Certificate Conditions) for payments due under the Notes on such date, *provided that*, if, at any time, the rating of the short-term unsecured and unsubordinated debt obligations of the Account Bank is less than A-1+ but not less than A-1 by S&P and an amount exceeding 20% of the sum of the Class Principal Amounts of the Class A, the Class B and the Class C Notes as of the day immediately preceding such date is to be paid by KfW in respect of the A Certificate, the B Certificate and/or the C Certificate to the Account on such date, the Issuer or, if the Issuer fails to do so, the Trustee shall within 30 calendar days open a new Account with another Account Bank having an A-1+ rating from S&P and at least the Required Rating from the other Rating Agency and procure that the amount to be paid by KfW on such date is paid directly to such new Account.

(3) The instruction pursuant to paragraph (2) 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 KfW and the Account Bank of its withdrawal of the instruction pursuant to paragraph (2) and upon the receipt of such notice KfW shall make payments under the Certificates only as instructed by the Trustee.

(4) The Collateral shall be subject to foreclosure (*Verwertung*) upon the occurrence of a Foreclosure Event.

**"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.

(5) Upon the occurrence of a Foreclosure Event, the Trustee shall, in its professional judgement, foreclose (*verwerten*) or cause foreclosure (*Verwertung*) on the Collateral. The Trustee shall foreclose (*verwerten*) on the Collateral by collecting payments owed on the Collateral unless in the professional judgement of the Trustee another method of foreclosure (*Verwertungsmethode*) is desirable or expedient to protect the interests of the Noteholders.

(6) The Trustee shall apply the proceeds of any foreclosure (*Verwertung*) (i) *first*, in redemption of the Notes in accordance with the Terms and Conditions starting with the Class or Classes of Notes ranking most senior for the purposes of Loss Allocation, (ii) *second*, after all claims under (i) have been fully satisfied and without prejudice to the provisions of Clause 14(2), to reimburse the Trustee for its Indemnification Claims, and (iii) *finally*, after all claims under (i) and (ii) have been fully satisfied, to

pay the remaining proceeds, if any, to the Issuer.

(7) The Trustee shall promptly notify the Bank, KfW, the Issuer and the Rating Agencies of (i) the occurrence of a Foreclosure Event, (ii) the method of foreclosure (*Verwertung*), and (iii) upon completion of the foreclosure (*Verwertung*), of the proceeds and allocation thereof.

(8) The Trustee shall give notice to the Noteholders specifying (i) the method of foreclosure (*Verwertung*), (ii) the amount of the foreclosure proceeds (*Verwertungserlöse*) payable on each Note and (iii) the time of payment of the foreclosure proceeds (*Verwertungserlöse*) to the Noteholders.

## **Clause 6** **Representations of the Issuer and KfW**

(1) The Issuer hereby represents to the Trustee that:

- (a) it is the creditor of the Certificates and the other Collateral and it has not previously transferred, assigned, pledged or otherwise charged the Collateral to any third party; and
- (b) no third-party rights (other than the Second Pledges which will become effective in accordance with the Noteholder Security Agreement after this Trust Agreement has become effective) to or in relation to the Collateral have been created by it or, to the best of its knowledge, exist.

(2) KfW hereby represents to the Issuer and the Trustee that the Certificates constitute valid obligations of KfW enforceable in accordance with their terms and the Law Concerning the Kreditanstalt für Wiederaufbau (*Gesetz über die Kreditanstalt für Wiederaufbau*).

(3) In the event that any of the Certificates proves to be invalid or if the transfer thereof to the Issuer proves to be invalid, KfW shall promptly, but not later than 15 calendar days after it becomes aware of the same, provide full remedy thereof or provide cash collateral for the Notes or other collateral for the Notes acceptable to the Rating Agencies, as reasonably required by the Trustee in each case.

## **Clause 7** **Reports; Documents; Information**

(1) With respect to each Collection Period not later than on the 15th Frankfurt Business Day of each calendar month immediately preceding the calendar month in which a Payment Date occurs (the "**Reporting Date**") the Bank shall provide the Trustee with a report on the performance of the Reference Pool (each a "**Pool Report**") including, *inter alia*:

- (i) details on the status of repayments and amounts outstanding on each Reference Claim;
- (ii) unless the Bank has given the Non-compliance Notice pursuant to Clause 10(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 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, 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 its principal amount and/or the Enforcement Costs have been received by the Servicer, (ii) the time when the last such amount was received, (iii) Enforcement Costs with respect to the Reference Claim and/or any external costs and expenses connected with payment rescheduling or debt restructuring in respect of such Reference Claim, and (iv) the amount of the Realised Losses with respect to such Defaulted Reference Claim;
- (v) information on Reference Claims with respect to which a Credit Event (irrespective of any waiver thereof) has occurred including the identification numbers and other identifiers assigned to such Reference Claim in the Reference Claim List, Outstanding Nominal Amount, interest in arrear (contractual and default), the aggregate amount of payments in arrears for the purpose of calculating the Minimum Amount, the period of non-payment of such amounts, and information on measures taken in respect thereof, such as termination status, enforcement and foreclosure measures (*Verwertungsmaßnahmen*);
- (vi) information on individual Unjustified Loss Allocations and Late Recoveries and their distribution;
- (vii) stratification tables profiling the Reference Pool in agreed form showing, *inter alia*, the current Outstanding Nominal Amount, the current LTAV, the prior ranking charges, the amortising type and the weighted average current interest rate;
- (viii) a computation of any Cash Settlement Amounts due from any of the Swap Counterparties and from KfW under the Senior Swap, the Junior Swap and the Bank Swap, respectively;
- (ix) details on payments and deferrals of the Interest Subparticipation Amounts, the Available Interest Incomes and the balances of the Monthly Interest Accounts which are relevant for any Available Interest Income, as defined and provided for in the Bank Swap and the Junior Swap;
- (x) information it has received on the occurrence of a Default Event;
- (xi) information on debt restructuring and payment rescheduling, including any amounts of principal and interest foregone, with respect to any Reference Claim commenced and/or concluded during the Collection Period and any external costs and expenses connected therewith; and
- (xii) the amount of principal payable on each Note on the related Payment Date.

(2) Without prejudice to paragraph (1), in connection with the redemption of the Notes the Bank shall 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 7(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;
- (ii) information on determination of Appraised Losses, if applicable; and
- (iii) 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 7(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.

**"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 fifth Frankfurt Business Day prior to the actual date of redemption of the Notes in accordance with Section 11 (Early Redemption for Default) of the Terms and Conditions or the Early Redemption Date, as relevant, and including, *inter alia*:

- (i) the date of the actual redemption of the Notes or the Early Redemption Date, as relevant;
- (ii) relevant information pursuant to Clause 7(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, if relevant;
- (iv) the reasons for the early redemption and determinations for the purposes of Section 11.2 (Early Redemption for Default - Method and Amount) or Section 12.2 (Early Redemption by the Issuer — Deferred Redemption) of the Terms and Conditions, if relevant;
- (v) details of the Overdue Reference Claims for the purposes of Section 12.2 (Early Redemption by the Issuer - Deferred Redemption) of the Terms and Conditions, if relevant;
- (vi) details of 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; and
- (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.

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

- (3) The Bank confirms that the Reference Claim List has been delivered to the Trustee as provided for in Provision 2.1 (Reference Claims – Identification) of the Reference Pool Provisions.
- (4) 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, 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.
- (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 24.

(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, 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.

(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 Servicer and shall not disclose any Report, document or other information obtained from the Bank pursuant to this Trust Agreement to any third party without prior written consent of the Bank, except to an Expert pursuant to Clause 12 or Value Expert pursuant to Clause 13 duly appointed in accordance with this Trust Agreement or a vicarious agent (*Erfüllungsgehilfe*) duly appointed pursuant to Clause 18, *provided that* applicable data protection laws and regulations and statutory, regulatory and contractual bank secrecy obligations of the Servicer are observed.

(8) Unless otherwise specified or agreed with the Trustee, the Bank shall provide the Trustee with all Reports, documents and information pursuant to Clause 30. All Reports, documents and information provided to the Trustee shall be true, accurate and complete in all material respects.

**Clause 8**  
**Verification; Confirmation of Loss Allocation;**  
**Initiation of Procedures**

(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 under Clause 16(1)(i) and Clause 16(3)(i), in light of all circumstances (*Plausibilitätsprüfung*) including, without limitation, (a) whether a Reference Claim with respect to which a Credit Event was reported pursuant to Clause 7(1)(v) has been identified to the Trustee in the Reference Claim List and has not been removed thereafter from the Reference Pool, and (b) whether a Credit Event as reported and notified pursuant to Clause 7(1)(v) has occurred. If these checks by the Trustee do not reveal that the Issuer or the Bank is in breach of any of its obligations under the Transaction Documents 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 exists, 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 any indication that any condition for Loss Allocation has not been satisfied by the Issuer or the Bank, or the Issuer or the Bank is in breach of any of its obligations under the Transaction Documents 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 exists, the Trustee shall promptly notify the Bank, KfW and the Issuer and shall conduct such further reviews and take such other actions, including the specific procedures set out in Clauses 9 through 11, as applicable, within the scope of the Trustee Duties and subject to Clause 14 as it, in its professional judgement, considers desirable or expedient to protect the interests of the Transaction Creditors.

(2)(a) In addition to the checks pursuant to paragraph (1) above, the Trustee shall (A) half yearly at or about the end of each six month period following the first Payment Date and (B) after the Outstanding Threshold Amount has been reduced to EUR 8,700,000.00 due to Loss Allocation, on a quarterly basis

after the end of each Collection Period, verify the determination and allocation of Realised Losses in respect of each Reference Claim for which Realised Losses (i) in the case of (A) above, have been or are to be allocated to the Notes during such half year, or (ii) in the case of (B) above, are to be or have been allocated to the Notes as of the Payment Date immediately following such Collection Period, in each case including whether the Eligibility Criteria were met and the Servicing Standards were complied with in connection with such Reference Claims. With respect to the determination and allocation of Realised Losses, if, on the basis of such check, the Trustee comes to the conclusion that none of the conditions for the Loss Allocation which are to be fulfilled by the Bank has not been complied with, that the Bank is not in breach of any of its obligations under the Transaction Documents and that the interests of the Transaction Creditors are not otherwise at risk, the Trustee shall promptly confirm by written notification to the Bank, KfW and the Issuer such determination and allocation of Realised Losses. If, on the basis of such check, the Trustee comes to the conclusion that the conditions for the Loss Allocation which are to be fulfilled by the Bank have not been complied with or that the Bank is in breach of any of its obligations under the Transaction Documents the Trustee shall promptly notify the Bank, KfW, the Issuer and the Rating Agencies and take such other actions, including the specific procedures set out in Clauses 9 through 11, as applicable, within the scope of its Trustee Duties and subject to Clause 14 as it, in its professional judgement, considers desirable or expedient to protect the interests of the Transaction Creditors.

(b) The Trustee shall only be obliged to carry out the verifications pursuant to this paragraph (2) if the conditions of Clause 14(2) are met.

(3) The Trustee shall verify the accuracy of each Regular Notification, the Early Redemption Notification, if any, the information to be provided to the Swap Counterparties pursuant to the provisions of the Senior Swap and the Junior Swap and the information to be provided to KfW in its position as the Senior Swap Counterparty and/or Junior Swap Counterparty, as relevant, as agreed with the Bank and notified to the Trustee (each, an "**Investor Notification**") provided to it by the Bank pursuant to Clause 16, by reference to the corresponding data contained in the related Reports delivered to it by the Bank pursuant to Clause 7 during the relevant Collection Period.

(4) The Trustee shall, within three Frankfurt Business Days after delivery of the relevant Investor Notifications pursuant to paragraph (3), give a confirmation to the Bank and to the Issuer and a copy thereof to KfW and to the Administrator, to the effect that (i) it has performed the check (*Plausibilitätsprüfung*) of the Reports referred to in paragraph (1) and (ii) either (a) such check does not reveal any indication of breach of related 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 and on the basis of its verification pursuant to paragraph (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 an indication that (y) 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 (z) any proposed Loss Allocation or payment to any Transaction Creditor may not be made in whole or in part.

(5) The Trustee shall deliver to the Bank and the Issuer as soon as possible a notice (the "**Notice**") initiating the procedures, if any, pursuant to Clauses 8(1), 8(2)(a), 9, 10, 11 and/or 14 (each, the "**Procedure**") and a copy thereof to KfW. The 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.

(6) The Trustee may request, and the Bank shall provide to the Trustee, such further information, access to its facilities and documentation, subject to applicable law and contractual obligations of the Bank, in particular data protection laws and regulations and statutory and contractual bank secrecy



obligations of the Bank, as the Trustee and its advisors shall require to facilitate the Procedures.

### **Clause 9 Loss Allocation Procedure**

(1) In the event that the Trustee has reason to believe, on the basis of its checks pursuant to Clauses 8(1), 8(2) and/or 8(3), that a determination of a Defaulted Reference Claim or Overdue Reference Claim, if relevant 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, KfW and the Bank notice thereof and shall proceed in accordance with Clause 12. 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.

(2) If the Notice is received by the Bank before the Determination Date preceding 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 12.

(3) In the event that the Trustee has reason to believe, on the basis of its checks pursuant to Clauses 8(1), 8(2) and/or 8(3), that an Unjustified Loss Allocation or Unjustified Cash Settlement has occurred, it shall notify the Issuer, KfW 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 12 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 Unjustified Cash Settlement Amount.

### **Clause 10 Reference Claim Removal Procedure**

(1) The Bank shall give within 120 days after the Bank becomes aware that 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**") a notice thereof (each, a "**Non-compliance Notice**") to the Trustee, KfW and the Issuer, unless such non-compliance has been reported in the Pool Report. The Non-compliance Notice shall only consist of the identifier of such Reference Claim pursuant to Provision 2.1(i) of the Reference Pool Provisions, loan number only, *provided that* the relevant non-compliance is sufficiently recorded in the files of the Bank relating to such Reference Claim.

(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 KfW and 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 12.

(3) A removal of any Reference Claim or portion thereof, as relevant, from the Reference Pool pursuant to Provision 8 (Transfers) of the Reference Pool Provisions or Provision 9 (Non-compliance) of the Reference Pool Provisions will become effective as of the Payment Date immediately following the Pool Report in which the Bank has declared to remove such Reference Claim or such portion, as relevant.

### **Clause 11 Redemption Procedures**

(1) In the event that the Trustee has reason to believe, on the basis of its checks pursuant to Clauses 8(1), 8(2) and/or 8(3), that a determination by the Bank pursuant to Section 10 (Redemption), Section 11 (Early Redemption for Default) and 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 Bank, KfW and the Issuer thereof and shall proceed in accordance with Clause 12. 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.

(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 next Payment Date or, if later, final determination of the matter(s) in respect of which the Notice was given pursuant to the procedures under Clause 12 shall take place. 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 after the Relevant Determination Date, the determinations in respect of which the Notice was given will be binding for the given redemption date.

**Clause 12**  
**Expert for the Procedures**

(1) Without prejudice to the provisions of paragraph (4) below, upon giving a Notice pursuant to Clause 8(5) or receipt of a reasoned request pursuant to Clause 10(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 world-wide but which is not an affiliate of either the Issuer, KfW, 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*).

(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 and shall use all reasonable efforts to provide for a timely determination of the Appraised Values.

(3) The Trustee shall promptly notify KfW, the Bank, the Issuer and each of the Rating Agencies of such appointment and the nature of the dispute.

(4) Prior to the appointment of the Expert pursuant to paragraph (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.

(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 contractual obligations of the Bank, in particular data protection laws and regulations and statutory, regulatory and contractual bank secrecy obligations of the Servicer.

(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, KfW 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 Bank, KfW and the Issuer. 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.

**Clause 13**  
**Expert for Determination of Appraised Values**

(1) Promptly upon receipt of the notice from the Bank or the Issuer or, as the case may be, KfW for the purposes of the Junior Swap that determination of Appraised Value is necessary for the purposes of this Transaction including a notice of the time frame available under this Transaction for making such determination, the Trustee shall appoint two disinterested third party experts, each of which is a certified valuer (taxator, *Wertgutachter*) in respect of real property but none of which is an affiliate of either the Issuer, KfW, the Bank or the Trustee or has been involved as an Expert in connection with the same Reference Claim (the "**Value Experts**") to determine the Appraised Values. For the avoidance of doubt, the appointment of each Value Expert is for the purposes of obtaining an expert opinion (*Schiedsgutachten*) and not for arbitration (*Schiedsvertrag*).

- (2) The Value Experts shall be selected by the Trustee in its reasonable discretion having regard to the interests of the Transaction Creditors in 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.
- (3) The Trustee shall promptly notify the identity of the Value Experts to KfW, the Bank, the Issuer and each of the Rating Agencies.
- (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 Experts 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.
- (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, KfW and the Issuer.

#### **Clause 14 Obligation of the Trustee to Act**

- (1) If the Trustee becomes aware, on the basis of its checks pursuant to Clauses 8(1), 8(2) and/or 8(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 (i) promptly give Notice to the Bank, KfW and the Issuer thereof and, (ii) at its discretion and subject to paragraph (2), take or initiate any of the Procedures under this Trust Agreement, appoint an Expert (pursuant to Clause 12) or a Value Expert (pursuant to Clause 13) or take such other action which the Trustee, in its professional judgement, considers desirable or expedient to protect the interests of the Transaction Creditors. If the Trustee has been requested by a Transaction Creditor and/or KfW to take actions pursuant to this Trust Agreement to protect the interests of the Transaction Creditors and/or KfW, the Trustee may, in its reasonable discretion, take the actions set forth in (i) and (ii) of the preceding sentence.
- (2) 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 20(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 20(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 18) and against all liability, obligations and attempts to bring any action in or out of court, (the "**Indemnification Claim**"); or
  - (b) the Issuer 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).

(3) If, as of any date, the aggregate of the Outstanding Nominal Amounts of all Defaulted Reference Claims is equal to or higher than the product of two and the Outstanding Threshold Amount, KfW may request the Trustee to take action pursuant to this Trust Agreement and the Trustee shall take such action as reasonably instructed by KfW *provided that* (i) in doing so the Trustee is not in breach of its other duties and obligations under the Trustee Documents and (ii) KfW has provided for the costs and expenses of such action in a manner satisfactory to the Trustee. If no specific action pursuant to this Trust Agreement is instructed, the Trustee shall, subject to (i) and (ii) above, initiate such Procedure or take such other action in accordance with this Agreement as it, in its professional judgement, considers desirable or expedient to protect the interests of the Transaction Creditors.

### **Clause 15**

#### **Representations and Undertakings of the Trustee; Undertaking of KfW**

(1) The Trustee represents to the Issuer, KfW 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 24(1) has neither occurred nor to its best knowledge is foreseeable.

(2) The Trustee undertakes without delay to provide the Bank, KfW and the Issuer 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.

(3) The Trustee undertakes neither to assign, in whole or in part, the Trustee Claim (*Treuhänderanspruch*) which is secured by a pledge over the Certificates pursuant to Clause 4(2), except in connection with a replacement of the Trustee pursuant to Clause 24, nor to give its consent to any assignment of the Certificates by the Issuer, except in connection with a substitution of the Issuer pursuant to Section 17 (Substitution of the Issuer) of the Terms and Conditions.

(4) The Trustee undertakes to give its consent to the Issuer pursuant to Clause 16(4) only if all the rights, claims and/or assets arising from the action in respect of which the consent is sought are pledged or assigned to the Trustee or, as applicable, an equivalent security interest of the Trustee in such rights, claims and/or assets is created.

(5) The Trustee undertakes to provide the Bank, KfW and the Issuer with a notice of its intention to give notice to the Noteholders pursuant to Section 11.1(iii) (Early Redemption for Default - Default Events) of the Terms and Conditions.

(6) The Trustee hereby confirms that a copy of the Terms and Conditions, the Junior Swap and the Senior Swap is available to it and that it is familiar with the terms of the Senior Swap, the Junior Swap and the Terms and Conditions.

(7) KfW undertakes to provide the Trustee with any amendment of the Senior Swap and/or the Junior Swap relevant in connection with the Trustee Duties hereunder.

**Clause 16**  
**Undertakings of the Bank and the Issuer**

- (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 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) 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 Servicer, and internal business secrecy practice of 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 Servicer for the purposes of performance of the Trustee Duties and the duties under Clause 12 and Clause 13, 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, in particular data protection laws and regulations, and subject to statutory, regulatory and contractual bank secrecy obligations of the Servicer, and internal business secrecy practice of 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 or interest on the Notes pursuant to the Terms and Conditions with respect to any Payment Date, (b) the Bank, KfW or the Issuer is in breach of any other obligations under the Transaction Documents, or (c) the occurrence of (a) or (b) is imminent;
  - (v) 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 Servicer, and internal business secrecy practice of 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 and/or the Enforcement Costs in respect thereof have been received by the Servicer) with the notices pursuant to Section 8.4 (Loss Allocation - Notice to Trustee) 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 7 on the Reporting Date or the date determined under Clause 7(2) ("Reports; Documents; Information - Early Redemption Report"), respectively, immediately preceding the delivery of such Investor Notification; and
  - (viii) after the Trustee has given its confirmation pursuant to Clause 8(4), promptly, but not later than the Frankfurt 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 to (A) the Issuer, with a copy to the Rating Agencies and KfW and (B) to the Noteholders in accordance with the Terms and Conditions or, if relevant, to the Principal Paying Agent, for communication to the Noteholders in accordance with the Terms and Conditions.

- (2) The Bank shall send or have sent to (i) the Senior Swap Counterparty, as long as the Senior Swap has not been terminated and/or (ii) to the Junior Swap Counterparty as long as the Junior 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.
- (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 and/or KfW hereunder, or (c) the occurrence of (a) or (b) is imminent;
  - (iv) elect to defer the redemption of the Notes and procure that Appraised Losses are determined pursuant to Section 11.2 (a) and (b) of the Terms and Conditions if the Bank so demands by notice to the Issuer;
  - (v) without delay provide the Bank, KfW 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; and
  - (vi) 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.
- (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) assign any of the Certificates,
  - (d) alienate, 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 (other than the Account and an account with the Principal Paying Agent or its agent maintained in connection with the Notes), *provided that*, for the avoidance of doubt, in the case that the rating of the Account Bank is withdrawn or falls below the Required Rating or the Account is closed by the Issuer for good cause (*aus wichtigem Grund*), the Issuer is entitled to open an account replacing the Account pursuant to Clause 3(2) above and, *provided further that*, for the avoidance of doubt, the Issuer shall be entitled to open an account replacing the Account pursuant to, and in the cases specified in, Clause 5(2) above,
  - (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.
- (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 and
  - (c) observe all corporate formalities and other formalities required by its constitutional documents.

#### **Clause 17 Actions Requiring Consent**

If the Issuer, KfW 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.

**Clause 18**  
**Retaining of Third Parties**

- (1) The Trustee may delegate the performance of its Trustee Duties, in whole or in part, to vicarious agents (*Erfüllungsgehilfen*, § 278 of the German Civil Code (*Bürgerliches Gesetzbuch*)). A more extensive delegation of the Trustee Duties is not permitted.
- (2) The Trustee shall promptly notify the Rating Agencies, the Bank, the Issuer and KfW of every instruction of a third party made pursuant to paragraph (1).
- (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.

**Clause 19**  
**Advisors; Reliance on Information**

- (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).
- (2) The Trustee may rely on such information and advice without having to make its own investigations. The Trustee shall not be liable for any damages or losses caused by its acting reasonably in reliance on information or advice of the Advisors. The Trustee shall not be liable for any negligence of the Advisors. The Trustee shall only be liable for the exercise of due care in the selection of any Advisor.

**Clause 20**  
**Fees and Reimbursement of the Trustee**

- (1) For the performance of the Trustee Duties the Issuer will pay the Trustee a fee which shall be separately agreed between the Issuer and the Trustee with the consent of the Bank.
- (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 KfW and 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.

**Clause 21**  
**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.

**Clause 22**  
**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.

**Clause 23**  
**Taxes**

- (1) The Issuer shall pay all stamp duties, registration or other taxes to which any of the Transaction Documents or any part of the Transaction may at any time be subject.
- (2) All payments of fees and reimbursements of expenses to the Trustee shall 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.

**Clause 24**  
**Termination; Replacement**

- (1) Without prejudice to Clause 24(5), the Trustee may resign as Trustee for good cause (*aus wichtigem Grund*) at any time.
- (2) Subject to Clause 24(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, the Rating Agencies and KfW (i) for good cause (*aus wichtigem Grund*), (ii) upon the written instruction of any of the Swap Counterparties upon the occurrence of good cause (*aus wichtigem Grund*) or (iii) after having been (A) so instructed in writing by Noteholders representing at least 25% of the aggregate Note Principal Amount of the Notes then outstanding, 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.
- (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, KfW and the Issuer, if (A) so instructed in writing (i) by any of the Swap Counterparties upon the occurrence of good cause (*aus wichtigem Grund*), or (ii) by Noteholders representing at least 25% of the aggregate Note Principal Amount of the Notes then outstanding 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.
- (4) Notwithstanding the provisions of paragraphs (1) through (3) above, in the event that the Issuer does not comply with its obligation pursuant to Section 5.2 (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.
- (5) Any resignation by the Trustee in accordance with Clause 24(3)(A)(ii) or (B), any revocation of the appointment of the Trustee in accordance with Clause 24(2)(iii) and any appointment of the Trustee in accordance with Clause 24(4) shall become effective only upon (i) the appointment by the Issuer or, in case of Clause 24 (3), the Trustee on behalf of the Transaction Creditors or, in case of Clause 24(4)

the Bank, of a successor trustee, which must be a bank, financial services institution, law firm or auditing firm of recognised standing, which has its principal office in Germany and with respect to which each of the Rating Agencies that had assigned ratings to the Notes prior to such resignation or replacement confirms that the appointment of such successor trustee will not result in a withdrawal of the rating in respect of, or downgrading of the Notes, (ii) the transfer to such successor trustee of all authorities and powers granted to the Trustee 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. In the case of Clause 24(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, KfW, 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 its best 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 24(2)(i) and (ii) and Clause 24(3)(A)(i), respectively, the Bank, KfW and the Issuer shall use their best efforts to appoint a successor trustee which meets the requirements set forth in Clause 24(5)(i) not later than on the date on which the termination becomes effective.

(6) The costs incurred in connection with replacing the Trustee pursuant to Clauses 24(1) through 24(4) shall be borne by the Issuer. If the replacement pursuant to Clause 24(2), 24(3) or 24(4) is due to the Trustee's conduct, 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.

(7) The successor trustee appointed in accordance with Clause 24(5) shall give notice of the appointment, including its address, without delay to the Issuer, the Bank and KfW, 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, and to the Swap Counterparties pursuant to the Senior Swap and the Junior Swap, respectively.

(8) The Trustee shall provide the successor trustee with a reasonably detailed report regarding its activities under or in connection with this Trust Agreement.

(9) Upon the effectiveness of any replacement of the Trustee pursuant to Clause 24(5), 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.

## **Clause 25 Issuer Costs**

(1) The Bank and KfW undertake, jointly and severally (*gesamtschuldnerisch*), to pay to the Issuer on each Payment Date, the Issuer Costs for the immediately preceding Cost Calculation Period, *provided that* if no Certificate Termination occurs simultaneously with a termination of the Bank Swap between KfW and the Bank, KfW undertakes, and the Bank shall have no obligation, to pay to the Issuer, on each Payment Date after the Payment Date immediately following the Cost Calculation Period during which such termination of the Bank Swap occurred, the Issuer Costs for the immediately preceding Cost Calculation Period. For the avoidance of doubt, the foregoing shall be without prejudice to any separate agreement between KfW and the Bank with respect to the Issuer Costs.

**"Cost Calculation Period"** means 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.

**"Issuer Costs"** means, with respect to each Payment Date, the actual amount of all fees, costs and expenses, including, without limitation, fees, costs and expenses of the Trustee (including, without limitation, external costs of foreclosure on the Collateral pursuant to Clause 5), Experts, Value Experts, third parties retained pursuant to Clause 18 and the Advisors, the Administrator, auditors and directors of the Issuer, the Principal Paying Agent, the Luxembourg Listing Agent and Luxembourg Intermediary, the Luxembourg Stock Exchange, the Account Bank, the Rating Agencies for monitoring of the rating of the Notes, the Issuer's agent for service of process, any fees for publications 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, including under the Transaction Documents, amounts payable by the Issuer pursuant to Clauses 20 to (and including) 23 and Clause 24(6), 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 advisors, in each case incurred and advances reasonably requested by the Issuer in respect thereof during the Cost Calculation Period immediately preceding such date, and all amounts of any such costs, expenses or advances previously incurred, requested or declared by the Issuer but not yet paid and any costs and expenses incurred in liquidating the Issuer in excess of the Issuer's own assets. For the avoidance of doubt, 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 or in accordance with the Transaction Documents. The Issuer Costs shall, in particular, not include any amounts payable under the Notes 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, and/or any amounts payable under Clause 7(2) of the Subscription Agreement, and/or on account of taxes, except, in each case, as expressly specified above.

(2) The Issuer shall notify, to the extent known, the amount of the Issuer Costs payable on each Payment Date, specify the components of such amount in reasonable detail and provide copies of the relevant invoices to each of the Bank, if and for as long as the Bank is obliged to pay the Issuer Costs under paragraph (1) and/or (3) hereof, and KfW not later than the 5th Business Day prior to such Payment Date.

(3) Without prejudice to the provisions of paragraph (1) above, in the event that any amount of the Issuer Costs falls due on any day other than a Payment Date or following the repayment of the Notes and no advance has been made in respect of such payment, the Bank and/or KfW shall within 5 Business Days following the receipt of a written request from the Issuer pay such due amounts specified in reasonable detail in such request. For the avoidance of doubt, the Bank shall only be obliged to pay any amount pursuant to this paragraph (3) if and for as long as it is under the obligation to pay the Issuer Costs pursuant to paragraph (1) above.

#### **Clause 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*).

#### **Clause 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 Issuer's failure to act, (ii) the Notes, the Collateral, the Noteholder 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 documents, information or to provide access and facilities to the Trustee or an Expert or Value Expert.

### **Clause 28 Confidentiality**

(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 18 shall treat as confidential any information concerning the Borrowers and the providers of the Reference Collateral and the business operations of the Bank, the Servicer and KfW 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 18, 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.

(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, an Expert or a Value Expert, if relevant, and each Advisor of the Trustee and each third party retained by the Trustee in accordance with Clause 18 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, 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 Servicer and KfW obtained in connection with the performance of its duties in connection with this Trust Agreement.

(3) Notwithstanding paragraph (2) above, the Bank may, at its sole discretion and at any time, request each Expert and Value Expert appointed under this Agreement and each auditor of the Trustee, an Expert or a Value Expert, if relevant, which is to perform any duty pursuant to this 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 the Trust Agreement.

### **Clause 29 Limited Recourse and Non-Petition; Priority of Payments**

(1) Notwithstanding any other provision of this Trust Agreement, the Trustee, KfW 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 (excluding, with respect to all obligations hereunder other than the Trustee Claim, the Certificates). 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 will in no circumstances constitute default by the Issuer. Neither the Trustee nor the Bank nor KfW may take steps against the Issuer to recover any sum so unpaid and, in particular, each of the Trustee, the Bank and KfW 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 until after the expiry of a period of one year and one day following the payment of all amounts payable under the Notes.

(2) On any date (a) any amounts received from or on behalf of KfW under the Certificates, including any proceeds from the foreclosure on the Certificates shall be applied by the Issuer exclusively 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, and (b) any credit available on the Account after application of amounts pursuant to (a) above shall be applied in the following order towards fulfilling the payment obligations of the Issuer due on such date in respect of:

- (i) *first*, any annual return or company fees and any other amounts due to governmental authorities in the Republic of Ireland or elsewhere;
- (ii) *second*, any fees, costs and disbursements payable to the directors, the auditors and the legal advisers of the Issuer to the respective account as notified by such directors, auditors and legal advisers to the Issuer;
- (iii) *third*, any fees, costs and disbursements (including any fees, costs and disbursements of any Expert, Value Expert or Advisors) payable to the Trustee in accordance with the Trust Agreement to the account as notified by the Trustee to the Issuer;
- (iv) *fourth, pari passu*, any fees, costs and disbursements payable to the Principal Paying Agent in accordance with the Agency Agreement, to the Process Agent in accordance with the process agent appointment agreement and to the Luxembourg Intermediary to the account as notified by the Principal Paying Agent, the Process Agent and the Luxembourg Intermediary, respectively, to the Issuer;
- (v) *fifth, pari passu*, any fees, costs and disbursements payable to the Administrator in accordance with the Administration Agreement and to the Account Bank in accordance with the Account Agreement to the account as notified by the Administrator and the Account Bank, respectively, to the Issuer;
- (vi) *sixth*, interest on the Notes in the Order of Seniority, payable to the Principal Paying Agent in accordance with the Terms and Conditions, to the account notified by the Principal Paying Agent to the Issuer for on-payment to Clearstream Frankfurt for credit to the accounts of the relevant Clearstream Frankfurt Accountholders;
- (vii) *seventh*, principal on the Notes in the Order of Seniority, payable to the Principal Paying Agent in accordance with the Terms and Conditions, to the account notified by the Principal Paying Agent to the Issuer for on-payment to Clearstream Frankfurt for credit to the accounts of the relevant Clearstream Frankfurt Accountholders;
- (viii) *eighth*, any amounts payable in respect of any other obligation of the Issuer (including, without limitation, any indemnification obligation of the Issuer vis-à-vis the directors, auditors or legal

advisers to the Issuer, the Trustee, the Principal Paying Agent, the Account Bank, the Manager or the Administrator) to the relevant obligee to the account notified by such obligee to the Issuer.

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

### **Clause 30 Communications**

(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 fax, *provided that* notices regarding termination of this Trust Agreement or the replacement of the Trustee given by e-mail or fax shall promptly be confirmed by mail.

(2) Any communication under this Trust Agreement shall be in German, *provided that* (i) any communications with the Issuer and any of the Rating Agencies shall be in English or in German with an English translation and (ii) the Bank shall, at its own cost, provide the Trustee with an English translation of any communication under this Trust Agreement upon request.

(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:

Deloitte & Touche GmbH  
Wirtschaftsprüfungsgesellschaft  
Schwannstrasse 6  
40476 Düsseldorf  
Germany

Attn.:                   Geschäftsführung  
Telephone:           (+49) 211 8772 2449  
Telefax:               (+49) 211 8772 2441

(b) if to the Issuer:

PROVIDE BLUE 2004-1 PLC  
5 Harbourmaster Place  
IFSC  
Dublin 1  
Republic of Ireland

Attn.:                   The Directors  
Telephone:           (+353) 1 680 6000  
Telefax:               (+353) 1 680 6050

(c) if to the Bank:

BHW Bausparkasse AG  
Lubahnstrasse 2  
31789 Hameln  
Germany

Attn.: TSE - Herr Bernd Begemann  
E-mail: BBegemann@bhw.de  
Telephone: (+49) 5151 18 2346  
Telefax: (+49) 5151 18 5069

(d) if to KfW:

Kreditanstalt für Wiederaufbau  
Palmengartenstrasse 5-9  
60325 Frankfurt am Main  
Germany

Attn.: TM b2 - Collateral Management/Loan Securitisation  
E-mail: provide-blue.2004-1@kfw.de  
Telephone: (+49) 69 7431-0  
Telefax: (+49) 69 7431-3930

(e) if to the Senior Swap Counterparty:

as separately identified to the Trustee from time to time

(f) if to the Junior Swap Counterparty:

as separately identified to the Trustee from time to time

(g) if to S&P:

Standard & Poor's Ratings Services  
18 Finsbury Circus  
London EC2M 7BP  
United Kingdom

Attn.: Structured Finance Surveillance Department  
Telephone: (+44) 207 826-3800  
Telefax: (+44) 207 826-3890

(h) if to Fitch:

Fitch Ratings Ltd.  
Eldon House  
Eldon Street  
London EC2M 7UA  
United Kingdom



Attn.: Structured Finance Surveillance  
E-mail: sf\_surveillance@fitchratings.com  
Telephone: (+44) 207 417 4222  
Telefax: (+44) 207 417 6262

**Clause 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.

**Clause 32**  
**Amendments**

- (1) This Trust Agreement (including this Clause 32) may only be amended by agreement of all parties hereto in writing. The Trustee shall only agree with any amendment in mutual agreement with the Rating Agencies.
- (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.
- (3) For the avoidance of doubt, upon the occurrence of any insolvency with respect to the Bank this Trust Agreement shall not be terminated as between the other parties thereto.

**Clause 33**  
**Governing Law; Place of Performance; Jurisdiction**

- (1) This Trust Agreement shall be governed by the laws of the Federal Republic of Germany.
- (2) Place of performance for the obligations of all parties is Frankfurt am Main.
- (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 (*Landgericht*) in Frankfurt am Main. The Issuer hereby submits to the jurisdiction of such court. The Issuer has appointed FIDEUROP Treuhandgesellschaft für den Gemeinsamen Markt mbH, Wirtschaftsprüfungsgesellschaft, with its seat on the Issue Date at Bockenheimer Anlage 15, Mozartplatz, 60322 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.

**Clause 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 moneys for the Notes will be satisfied pursuant to the Subscription Agreement.

**Clause 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 Information Memorandum, the definition in the Reference Pool Provisions will prevail.

### Reference Pool Provisions

#### 1. General

The Reference Pool shall consist of claims (each, a "**Reference Claim**") for the payment of principal and interest arising from certain residential mortgage loans (each, a "**Reference Loan**"), each of which constitutes a building society loan (*Bauspardarlehen*) as defined in § 1 of the German Act on Building Societies (*Bausparkassengesetz*), originated pursuant to the German Act on Building Societies (*Bausparkassengesetz*) by the Bank pursuant to its credit and collection 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 9 (Non-compliance) of the Reference Pool Provisions or Provision 8 (Transfers) 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 of the beginning of business (in Frankfurt am Main) on February 29, 2004 (the "**Cut-off Date**") was EUR 2,176,164,273.61 (the "**Initial Aggregate Principal Balance**").

#### 2. Reference Claims

##### 2.1 Identification

(A) 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, and
- (iii) the expected redemption date of the Reference Claim.

(B) After the Issue Date, the Bank shall provide the Trustee on a quarterly basis with a notice identifying the Reference Claims currently forming part of the Reference Pool and the Reference Claims removed from the Reference Pool during the immediately preceding Collection Period by reference to the account number and sub-account number or any other relevant identifier attributed in the records of the Servicer to the Reference Claim.

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 (A)(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 and 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, any such amounts shall be allocated to the New Reference Claim in the same proportion as the principal amount of the New Reference Claim bears to the principal amount of the New Claim, and
- (iii) the New Reference Claim shall be treated, as from the substitution, for all purposes as if it were such Reference Claim and therefore, a Credit Event which had occurred in respect of such Reference Claim prior to the substitution shall be deemed to have occurred on the New Reference Claim, any Loss Allocation with respect to the New Reference Claim shall be subject to the compliance of the previous Reference Claim with the Eligibility Criteria as of the Cut-off Date and the Servicing Principles, 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 and interest on 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) (*Grundschuld*) of the German Civil Code (*Bürgerliches Gesetzbuch*) (each such mortgage securing a Reference Loan, a "**Mortgage**") on one or more residential 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. The initial loan to value of the Reference Mortgage, as of the Cut-off Date, is set out below in Provision 6(vii).

#### 4. Additional Collateral

A Reference Claim may be secured by certain additional collateral. If a Reference Claim is secured by any collateral other than a Mortgage, such collateral, 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**").

#### 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 claim(s), the payment received shall be allocated for the purpose of Loss Allocation in accordance with the Servicer's standard procedures.

##### (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 any Relevant Mortgage securing such Reference Claim less the Priority Amount shall be allocated in the following order of priority:
  - (A) *first*, to the Enforcement Costs relating to such Reference Claim,
  - (B) *second*, towards satisfying the outstanding principal amount of such Reference Claim, and
  - (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 serviced by or on behalf of the Servicer, the Foreclosure Proceeds shall be allocated to such Reference Claim pursuant to (B) above in proportion which the outstanding principal amount of such Reference Claim bears to the aggregate of the outstanding principal amounts of all Reference Claims secured by such Mortgage and serviced by or on behalf of the Servicer;

**"Priority Amount"** means in respect of a Reference Claim the principal amount of the Priority Mortgages in respect of such Reference Claim plus Accrued Priority Interest on such Priority Mortgages.

**"Priority Mortgages"** means in respect of a Reference Claim those Relevant Mortgages or portions of Relevant Mortgages the aggregate principal amount of which, together with any prior ranking charges or equal ranking charges on the same Mortgaged Property, equals the product of the Minimum LTAV (if any) relating to such Reference Claim and the related Property Value, *provided that* the determination of such prior or equal ranking charges shall be made in accordance with the standards used by the Bank as of the Cut-off Date for the calculation of the Minimum LTAV.

**"Relevant Mortgage"** means in respect of a Reference Claim each Mortgage which secures such Reference Claim and for which a Foreclosure is effected by or on behalf of the Servicer.

**"Accrued Priority Interest"** means, with respect to any Priority Mortgage, the interest *in rem (dinglicher Zins)* accrued on such Priority Mortgage to the extent that such accrued interest *in rem* (i) ranks equally under applicable statutory law with the principal amount of such Priority Mortgage in the foreclosure proceedings in respect of the related Mortgaged Property or, (ii) in the case of a Property Sale, would have ranked equally under applicable statutory law with the principal amount of such Priority Mortgage if, instead of the Property Sale, foreclosure proceedings in respect of the related Mortgaged Property had been commenced (*Beschlagnahme*) on the date on which a Credit Event occurred in respect of the related Reference Claim and completed on the date on which such Property Sale was completed.

- (ii) the Foreclosure Proceeds in respect of any Additional Collateral shall be allocated in the following order of priority:

*first*, towards satisfying any claims other than such Reference Claim serviced by or on behalf of the Servicer secured by such Additional Collateral;

*second*, towards satisfying such Reference Claim, 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, be allocated in the following order of priority:

*first*, towards satisfying any claims other than such Reference Claim serviced by or on behalf of the Servicer and secured by such other collateral,

*second*, towards satisfying such Reference Claim.

For the purposes of the foregoing, any set-off rights of the holder of such Reference Claim against the Borrower in respect of the Reference Claim shall be deemed to constitute Additional Collateral and be treated in accordance with (b)(ii) above, to the extent such set-off right was a condition for or was constituted in connection with the extension or continuation of the Reference Loan relating to a Reference Claim, otherwise such set-off rights shall be deemed to constitute collateral other than Reference Collateral.

**"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.

**"Foreclosure Proceeds"** means in respect of any Reference Claim the total net proceeds of any Foreclosure received by or on behalf of the Bank, *provided that*, if any Mortgage is held by a third party and would have constituted a Reference Mortgage if it were held by the holder of the Reference Claim and serviced by or on behalf of the Bank, the payment of the proceeds of any Foreclosure on such Mortgage shall be deemed to have been received by the Bank.

- (c) Non-compliance with Allocation Rules

In the event that Provisions 5(a) and (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, excluding any 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, in respect of each Reference Claim:

- (i) the 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 KfW in connection with a finance transaction,
- (ii) such Reference Claim has been originated by the Bank or by the former BHW Allgemeine Bausparkasse AG which was merged into BHW with effect from August 1, 2003, as applicable, in compliance with all applicable legal provisions and the Bank's credit and collection policies 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 an individual and not a legal entity (*juristische Person*),
- (iv) without prejudice to the Servicing Standards 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 any mortgages and other encumbrances ranking in priority to 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) such Reference Claim is an amortising loan claim and is secured by one or more first ranking Mortgage(s), in which case free from any third party prior ranking rights, or (in the case of Reference Mortgages with a Minimum LTAV of greater than 0%) by subordinated Mortgage(s),
  - (a) which are in an aggregate nominal amount equal to, or in excess of, the Outstanding Nominal Amount of such Reference Claim as of the Cut-off Date;
  - (b) (A) which have been registered for the Bank on the respective land register (*Buchgrundpfandrecht*), or, in the case of certificated Mortgages, the Bank or a trustee acting on behalf of the Bank has possession of the relevant mortgage certificate (*Briefgrundpfandrecht*) and (i) the Bank's right to such Mortgages can be traced back via consecutive publicly certified assignment declarations to a person registered on the respective land register (§ 1155 German Civil Code (*Bürgerliches Gesetzbuch*)) or (ii) the relevant Mortgage has been transferred to the Bank in writing signed by the transferor, 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 Outstanding Nominal Amount of such Reference Claim 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;

"**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 and equal ranking mortgages (*Hypotheken* or *Grundschulden*), or parts thereof, and capitalising encumbrances reducing the property value of the relevant Mortgaged Property, such as usufructs (*Niessbrauch*) or interest on heritable building rights (*Erbbauzins*), on the relevant Mortgaged Property, divided by the property value of the relevant Mortgaged Property as last determined by the Servicer, expressed as a percentage.

"**Maximum LTAV**" means 100% (or any lower percentage specified in respect of the loan to value ratio of the relevant Reference Claim in the Reference Claim List) of the Property Value, *provided that* the Maximum LTAV may be up to 1% higher than the actual maximum loan to value ratio of the relevant Reference Claim;

"**Minimum LTAV**" means 0% (or any higher percentage specified in respect of the loan to value ratio of the relevant Reference Claim in the Reference Claim List) of the Property Value, *provided that* the Minimum LTAV may be up to 1% higher than the actual minimum loan to value ratio of the relevant Reference Claim;

"**Property Value**" means the appraised value (*Verkehrswert*) of a Mortgaged Property determined pursuant to the Bank's credit and collection policies, as set forth in the Reference Claim List as of the Cut-off Date;

*provided that* the aggregate nominal amount of all mortgages ranking senior to the Reference Mortgages does not exceed EUR 7,253,673,836.30 (subject, in each case, to customary real rights of use such as real servitudes (*Grunddienstbarkeiten*) and other customary unregistered usufructs (*nicht eingetragene Nutzungsrechte*), public law construction encumbrances (*Baulasten*) and statutory priorities including, without limitation, statutory priorities for real estate tax),

- (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*). Either (i) the Bank has sole possession of the certificates issued in connection with any certificated Mortgages or (ii) such certificates are held in trust (*treuhänderisch*) for the Bank,
- (ix) such Reference Claim satisfies the requirements set forth in or pursuant to § 7 of the Building Savings Bank Act (*Bausparkassengesetz*),
- (x) such Reference Claim is distinguishable from other claims of the Bank,
- (xi) 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,
- (xii) except to the extent permitted by Provision 6(xiii), no Borrower is in breach of any of its obligations pursuant to the underlying loan agreement and no owner of Mortgaged Property is in



breach of the underlying collateral agreement,

- (xiii) no payments in respect of such Reference Claim are overdue in an aggregate amount exceeding one Instalment,
- (xiv) no litigation is pending with respect to such Reference Claim nor, to the best knowledge of the Bank is any such litigation threatened,
- (xv) such Reference Claim is denominated in euro,

"euro" or "EUR" means with respect to the Reference Claims, 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;

- (xvi) at least one Instalment has been paid in respect of such Reference Claim,
- (xvii) the final maturity of such Reference Claim falls on or before the last day of the Collection Period immediately preceding the Scheduled Maturity Date,
- (xviii) no Reference Claim has an outstanding principal amount in excess of EUR 251,585.93 and the aggregate outstanding principal amounts of all Reference Claims against any Borrower secured on the same Mortgaged Property does not exceed EUR 288,963.38,
- (xix) to the best knowledge of the Bank, the Borrower is not subject to bankruptcy, sequestration, moratorium or any other similar proceedings,
- (xx) such Reference Claim together with all other Reference Claims and the related Reference Collateral comply with the information (including the account number, the principal balance, the interest rate and loan to appraised value ratio provided in respect of the Reference Pool (a) in the Information Memorandum (the "**Information Memorandum**") dated April 22, 2004 published in relation to the issue of the Notes, (b) in the Reference Claim List and (c) in these Terms and Conditions, 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,
- (xxi) such Reference Claim and the related Reference Collateral can be identified in the files of the Bank on the basis of the relevant Reference Claim List,
- (xxii) each Mortgage has been appraised in accordance with the Bank's lending guidelines for German residential mortgage loans and in compliance with any applicable regulatory requirements, in each case as they applied at the time of the relevant appraisal,
- (xxiii) no agreement has been concluded or is being negotiated with respect to such Reference Claim according to which its repayment would be suspended,
- (xxiv) the Bank has not commenced enforcement proceedings against the Borrower or relevant provider of such Reference Collateral,
- (xxv) without prejudice to any risk transfer between the Bank and other affiliated companies of the Bank, neither the Bank nor any person affiliated with any of them carries direct or indirect obligations of liability for the performance of such Reference Claim or for any related Reference Collateral,
- (xxvi) none of the Reference Claims is a capitalising or accreting loan, and

(xxvii) no Borrower of such Reference Claim is an employee of the Bank.

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, KfW 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.

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

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

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), KfW 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 in accordance with the requirements set out under (A) above 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, or increase the likelihood of the occurrence of, 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 no Credit Event has occurred in respect of a Reference Claim and 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 (xvii) (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 opinion of the Bank, contributed to the non-compliance to the greatest extent so that the removal of such Reference Claim in the opinion 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, KfW 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**".

(e) The Bank shall notify the Noteholders pursuant to Section 14.2 of the Terms and Conditions of the aggregate principal amount of all Reference Claims removed from the Reference Pool pursuant to paragraph (a) or (b) above during a given Collection Period (Section 8.1 of the Terms and Conditions).

## **Information Tables regarding the Initial Reference Pool**

The following tables set out, as of the Cut-off Date, the number, the current Outstanding Nominal Amounts, the remaining term 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).

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 as of the Issue Date in comparison with the description of the Reference Pool set out in this Information Memorandum 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.

### **1. Key Characteristics of the Reference Pool**

Number of Loans: 158,242

Number of Borrowers: 140,897

Total Balance: EUR 2,176,164,273.61

## 2. Current Outstanding Balance

Current Outstanding Balance (EUR)	# Loans	% of Loans	Current Balance (EUR)	% of Current Balance
5,000.01 - 10,000.00	77,823	49.18	560,283,616.77	25.75
10,000.01 - 15,000.00	35,885	22.68	435,580,224.73	20.02
15,000.01 - 20,000.00	17,130	10.83	296,126,241.15	13.61
20,000.01 - 25,000.00	10,470	6.62	233,433,821.94	10.73
25,000.01 - 30,000.00	5,972	3.77	162,919,059.13	7.49
30,000.01 - 35,000.00	3,525	2.23	113,903,223.69	5.23
35,000.01 - 40,000.00	2,250	1.42	83,920,556.49	3.86
40,000.01 - 45,000.00	1,537	0.97	65,019,169.61	2.99
45,000.01 - 50,000.00	1,080	0.68	51,081,082.89	2.35
50,000.01 - 60,000.00	1,224	0.77	66,801,816.91	3.07
60,000.01 - 70,000.00	589	0.37	38,002,044.06	1.75
70,000.01 - 80,000.00	314	0.20	23,474,634.64	1.08
80,000.01 - 90,000.00	168	0.11	14,188,685.67	0.65
90,000.01 - 100,000.00	108	0.07	10,179,620.35	0.47
100,000.01 - 150,000.00	137	0.09	15,773,014.23	0.72
150,000.01 - 200,000.00	24	0.02	4,131,058.10	0.19
200,000.01 - 250,000.00	5	0.00	1,094,817.32	0.05
250,000.01 - 300,000.00	1	0.00	251,585.93	0.01
<b>Total</b>	<b>158,242</b>	<b>100.00</b>	<b>2,176,164,273.61</b>	<b>100.00</b>

Minimum: EUR 5,000.05

Maximum: EUR 251,585.93

Average (per loan): EUR 13,752.13

### 3. Total Building Savings Amount (*Bausparsumme*)

<b>Total Building Savings Amount (<i>Bausparsumme</i>) (EUR)</b>	<b># Loans</b>	<b>% of Loans</b>	<b>Current Balance (EUR)</b>	<b>% of Current Balance</b>
5,000.01 - 10,000.00	275	0.17	1,498,307.64	0.07
10,000.01 - 15,000.00	10,397	6.57	61,052,230.54	2.81
15,000.01 - 20,000.00	20,719	13.09	143,740,810.40	6.61
20,000.01 - 25,000.00	21,428	13.54	177,623,762.08	8.16
25,000.01 - 30,000.00	25,752	16.27	246,358,344.30	11.32
30,000.01 - 35,000.00	15,067	9.52	171,503,794.25	7.88
35,000.01 - 40,000.00	9,723	6.14	126,289,668.20	5.80
40,000.01 - 45,000.00	9,153	5.78	130,579,600.75	6.00
45,000.01 - 50,000.00	4,398	2.78	72,724,264.90	3.34
50,000.01 - 60,000.00	18,593	11.75	325,239,923.02	14.95
60,000.01 - 70,000.00	6,616	4.18	148,385,154.13	6.82
70,000.01 - 80,000.00	4,980	3.15	128,028,870.94	5.88
80,000.01 - 90,000.00	2,668	1.69	78,869,911.39	3.62
90,000.01 - 100,000.00	1,481	0.94	49,110,347.94	2.26
100,000.01 - 150,000.00	5,322	3.36	208,215,649.97	9.57
150,000.01 - 200,000.00	1,188	0.75	66,380,918.57	3.05
200,000.01 - 250,000.00	292	0.18	20,721,548.38	0.95
250,000.01 - 300,000.00	104	0.07	9,232,054.69	0.42
300,000.01 - 350,000.00	53	0.03	5,836,583.41	0.27
350,000.01 - 400,000.00	14	0.01	1,591,883.66	0.07
400,000.01 - 450,000.00	9	0.01	1,263,799.55	0.06
450,000.01 - 500,000.00	6	0.00	1,104,872.52	0.05
500,000.01 - 550,000.00	4	0.00	811,972.38	0.04
<b>Total</b>	<b>158,242</b>	<b>100.00</b>	<b>2,176,164,273.61</b>	<b>100.00</b>

Minimum: EUR 7,000.00

Maximum: EUR 525,608.05

Average: EUR 38,597.59

#### 4. Seasoning of Building Society Savings Contract

Seasoning of Building Society Savings Contract (Months)	# Loans	% of Loans	Current Balance (EUR)	% of Current Balance
5	46	0.03	762,693.10	0.04
6	26	0.02	356,548.22	0.02
7	14	0.01	181,762.18	0.01
8	145	0.09	3,221,259.81	0.15
9	73	0.05	1,346,908.10	0.06
10	32	0.02	530,599.12	0.02
11	196	0.12	4,144,773.09	0.19
12	123	0.08	2,187,158.62	0.10
13 - 24	1,994	1.26	40,505,118.30	1.86
25 - 36	3,279	2.07	56,644,205.49	2.60
37 - 48	7,444	4.70	122,044,258.09	5.61
49 - 60	9,097	5.75	136,109,072.57	6.25
61 - 72	14,194	8.97	211,067,922.95	9.70
73 - 84	13,211	8.35	208,243,350.41	9.57
85 - 96	10,054	6.35	144,986,889.20	6.66
97 - 108	9,219	5.83	126,066,910.32	5.79
109 - 120	9,207	5.82	126,254,716.31	5.80
>= 121	79,888	50.48	991,510,127.73	45.56
<b>Total:</b>	<b>158,242</b>	<b>100.00</b>	<b>2,176,164,273.61</b>	<b>100.00</b>

Minimum: 5 Months

Maximum: 531 Months

Weighted Average: 118 Months



### 5. Time elapsed since Loan Pay-out Date

Time elapsed since Loan Pay-out Date (Months)	# Loans	% of Loans	Current Balance (EUR)	% of Current Balance
0	2,060	1.30	29,294,841.38	1.35
1 - 6	15,910	10.05	262,796,720.03	12.08
7 - 12	16,891	10.67	263,755,801.12	12.12
13 - 18	14,335	9.06	215,997,972.10	9.93
19 - 24	15,671	9.90	230,027,105.85	10.57
25 - 30	14,642	9.25	204,640,700.36	9.40
31 - 36	15,847	10.01	214,438,530.87	9.85
37 - 42	12,741	8.05	172,894,562.72	7.94
43 - 48	10,428	6.59	129,145,935.12	5.93
49 - 54	6,726	4.25	85,214,505.60	3.92
55 - 60	4,979	3.15	60,933,366.75	2.80
>= 61	28,012	17.70	307,024,231.71	14.11
<b>Total:</b>	<b>158,242</b>	<b>100.00</b>	<b>2,176,164,273.61</b>	<b>100.00</b>

Minimum: 0 Months

Maximum: 179 Months

Weighted Average: 32 Months

## 6. Loan Original Term

Loan Original Term (Months)	# Loans	% of Loans	Current Balance (EUR)	% of Current Balance
25 - 36	279	0.18	2,581,629.80	0.12
37 - 48	1,054	0.67	10,596,365.08	0.49
49 - 60	2,579	1.63	28,841,755.72	1.33
61 - 72	4,668	2.95	55,429,666.49	2.55
73 - 84	11,785	7.45	138,155,118.63	6.35
85 - 96	14,213	8.98	183,373,124.19	8.43
97 - 108	20,167	12.74	272,207,162.04	12.51
109 - 120	21,034	13.29	323,996,724.54	14.89
121 - 132	19,383	12.25	272,480,454.30	12.52
133 - 144	11,604	7.33	154,268,596.48	7.09
145 - 156	13,221	8.35	179,314,583.26	8.24
157 - 168	13,769	8.70	181,464,779.66	8.34
169 - 180	18,216	11.51	262,359,927.43	12.06
181 - 192	4,905	3.10	80,173,340.60	3.68
193 - 204	890	0.56	17,907,891.67	0.82
205 - 216	368	0.23	11,077,859.82	0.51
217 - 228	64	0.04	1,304,355.50	0.06
229 - 240	43	0.03	630,938.40	0.03
<b>Total</b>	<b>158,242</b>	<b>100.00</b>	<b>2,176,164,273.61</b>	<b>100.00</b>

Minimum: 25 Months

Maximum: 239 Months

Weighted Average: 127 Months

## 7. Loan Remaining Term

Loan Remaining Term (Months)	# Loans	% of Loans	Current Balance (EUR)	% of Current Balance
25 - 36	10,558	6.67	94,628,157.97	4.35
37 - 48	15,374	9.72	156,124,088.34	7.17
49 - 60	18,332	11.58	213,774,634.51	9.82
61 - 72	19,730	12.47	258,862,646.27	11.90
73 - 84	18,165	11.48	260,407,608.40	11.97
85 - 96	14,534	9.18	225,544,101.21	10.36
97 - 108	11,833	7.48	189,737,419.12	8.72
109 - 120	11,132	7.03	181,979,637.89	8.36
121 - 132	9,634	6.09	147,068,842.26	6.76
133 - 144	9,895	6.25	144,135,004.76	6.62
145 - 156	8,856	5.60	131,458,239.82	6.04
157 - 168	6,558	4.14	103,202,919.10	4.74
169 - 180	2,817	1.78	48,563,582.37	2.23
181 - 192	548	0.35	12,903,477.66	0.59
193 - 204	205	0.13	5,940,633.82	0.27
205 - 216	68	0.04	1,789,254.72	0.08
217 - 228	3	0.00	44,025.39	0.00
<b>Total</b>	<b>158,242</b>	<b>100.00</b>	<b>2,176,164,273.61</b>	<b>100.00</b>

Minimum: 25 Months

Maximum: 219 Months

Weighted Average: 95 Months

### 8. Current LTV based on property value (*Verkehrswert*)

Current LTV based on property value ( <i>Verkehrswert</i> ) (%)	# Loans	% of Loans	Current Balance (EUR)	% of Current Balance	Weighted Average Interest Rate	Weighted Average Contract Age (months)	% West Germany	% East Germany
00.01 - 10.00	27,348	17.28	270,184,396.84	12.42	4.86	133	88.37	11.06
10.01 - 20.00	28,053	17.73	397,837,375.81	18.28	4.82	119	85.38	14.09
20.01 - 30.00	22,718	14.36	355,023,260.01	16.31	4.81	114	84.51	15.08
30.01 - 40.00	20,806	13.15	314,405,516.54	14.45	4.82	115	86.24	13.46
40.01 - 50.00	19,467	12.30	281,033,022.51	12.91	4.83	116	88.32	11.37
50.01 - 55.00	9,353	5.91	129,398,445.62	5.95	4.85	117	89.08	10.69
55.01 - 60.00	8,577	5.42	118,536,708.21	5.45	4.87	117	90.34	9.49
60.01 - 65.00	7,526	4.76	103,532,442.19	4.76	4.85	118	89.53	10.18
65.01 - 70.00	5,805	3.67	84,663,712.66	3.89	4.82	113	88.56	11.22
70.01 - 75.00	2,429	1.53	38,841,799.93	1.78	4.81	102	90.98	8.94
75.01 - 80.00	926	0.59	14,900,844.38	0.68	4.79	100	88.89	11.11
80.01 - 85.00	2,829	1.79	30,528,707.80	1.40	4.88	127	82.92	16.75
85.01 - 90.00	1,915	1.21	26,209,411.15	1.20	4.90	121	85.95	13.81
90.01 - 95.00	405	0.26	8,855,710.34	0.41	4.84	105	78.70	21.01
95.01 - 100.00	85	0.05	2,212,919.62	0.10	4.85	91	75.89	24.11
<b>Total:</b>	<b>158,242</b>	<b>100.00</b>	<b>2,176,164,273.61</b>	<b>100.00</b>	<b>4.83</b>	<b>118</b>	<b>86.99</b>	<b>12.64</b>

Minimum: 1.00%

Maximum: 99.92%

Weighted Average: 35.25%

## 9. Prior Liens (>0%)

Prior Liens (>0%)	# Loans	% of Loans	Current Balance (EUR)	% of Current Balance	Weighted Average Current LTV	Weighted Average Interest Rate	Weighted Average Contract Age (months)	% West Germany	% East Germany
Yes	154,435	97.59	2,113,280,368.14	97.11	35.76	4.83	118	87.11	12.52
No	3,807	2.41	62,883,905.47	2.89	17.97	4.80	120	82.82	16.66
<b>Total:</b>	<b>158,242</b>	<b>100.00</b>	<b>2,176,164,273.61</b>	<b>100.00</b>	<b>35.25</b>	<b>4.83</b>	<b>118</b>	<b>86.99</b>	<b>12.64</b>

Please note: Prior Liens that reflect less than 1% of the property value (Verkehrswert) are included

## 10. Prior Liens (>=1%)

Prior Liens (>=1%)	# Loans	% of Loans	Current Balance (EUR)	% of Current Balance	Weighted Average Current LTV	Weighted Average Interest Rate	Weighted Average Contract Age (months)	% West Germany	% East Germany
Yes	119,218	75.34	1,533,657,765.85	70.48	42.33	4.84	118	88.61	11.06
No	39,024	24.66	642,506,507.76	29.52	18.35	4.81	119	83.10	16.43
<b>Total:</b>	<b>158,242</b>	<b>100.00</b>	<b>2,176,164,273.61</b>	<b>100.00</b>	<b>35.25</b>	<b>4.83</b>	<b>118</b>	<b>86.99</b>	<b>12.64</b>

Please note: Prior liens that reflect less than 1% of the property value (Verkehrswert) have been excluded to account for rounding differences

### 11. Loan Interest Rate

<b>Loan Interest Rate (%)</b>	<b># Loans</b>	<b>% of Loans</b>	<b>Current Balance (EUR)</b>	<b>% of Current Balance</b>
2.001 - 2.500	789	0.50	13,321,358.30	0.61
2.501 - 3.000	791	0.50	13,647,388.18	0.63
3.501 - 4.000	18,384	11.62	299,618,810.89	13.77
4.001 - 4.500	780	0.49	7,047,029.11	0.32
4.501 - 5.000	137,472	86.87	1,842,275,284.65	84.66
5.001 - 5.500	1	0.00	7,471.02	0.00
5.501 - 6.000	25	0.02	246,931.46	0.01
<b>Total</b>	<b>158,242</b>	<b>100.00</b>	<b>2,176,164,273.61</b>	<b>100.00</b>

Minimum: 2.250%

Maximum: 6.000%

Weighted Average: 4.831%

**12. Months Past Due**

<b>Months Past Due</b>	<b># Loans</b>	<b>% of Loans</b>	<b>Current Balance (EUR)</b>	<b>% of Current Balance</b>
0.5 Months <= 1 Month	878	0.55	12,890,439.32	0.59
< 0.5 Months	3,672	2.32	57,869,366.03	2.66
Current	153,692	97.12	2,105,404,468.26	96.75
<b>Total</b>	<b>158,242</b>	<b>100.00</b>	<b>2,176,164,273.61</b>	<b>100.00</b>

Minimum: 0 Months

Maximum: 1 Month

### 13. Property Postcode

Property Postcode (1st digit of property postcode)	# Loans	% of Loans	Current Balance (EUR)	% of Current Balance
0	8,870	5.61	126,798,382.32	5.83
1	7,926	5.01	119,438,884.29	5.49
2	21,651	13.68	267,739,753.49	12.30
3	17,402	11.00	223,439,922.72	10.27
4	19,561	12.36	261,239,890.10	12.00
5	23,518	14.86	323,740,236.26	14.88
6	18,085	11.43	260,144,031.97	11.95
7	18,818	11.89	270,582,467.67	12.43
8	12,148	7.68	189,727,012.46	8.72
9	9,543	6.03	125,224,275.90	5.75
Unknown	720	0.45	8,089,416.43	0.37
<b>Total</b>	<b>158,242</b>	<b>100.00</b>	<b>2,176,164,273.61</b>	<b>100.00</b>



#### 14. Employment Type

Employment Type	# Loans	% of Loans	Current Balance (EUR)	% of Current Balance	Weighted Average Current LTV	Weighted Average Interest Rate	Weighted Average Contract Age (months)	% West Germany	% East Germany
Employed ( <i>Angestellte</i> )	46,753	29.55	661,400,746.34	30.39	36.01	4.82	117	85.19	14.48
Civil Servants ( <i>Beamte</i> )	61,571	38.91	814,076,306.15	37.41	35.35	4.85	126	93.33	6.19
Labourer ( <i>Lohnempfänger</i> )	8,069	5.10	98,264,223.50	4.52	33.88	4.85	121	84.93	14.60
Retired Persons and Pensioners ( <i>Rentner und Pensionäre</i> )	7,056	4.46	89,587,631.02	4.12	29.28	4.86	110	89.63	10.19
Other Individuals - Not Self-Employed ( <i>Sonstige Privatpersonen</i> )	31,740	20.06	461,292,059.10	21.20	35.11	4.80	107	78.34	21.39
Self-Employed ( <i>Wirtschaftlich selbständige Privatpersonen</i> )	3,053	1.93	51,543,307.50	2.37	38.14	4.79	116	86.57	13.19
<b>Total</b>	<b>158,242</b>	<b>100.00</b>	<b>2,176,164,273.61</b>	<b>100.00</b>	<b>35.25</b>	<b>4.83</b>	<b>118</b>	<b>86.99</b>	<b>12.64</b>

### 15. Occupancy Status

<b>Occupancy Status</b>	<b># Loans</b>	<b>% of Loans</b>	<b>Current Balance (EUR)</b>	<b>% of Current Balance</b>
Non-Owner Occupied	21,477	13.57	327,105,888.06	15.03
Owner Occupied	135,593	85.69	1,833,057,923.25	84.23
Unknown	1,172	0.74	16,000,462.30	0.74
<b>Total</b>	<b>158,242</b>	<b>100.00</b>	<b>2,176,164,273.61</b>	<b>100.00</b>

## 16. Property Type

Property Type	# Loans	% of Loans	Current Balance (EUR)	% of Current Balance	Weighted Average Current LTV	Weighted Average Interest Rate	Weighted Average Contract Age (months)	% West Germany	% East Germany
Single-family House ( <i>Einfamilienhaus</i> )	103,028	65.11	1,367,819,581.65	62.85	34.97	4.84	118	87.19	12.49
Apartment ( <i>Eigentumswohnung</i> )	30,288	19.14	446,218,281.22	20.50	38.20	4.82	121	88.03	11.50
Holiday Residence ( <i>Ferienobjekt</i> )	204	0.13	3,682,738.53	0.17	36.76	4.77	120	73.60	25.47
Prefabricated House ( <i>Fertighaus</i> )	351	0.22	4,942,391.98	0.23	35.88	4.81	113	67.41	32.59
Multi-family House ( <i>Mehrfamilienhaus</i> )	5,422	3.43	88,554,695.24	4.07	33.34	4.81	114	78.48	21.12
Two-family House ( <i>Zweifamilienhaus</i> )	18,949	11.97	264,946,584.99	12.17	32.34	4.83	114	87.58	11.99
<b>Total</b>	<b>158,242</b>	<b>100.00</b>	<b>2,176,164,273.61</b>	<b>100.00</b>	<b>35.25</b>	<b>4.83</b>	<b>118</b>	<b>86.99</b>	<b>12.64</b>

### 17. Loans per Borrower

Loans per Borrower	# Loans	% of Loans	# Borrowers	% Borrowers	Current Balance (EUR)	% of Current Balance	Average Borrower Balance (EUR)
1	126,139	79.71	126,139	89.53	1,747,910,996.46	80.32	13,857.02
2	25,422	16.07	12,711	9.02	337,949,017.64	15.53	26,587.13
3	5,019	3.17	1,673	1.19	67,642,181.61	3.11	40,431.67
4	1,128	0.71	282	0.20	15,398,454.76	0.71	54,604.45
5	265	0.17	53	0.04	3,617,537.08	0.17	68,255.42
6	108	0.07	18	0.01	1,588,968.54	0.07	88,276.03
7	70	0.04	10	0.01	910,721.73	0.04	91,072.17
8	64	0.04	8	0.01	819,254.17	0.04	102,406.77
9	27	0.02	3	0.00	327,141.62	0.02	109,047.21
<b>Total</b>	<b>158,242.00</b>	<b>100.00</b>	<b>140,897.00</b>	<b>100.00</b>	<b>2,176,164,273.61</b>	<b>100.00</b>	<b>15,445.07</b>

### 18. Top 25 Borrowers

Top 25 Borrowers	# Loans	% of Loans	Current Balance (EUR)	% of Current Balance
1	2	0.00	288,963.38	0.01
2	6	0.00	284,643.22	0.01
3	3	0.00	274,593.21	0.01
4	5	0.00	253,660.61	0.01
5	4	0.00	246,075.53	0.01
6	1	0.00	238,772.44	0.01
7	3	0.00	237,707.00	0.01
8	1	0.00	225,450.55	0.01
9	2	0.00	222,771.07	0.01
10	2	0.00	221,663.08	0.01
11	1	0.00	215,810.41	0.01
12	2	0.00	213,289.43	0.01
13	6	0.00	210,068.37	0.01
14	3	0.00	206,481.78	0.01
15	1	0.00	204,872.11	0.01
16	3	0.00	203,279.18	0.01
17	2	0.00	202,531.00	0.01
18	2	0.00	199,855.39	0.01
19	2	0.00	198,726.71	0.01
20	3	0.00	195,519.26	0.01
21	1	0.00	194,780.71	0.01
22	1	0.00	188,743.00	0.01
23	3	0.00	188,357.15	0.01
24	2	0.00	187,117.50	0.01
25	2	0.00	185,971.96	0.01
Other	158,179	99.96	2,170,674,569.56	99.75
<b>Total</b>	<b>158,242</b>	<b>100.00</b>	<b>2,176,164,273.61</b>	<b>100.00</b>

### 19. Borrower Total Balance

Borrower Total Balance (EUR)	# Borrowers	% of Borrowers	Current Balance (EUR)	% of Current Balance	Average Borrower Balance (EUR)
5,000.01 - 7,500.00	36,492	25.90	224,991,285.29	10.34	6,165.50
7,500.01 - 10,000.00	25,166	17.86	218,871,582.26	10.06	8,697.11
10,000.01 - 12,500.00	18,359	13.03	205,270,279.93	9.43	11,180.91
12,500.01 - 15,000.00	12,653	8.98	173,228,377.16	7.96	13,690.70
15,000.01 - 17,500.00	9,257	6.57	150,059,382.04	6.90	16,210.37
17,500.01 - 20,000.00	7,448	5.29	139,238,929.24	6.40	18,694.81
20,000.01 - 22,500.00	6,025	4.28	127,872,404.94	5.88	21,223.64
22,500.01 - 25,000.00	4,850	3.44	114,934,151.13	5.28	23,697.76
25,000.01 - 27,500.00	3,713	2.64	97,299,992.42	4.47	26,205.22
27,500.01 - 30,000.00	2,958	2.10	84,915,290.67	3.90	28,706.99
30,000.01 - 32,500.00	2,304	1.64	71,890,464.06	3.30	31,202.46
32,500.01 - 35,000.00	1,874	1.33	63,166,013.20	2.90	33,706.52
35,000.01 - 37,500.00	1,538	1.09	55,723,341.52	2.56	36,231.04
37,500.01 - 40,000.00	1,246	0.88	48,232,102.69	2.22	38,709.55
40,000.01 - 50,000.00	3,349	2.38	148,490,950.61	6.82	44,338.89
50,000.01 - 60,000.00	1,700	1.21	92,528,408.71	4.25	54,428.48
60,000.01 - 70,000.00	844	0.60	54,395,300.86	2.50	64,449.41
70,000.01 - 80,000.00	449	0.32	33,515,538.56	1.54	74,644.85
80,000.01 - 90,000.00	232	0.16	19,610,962.90	0.90	84,530.01
90,000.01 - 100,000.00	156	0.11	14,730,753.14	0.68	94,427.90
100,000.01 - 150,000.00	226	0.16	26,193,020.50	1.20	115,898.32
150,000.01 - 200,000.00	41	0.03	7,055,109.41	0.32	172,075.84
200,000.01 - 250,000.00	13	0.01	2,848,771.95	0.13	219,136.30
250,000.01 - 300,000.00	4	0.00	1,101,860.42	0.05	275,465.11
<b>Total</b>	<b>140,897.00</b>	<b>100.00</b>	<b>2,176,164,273.61</b>	<b>100.00</b>	<b>15,445.07</b>

Minimum: EUR 5,000.05

Maximum: EUR 288,963.38

Average (per borrower): EUR 15,445.07

## 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

The administration, collection and enforcement of each Reference Claim, including the foreclosure on any related Reference Collateral, will be carried out by the Bank (in such capacity, the "**Servicer**" which term shall include any substitute servicer appointed in accordance with these Servicing Principles). 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 all times 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 Swap Counterparties 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 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, and lastly to the interests of the Junior Swap Counterparty. The Servicer will also give due regard to and protect the interests of KfW as the protection seller under the Bank Swap to the extent that such interests are compatible with the interests of the Noteholders and the Swap Counterparties. In the case of a conflict of interest between the interests of KfW on the one hand and the Noteholders and/or the Swap Counterparties on the other hand, priority will be given to the interests of the Noteholders and/or the Swap Counterparties.

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 as from the Cut-off Date 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, KfW or the Issuer.

##### 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. Payments in Arrears from Borrowers; Payment Rescheduling and Debt Restructuring**

If a Borrower is in arrears with a due payment, the Servicer will proceed in accordance with the Credit and Collection Policies. If these do not generally provide for the specific case at hand, the Servicer will handle the case as a reasonable creditor would in protection of its own interests.

The Trustee will allow the Servicer to exercise reasonable discretion in handling such cases of a Borrower's default within the scope of the Credit and Collection Policies. The Servicer will exercise this discretion as would a reasonable creditor in protection of its own interests.

In accordance with the Credit and Collection Policies and subject to this Section 2, the Servicer 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, if the Servicer is convinced, in its reasonable judgement, that in such case 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 or subordinate such portion of the Reference Claim. 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 a Credit Event with respect to such Reference Claim has occurred.

In case any Borrower falls in arrears with respect to a Reference Claim on one or more payments due under the related Reference Loan in an aggregate amount of not less than the Minimum Amount for more than 90 calendar days from the relevant due date after which the Minimum Amount was reached or first exceeded and no payment rescheduling or debt restructuring agreement has been entered into, the Servicer 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.

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 (whether the relevant Borrower is in arrears or not), if the principal 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.



### 3. Adjustment of Instalments

According to the terms of the relevant loan agreements, the interest rates of the Reference Loans are fixed until the maturity of the loan claim. The new instalments may be calculated by the Bank if the Borrower makes a partial prepayment. Such new instalments to be calculated (which are based on (i) the new repayment rate agreed with the Borrower, (ii) the interest rate and (iii) the initial outstanding of the Reference Claim as of the completion date) may not lead to an increased term of the Reference Loan.

### 4. 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; and
- (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.

### 5. 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 "**Substitute Property**") in accordance with the terms of the relevant loan, subject to a renewed credit approval, the Credit and Collection Policies, and the following conditions:

- (a) The Substitute 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 Substitute Property will be equal to or lower than the LTAV of the Reference Claim secured by the Mortgage(s) which is being replaced.
- (c) The terms and conditions of the relevant Reference Loan may not change in any material respect as a result of the substitution.
- (d) The rating of the Notes will not be adversely affected as a result of any substitution of a Mortgaged Property.
- (e) Mortgaged Properties located in the Federal States of the Federal Republic of Germany prior to the German unification in 1990 (*alte Bundesländer*) may be replaced by Substitute Properties located in the Federal States on the territory of the former German Democratic Republic (*neue Bundesländer*) only to the extent that the cumulative principal amounts of the related Reference Claims at the time of the relevant substitution do not exceed 15% of the principal balance of the Reference Pool as of the Cut-off Date.

## 6. Other Changes to the Conditions of the Reference Loan

In addition to the cases provided for in Sections 2 to 5 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 terms of the Reference Claims or the Reference Collateral, 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 nor 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,

*provided that* the Servicer may at any time after the occurrence of a Credit Event with respect to any Reference Claim agree to a sale of the relevant Mortgaged Property or Additional Collateral in the open market (*freihändiger Verkauf*) and may, upon such sale, surrender the related Mortgage or security interests (such sale, a "**Property Sale**") if the Servicer expects, in its reasonable judgement, that the net proceeds from such sale will be higher than the net proceeds from any other form of foreclosure on such Mortgaged Property or Additional Collateral.

The relevant Servicer will, however, not extend the maturity of the Reference Claims beyond the Scheduled Maturity Date.

## 7. Insurance

If necessary, the Servicer will also make use of claims on life insurance and other insurance policies which Borrowers have transferred to the Bank as a collateral for the relevant Reference Loan to the extent such claims constitute Additional Collateral. The Servicer, in accordance with its due and reasonable professional judgement, is entitled to administer the insurance policies and to take legal steps to make it possible to realise the value of the policies. 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.

## 8. Accounting

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

- (i) the identification number and any other identifiers attributed to each Reference Claim in the Reference Claim List,
- (ii) the Outstanding Nominal Amount of the Reference Claim as of the Cut-off Date,
- (iii) the applicable nominal rate of interest per annum and any overdue interest,
- (iv) the repayment and interest characteristics of such Reference Claim, and

- (v) the remaining term to maturity of the Reference Claim as of the Cut-off Date.

Accounting records, journals, daily accounts and portfolio inventories for the annual financial statements will be kept in safekeeping for a period of 4 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.

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

## **9. 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 Servicers 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.

## **10. Reporting**

The Bank will deliver to the Trustee, its auditors, an Expert or a Value Expert such reports and information and provide such access and facilities at such times as specified in the Terms and Conditions and/or the Trust Agreement.

Each Servicer other than the Bank will provide the Bank with such information at such time as is necessary for the purposes of the preceding sentence.

## **11. Change in Servicer**

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

- (i) the obligations of the Servicer under the Transaction Documents remain to be complied with, and
- (ii) the Trustee has given its prior written consent with such substitution, which shall not be unreasonably withheld, and each of the Rating Agencies has given its prior confirmation to the effect that such substitution will not affect the rating of the Notes.

## **CREDIT AND COLLECTION POLICIES**

The following is the text of the credit and collection policies of BHW Bausparkasse AG in its capacity as the initial Servicer, effective as of the Issue Date. In case of any inconsistency between the Servicing Principles and the Credit and Collection Policies, the Servicing Principles shall prevail. The Credit and Collection Policies may be amended or supplemented from time to time in accordance with the Servicing Principles. In the event of a substitution of the Servicer the credit and collection policies of the new servicer will apply to the servicing of the Reference Pool following such substitution.

### **1. Origination Network**

BHW's network consists of three regions: North/West, North/East and South. Each of the regions is divided into 6 to 7 'regional directorates' (20 in all). Each of the regional directorates consists of an average four million inhabitants, 160,000 of which are, on average, BHW clients. The 20 regional directorates are sub-divided into 147 'district directorates' where the loans are originated.

The integrated multi-channel marketing division of the BHW Group:

- (i) general marketing (free lance sales contributors and permanently employed financial advisors);
- (ii) brokers;
- (iii) marketing partners; and
- (iv) direct marketing (via the call center, classic direct marketing and the Internet).

### **2. Origination and Underwriting Process**

The free lance sales contributors and permanently employed financial advisors are responsible not only for originating new business but also for preparing applications, including detailed borrower and property assessments substantiated by all necessary documentation. The application procedure is defined by explicit guidelines in a standard internal handbook.

The free lance sales contributors and permanently employed financial advisors are responsible for providing the documents necessary for making and (preliminarily) reviewing decisions on building loans:

- (i) Documentation of income
  - Employed persons
  - Wage and salary statements normally from the last two months or annual wage confirmation/most recent tax notice
  
  - Self-employed persons
  - Income tax notices from the last two years
  - Signed balance sheets from the last three years with income statements
  - Self-disclosed information, list of assets (savings contracts, securities deposits, real estate)
  
- (ii) Property documents
  - Purchase contract
  - Calculation of the total surface and the residential and usable space
  - Up-to-date land register extract
  - Official site map

- (iii) Additional documents, if relevant (life insurance, etc.)
- (iv) Authentication documents
  - Copy of official ID card
  - Identity check

### **3. Credit Application**

The application file is forwarded by the free lance sales contributors and permanently employed financial advisors to credit officers at the headquarters in Hameln. In accordance with the regional concept, the credit officers are organised by region. Of the approximately 470 credit officers, 170 work outside the headquarters in major cities.

There are 20 credit departments in major cities. Their team managers are subordinated to the department manager in Hameln. The credit processing is divided into the following phases:

- (i) The market value of the property used as collateral is essentially determined based on internal calculations. When determining the collateral value, the permanent features and earnings of the property are to be taken into account; the collateral value may not exceed the market value. The collateral value is calculated without any direct discounts; the risks are assessed through cautious estimates firmly oriented towards the relevant regional market and lump-sum discounts, e.g. with respect to the soil value, the building value, the rent, etc.

Credit for up to 80% of the collateral value can be awarded. BHW works together with approximately 160 external valuers, who prepare assessments in accordance with BHW guidelines.

Real estates older than ten years used for collateral with a credit risk between EUR 50,000 and EUR 150,000 (including prior ranking charges) will be surveyed by authorised BHW staff.

For real estates older than ten years used for collateral with a credit risk from EUR 150,000 (including prior ranking charges) a survey report will be made by external valuers.

Real estates younger than ten years used for collateral with a credit risk between EUR 150,000 and EUR 300,000 (including prior ranking charges) will be surveyed by authorised BHW staff.

For real estates younger than ten years used for collateral with a credit risk from EUR 300,000 (including prior ranking charges) a survey report made by external experts is an imperative need.

- (ii) With credit risks above EUR 500,000, survey reports to determine the collateral value are obtained through six internal experts.
- (iii) All relevant property or land register data are collected and administered by computer.
- (iv) After deducting the monthly payment obligations from all liabilities and other items, at least 40% of the net monthly family income must remain in the revenue and expenditure account, whereby certain minimum amounts must be reached.

The allocation of competence within the credit department is as follows:

- (i) credit officers authorised to sign alone up to EUR 125,000 within 75% of the collateral value

- (ii) two credit officers authorised to sign together up to EUR 125,000 if the loan exceeds 75% of the collateral value
- (iii) team managers up to EUR 200,000
- (iv) departmental managers up to EUR 500,000
- (v) head departmental managers up to EUR 750,000
- (vi) management board members up to EUR 1,250,000
- (vii) entire management board for financing greater than EUR 1,250,000.

#### **4. Credit Disbursement**

The credit funds are disbursed after all the essential conditions agreed in the credit agreement have been met (e.g. certificated land charges in executable form, construction status reports and, if applicable, assignment of additional collateral documents).

#### **5. Treatment of Problem Exposures**

BHW monitors the routine servicing of credits with computer support by reconciling incoming payments and the established debit amount on a monthly basis. If arrears in payment are determined, corresponding action is taken based on payment reminder lists. The payment reminders are initially processed in a decentralised fashion in the portfolio groups of the credit departments. When interest and principal payments are in arrears in an amount of more than two months' instalments, the processing of the second payment reminder is transferred to the payment reminder group in the enforcement department. With regard to amounts in arrears of five monthly instalments and more, the further payment reminder processing is assumed by the execution groups, which are responsible for the termination of the loan, the establishment of risk provisions and the further execution.

#### **6. Methods of Payment and Course of Reminders for Mortgage Loans**

##### *1. 6.1 Methods of Payment*

The assessment of payments received as of November 2001 revealed that 95.2 % of portfolio customers pay their interest and savings premiums for mortgage loans by direct debit. The due amounts are collected on the final day of the month for the subsequent month (i.e., in advance). As a whole, each month payments for approximately 1.7 million customers are collected through direct debiting. The standard payment transaction system from the software provider is used as an external interface to *Landeszentralbank*.

##### *6.2 Course of Reminders*

###### **6.2.1 For Customers Paying by Direct Debit (Returned Debit Notes)**

- Approximately 60% by computer on next day
- Approximately 40 % manually within three days
- Upon initial returned debit note:
- twice the amount of the returned debit note is collected plus charges at the end of the current month;

- letter to customer with reference to the penalty interest.
- Upon second returned debit note:
- direct debiting is cancelled;
- a letter is sent to customer establishing the end of the month as the payment date with a threat of termination;
- loan account executive contacts customer, normally by phone, with respect to restructuring agreement. If necessary, a field service agent is involved;
- VOST payment reminder processing in the event of non-payment.

## 2. 6.2.2 For Customers not Paying by Direct Debit

- First payment reminder 30 days after due date (Plan 15 Days)
- Second payment reminder 90 days after due date (Plan 45 Days)
- Reference to penalty interest and termination analogous to returned debit notes;
- Restructuring agreement likewise analogous to returned debit notes;
- VOST payment reminder processing in the event of non-payment.

## 7. Quantity of Debit Notes for All Products of BHW

Debit notes for approximately 1.7 million customers with about 2.4 million contracts per month (returned direct debit: approximately 0.55%)

## 8. Credit Controlling

At regular intervals, Credit Controlling analyses the payments in arrears (more than three instalments) by product group, year of commitment, type of security and region. Potential restructuring measures are actively reviewed early on by a credit restructuring group. Based on personal contact (sometimes through visits), the financial options, personal circumstances of the borrower and the collateral property are assessed. If no restructuring is possible, enforcement is initiated rapidly.

Major exposures encumbered with arrears of more than one instalment (EUR 250,000 with 1b (>54% of the market value (*Verkehrswert*)) final collateral values) are analysed monthly by the credit department managers to determine further action (e.g. involvement of field service, restructuring/execution) and are recorded in a credit monitoring procedure.

## 9. Work-Out

In the case of overdue amounts of four and more instalments, the financing is rated as a 'risk credit' and processed by the execution department.

Risk credits are characterised by the following three focuses of processing—with individual solutions always given preference, depending on the risk situation of the case. The presented measures can also be initiated in a parallel fashion or individually.

Based on information from the customer, the problems (e.g., unemployment, divorce, unforeseen major financial burdens, etc.) are analysed which have led to the payment difficulties. A solution is attempted to be found in cooperation with the customer.

- (i) If a review of the credit rating reveals that the customer is able, even under deteriorated conditions, to service the financing, BHW prepares either a:

- deferral plan = partial postponement of interest and principal payments over a fixed agreed period until the customer's situation improves, or
  - restructuring concept = fundamental restructuring of the entire exposure of the customer, including the term, interest rate changes, additional restructuring loans, etc. If these measures are successful and the customer meets his or her payment obligations, the entire exposure is transferred back to the credit department after 12 months.
- (ii) If the review of the credit rating reveals that the customer is not able to service even modified financing, a "private sale" of the real estate is sought. A private sale normally leads to substantially higher proceeds than a forced sale. Within the framework of the forced sale, BHW avails itself of specialised real estate brokers, particularly in foreclosure cases, in order to attract the largest number of potential buyers to issue bids within the framework of the forced or private sale. Within the framework of regular reporting, the major foreclosure cases are treated with the divisional management and the further course of the execution measures determined. After the current market value of the real estate has been determined, the property is marketed with the cooperation of the customer, BHW and/or a commissioned external party (broker) within a reasonable period of time. If the purchase price obtained does not cover the residual debt, an agreement is sought early on with the customer to repay the still outstanding residual claim.
- (iii) If the customer does not cooperate or does not fulfil any agreement reached, the following action is initiated:
- real estate foreclosure measures
  - foreclosure on other assets of the customer (chattel execution/execution *in personam*)
  - realisation of alternative and additional collateral

## 10. Risk Provisions

The establishment of risk provisions by BHW is considered when payments of 6 to 10 instalments are in arrears, likewise when loans are terminated, by adjudication of claims, in case of enforcement measures by third parties and forced sales. The individual value adjustments (*Einzelwertberichtigungen*) are made with computer support. Considering the individual case, the credit availment of the relevant exposure, including outstanding claims for interest and charges, is compared to the real security and other collateral provided with due regard to the applicable collateral limit (70% before 2002, 73% from 2002). After the initial individual value adjustment, further risk provisions are generally made with computer support, based on the above-mentioned comparison, provided that no changes have to be made with respect to collateral and/or the collateral value.



## WEIGHTED AVERAGE LIVES OF THE NOTES

Weighted Average Life refers to the expected average amount of time that will elapse from the Issue Date to the date of payment of principal to the Noteholders (assuming no losses). The Weighted Average Lives of the Notes and therefore the yields to maturity on the Notes will be influenced by, among other things, the actual rate of repayment of the Reference Claims. This rate of repayment may itself be influenced by various economic, tax, legal and other factors such as changes in the value of the Mortgaged Properties or the level of EURIBOR from time to time. Thus, if prevailing interest rates fall below the interest rates on the Reference Claims, then the Reference Claims are likely to be subject to higher prepayment rates than if prevailing interest rates remain at or above the interest rates on the Reference Claims. This in turn, will create a shorter Weighted Average Life for the Notes.

The model used in this Information Memorandum for the Reference Claims employs an assumed constant per annum rate of prepayment ("**CPR**") each month relative to the then Outstanding Aggregate Principal Balance of the pool of Reference Claims. Constant Prepayment Rate (CPR) is a presumed constant rate of payments of principal not anticipated by the scheduled amortisation of the loan which when compounded monthly results in a reduction in the expected pool balance of the stated percentage each year without regard to prepayment penalties.

CPR does not purport to be either an historical description of the prepayment experience of any pool of mortgage loans or a prediction of the expected rate of prepayment of any mortgage loans, including the Reference Claims.

The following tables were prepared based on the characteristics of the Reference Claims and the following additional assumptions (the "**Modelling Assumptions**"):

- (a) The initial Class Principal Amounts relate to the Cut-off Date.
- (b) Each repayment of principal is received only on scheduled payment dates.
- (c) The Notes are issued on April 29, 2004 and the Payment Dates are assumed to be the 7th of February, May, August and November commencing with the Payment Date in August 2004.
- (d) In case of the table headed "To 10% clean-up call" the Bank exercises its respective right to terminate the Bank Swap when the Aggregate Principal Balance of the Reference Pool has been reduced to less than 10 per cent of the Initial Aggregate Principal Balance.
- (e) In the case of the table headed "To Early Redemption in February 2008", the Notes are redeemed on the Payment Date falling in February 2008.
- (f) Other than the stated CPR amount, it is assumed that there is no other form of prepayment even at fixed interest reset dates when Borrowers may repay without penalty, such prepayments being already taken into account in the stated CPR amount.

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

**To maturity**

	<b>CPR</b>	<b>0.0%</b>	<b>4.0%</b>	<b>6.0%</b>	<b>8.0%</b>	<b>10.0%</b>	<b>12.0%</b>	<b>14.0%</b>
<b>Class A+</b>		3.92	3.43	3.21	3.02	2.84	2.67	2.52
<b>Class A</b>		10.71	9.88	9.48	9.06	8.67	8.28	7.91
<b>Class B</b>		11.42	10.67	10.29	9.89	9.49	9.11	8.73
<b>Class C</b>		12.12	11.47	11.10	10.74	10.35	9.98	9.59
<b>Class D</b>		12.70	12.09	11.77	11.43	11.09	10.72	10.36

**To 10% clean-up call**

	<b>CPR</b>	<b>0.0%</b>	<b>4.0%</b>	<b>6.0%</b>	<b>8.0%</b>	<b>10.0%</b>	<b>12.0%</b>	<b>14.0%</b>
<b>Class A+</b>		3.88	3.39	3.17	2.99	2.80	2.64	2.50
<b>Class A</b>		8.77	8.02	7.52	7.27	6.77	6.52	6.27
<b>Class B</b>		8.77	8.02	7.52	7.27	6.77	6.52	6.27
<b>Class C</b>		8.77	8.02	7.52	7.27	6.77	6.52	6.27
<b>Class D</b>		8.77	8.02	7.52	7.27	6.77	6.52	6.27

**To Early Redemption in February 2008**

	<b>CPR</b>	<b>0.0%</b>	<b>4.0%</b>	<b>6.0%</b>	<b>8.0%</b>	<b>10.0%</b>	<b>12.0%</b>	<b>14.0%</b>
<b>Class A+</b>		2.78	2.59	2.50	2.42	2.33	2.25	2.17
<b>Class A</b>		3.77	3.77	3.77	3.77	3.77	3.77	3.77
<b>Class B</b>		3.77	3.77	3.77	3.77	3.77	3.77	3.77
<b>Class C</b>		3.77	3.77	3.77	3.77	3.77	3.77	3.77
<b>Class D</b>		3.77	3.77	3.77	3.77	3.77	3.77	3.77

## THE CERTIFICATES, COLLATERAL AND NOTEHOLDER COLLATERAL

### The Certificates

On the Issue Date, KfW will issue Certificates signed by KfW as obligor and the Issuer as Creditor as described below.

### Characteristics

Each Certificate is a certificate of indebtedness (*Schuldschein*) credit linked to the Reference Claims which constitutes an abstract undertaking of indebtedness (*abstraktes Schuldversprechen*) of KfW pursuant to § 780 of the German Civil Code (*Bürgerliches Gesetzbuch*) to pay to the creditor thereof, subject to and in accordance with the Certificate Conditions, the principal amount and interest accrued thereon specified below.

On the Issue Date, each Certificate has been delivered to the Issuer, or its attorney, has been countersigned by, or on behalf of, the Issuer, and thereafter deposited with KfW. KfW has agreed upon such delivery of the Certificates to KfW by the Issuer to hold each Certificate in custody at its own cost for the Issuer for as long as any obligation of KfW evidenced by such Certificate remains outstanding.

The Certificates constitute unsecured and unsubordinated obligations of KfW ranking *pari passu* among themselves and *pari passu* with all other unsecured and unsubordinated obligations of KfW, subject to reductions of principal of and, due to such principal reductions, interest on the Certificates as a result of the Loss Allocation to the Notes and each Certificate has terms and conditions regarding payments of principal and interest matching with the terms and conditions of the corresponding Class of Notes in accordance with the Certificate Conditions.

### Certificate Conditions

The following is the text of the Certificate Conditions.

#### 1. Certificates; Definitions

##### 1.1 Certificates

On April 29, 2004 (the "**Issue Date**"), KfW issues the following certificates of indebtedness (each, a "**Certificate**") in respect of its undertaking to pay the following principal amounts and interest thereon to the Creditor pursuant to these conditions (the "**Certificate Conditions**"):

- (a) Floating Rate Class A+ Certificate (the "**A+ Certificate**") in an initial principal amount of EUR 250,000,
- (b) Floating Rate Class A Certificate (the "**A Certificate**") in an initial principal amount of EUR 31,400,000,
- (c) Floating Rate Class B Certificate (the "**B Certificate**") in an initial principal amount of EUR 32,700,000,
- (d) Floating Rate Class C Certificate (the "**C Certificate**") in an initial principal amount of EUR 15,200,000, and
- (e) Floating Rate Class D Certificate (the "**D Certificate**") in an initial principal amount of

EUR 13,000,000.

## 1.2 *Related Transactions; Reference Pool*

(i) PROVIDE BLUE 2004-1 PLC, incorporated under the laws of Ireland as a public limited company with its registered office in Dublin, Ireland, (the "**Issuer**") issues the following classes of credit linked notes (each a "**Class**", and collectively, the "**Notes**") pursuant to the terms and conditions (the "**Terms and Conditions**") attached hereto as Schedule 1:

- (a) Class A+ Floating Rate Credit Linked Notes (the "**Class A+ Notes**") which are issued in an initial aggregate principal amount of EUR 250,000 and divided into 25 Class A+ Notes, each having an initial principal amount of EUR 10,000,
- (b) Class A Floating Rate Credit Linked Notes (the "**Class A Notes**") which are issued in an initial aggregate principal amount of EUR 31,400,000 and divided into 314 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 32,700,000 and divided into 327 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 15,200,000 and divided into 152 Class C Notes, each having an initial principal amount of EUR 100,000, and
- (e) Class D Floating Rate Credit Linked Notes (the "**Class D Notes**") which are issued in an initial aggregate principal amount of EUR 13,000,000 and divided into 130 Class D Notes, each having an initial principal amount of EUR 100,000.

(ii) The Notes are credit linked to a pool (the "**Reference Pool**") of loan claims for the payment of principal and interest arising from certain mortgage loans originated by BHW Bausparkasse AG (including its branches) and by the former BHW Allgemeine Bausparkasse AG which was merged into BHW with effect from August 1, 2003.

(iii) On or before the date hereof, the Bank and KfW have entered into a credit default swap (the "**Bank Swap**") whereby KfW will pay to the Bank amounts equal to losses incurred in the Reference Pool.

(iv) On or before the date hereof, the Issuer, the Bank and KfW have entered into a trust agreement (the "**Trust Agreement**") with Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Schwannstrasse 6, 40476 Düsseldorf, Germany, as Trustee. 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.

## 1.3 *Definitions*

Except so far as the context otherwise requires and subject to any contrary indication, words and expressions defined and expressed to be construed in a certain way in the Terms and Conditions, including the Trust Agreement, shall have the same meaning and construction *mutatis mutandis* in these Certificate Conditions.

## **2. Status of the Certificates**

The Certificates constitute unsecured and unsubordinated obligations of KfW, ranking *pari passu* among themselves and *pari passu* with all other unsecured and unsubordinated obligations of KfW, subject to the order in respect of the Loss Allocation and, if relevant, payment of principal in accordance with these Certificate Conditions.

The payment of principal of and, due to potential principal reductions, interest on the Certificates is conditional upon the performance of the Notes as set out in Section 8 (Loss Allocation) of the Certificate Conditions. There is no guarantee that the creditor of a Certificate (the "**Creditor**") shall receive the full initial principal amount of the relevant Certificate and interest thereon and ultimately the obligations of KfW to pay principal under any Certificate could even be reduced to the product of EUR 1 and the number of Notes of the Class of Notes relating to such Certificate as a result of losses incurred in respect of the Reference Claims.

## **3. Obligations under the Certificates**

The Certificates represent obligations of KfW only, and do not represent an interest in or obligations of the Issuer, the Trustee, the Bank or any of their respective affiliates or any affiliate of KfW or any other third person or entity.

## **4. No Interest in the Notes and Reference Claims**

The Creditor shall have no right to or interest in any Note or 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 which resulted in a reduction of the principal and/or interest payable under the Certificates.

## **5. Credit Link to the Notes and Reference Claims**

The payment of principal of and, due to potential principal reductions, interest on the Certificates in full is dependent upon the absence of principal reductions under the Notes, as set out in Section 8 (Loss Allocation). The payments under the Notes are, in turn, dependent upon the performance of the Reference Pool as set out in the Terms and Conditions.

## **6. Payments**

### *6.1 Manner*

Payments in respect of each Certificate shall be made by KfW on the due date to the account specified by or on behalf of the Creditor to KfW from time to time in writing not later than twenty Frankfurt Business Days prior to a day on which payment in respect of the relevant Certificate is due pursuant to these Certificate Conditions.

### *6.2 Determinations*

All amounts payable under the Certificates shall be determined by the Certificate Calculation Agent.

All determinations and calculations made by the Certificate Calculation Agent for the purposes of the Certificates shall, in the absence of manifest error, be final and binding.

### 6.3 *Business Day*

If the date for any payment in respect of any Certificate 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.

## **7. Payments of Interest**

### 7.1 *Accrual Basis*

The principal amount of each Certificate shall bear interest from the Issue Date until the close of the day (both days inclusive) preceding the day on which such amount has been paid in full or the principal amount of such Certificate is reduced to the product of EUR 1 and the number of Notes of the Class of Notes relating to such Certificate pursuant to Section 8 (Loss Allocation) of the Terms and Conditions.

### 7.2 *Payment Dates; Interest Amounts*

The amount of interest payable in respect of each Certificate on each Payment Date shall be as follows:

- (a) in the case of the A+ Certificate, an amount equal to the aggregate Interest Amounts payable on the Class A+ Notes on such date pursuant to the Terms and Conditions,
- (b) in the case of the A Certificate, an amount equal to the aggregate Interest Amounts payable on the Class A Notes on such date pursuant to the Terms and Conditions,
- (c) in the case of the B Certificate, an amount equal to the aggregate Interest Amounts payable on the Class B Notes on such date pursuant to the Terms and Conditions,
- (d) in the case of the C Certificate, an amount equal to the aggregate Interest Amounts payable on the Class C Notes on such date pursuant to the Terms and Conditions, and
- (e) in the case of the D Certificate, an amount equal to the aggregate Interest Amounts payable on the Class D Notes on such date pursuant to the Terms and Conditions

plus any interest amounts payable pursuant to Section 11.2 (Early Redemption for Default - Method and Amount) of the Terms and Conditions.

## **8. Loss Allocation**

### 8.1 *Reduction of Principal Amounts*

On each date on which any Realised Loss is allocated to the Notes pursuant to Section 8 (Loss Allocation) of the Terms and Conditions the principal amount of each Certificate shall be reduced as follows:

- (a) the principal amount of the A+ Certificate shall be reduced by an amount equal to the amount of Realised Losses allocated to the Class A+ Notes on such date pursuant to the Terms and Conditions,
- (b) the principal amount of the A Certificate shall be reduced by an amount equal to the amount of Realised Losses allocated to the Class A Notes on such date pursuant to the Terms and

Conditions,

- (c) the principal amount of the B Certificate shall be reduced by an amount equal to the amount of Realised Losses allocated to the Class B Notes on such date pursuant to the Terms and Conditions,
- (d) the principal amount of the C Certificate shall be reduced by an amount equal to the amount of Realised Losses allocated to the Class C Notes on such date pursuant to the Terms and Conditions, and
- (e) the principal amount of the D Certificate shall be reduced by an amount equal to the amount of Realised Losses allocated to the Class D Notes on such date pursuant to the Terms and Conditions.

#### 8.2 *Re-increase*

On each Payment Date on which the principal amount of the Notes of any Class is increased as a result of any Late Recoveries or the Unjustified Loss Allocation procedure pursuant to the Terms and Conditions, the principal amounts of the Certificates shall be increased as follows:

- (a) the principal amount of the A+ Certificate shall be increased by an amount equal to the increase of the Class Principal Amount of the Class A+ Notes on such date pursuant to the Terms and Conditions,
- (b) the principal amount of the A Certificate shall be increased by an amount equal to the increase of the Class Principal Amount of the Class A Notes on such date pursuant to the Terms and Conditions,
- (c) the principal amount of the B Certificate shall be increased by an amount equal to the increase of the Class Principal Amount of the Class B Notes on such date pursuant to the Terms and Conditions,
- (d) the principal amount of the C Certificate shall be increased by an amount equal to the increase of the Class Principal Amount of the Class C Notes on such date pursuant to the Terms and Conditions, and
- (e) the principal amount of the D Certificate shall be increased by an amount equal to the increase of the Class Principal Amount of the Class D Notes on such date pursuant to the Terms and Conditions.

#### 8.3 *Unjustified Loss Allocation Interest Payment*

On each Payment Date on which the principal amount of any Certificate is increased as a result of any Unjustified Loss Allocation pursuant to Section 9.1 (Unjustified Loss Allocation – Reversal of Realised Loss) of the Terms and Conditions, KfW shall pay to the Creditor in respect of each such Certificate an amount equal to the amount of the default interest payable by the Issuer pursuant to Section 9.1 (Unjustified Loss Allocation - Reversal of Realised Loss) of the Terms and Conditions on the corresponding Class of Notes as follows:

- (a) on the A+ Certificate in an amount equal to the amount of the default interest payable on the Class A+ Notes on such date pursuant to the Terms and Conditions,
- (b) on the A Certificate in an amount equal to the amount of the default interest payable on the Class A Notes on such date pursuant to the Terms and Conditions,

- (c) on the B Certificate in an amount equal to the amount of the default interest payable on the Class B Notes on such date pursuant to the Terms and Conditions,
- (d) on the C Certificate in an amount equal to the amount of the default interest payable on the Class C Notes on such date pursuant to the Terms and Conditions, and
- (e) on the D Certificate in an amount equal to the amount of the default interest payable on the Class D Notes on such date pursuant to the Terms and Conditions.

## **9. Payment of Principal**

### *9.1 Redemption of Notes*

On each date on which the Class Principal Amount of any Class of Notes is due to be redeemed (in full or in part) pursuant to the Terms and Conditions the principal amount of the Certificates shall be paid by KfW to the Creditor as follows:

- (a) the principal amount of the A+ Certificate in an amount equal to the amount of the redemption of the Class A+ Notes on such date pursuant to the Terms and Conditions,
- (b) the principal amount of the A Certificate in an amount equal to the amount of the redemption of the Class A Notes on such date pursuant to the Terms and Conditions,
- (c) the principal amount of the B Certificate in an amount equal to the amount of the redemption of the Class B Notes on such date pursuant to the Terms and Conditions,
- (d) the principal amount of the C Certificate in an amount equal to the amount of the redemption of the Class C Notes on such date pursuant to the Terms and Conditions, and
- (e) the principal amount of the D Certificate in an amount equal to the amount of the redemption of the Class D Notes on such date pursuant to the Terms and Conditions.

### *9.2 Bank Swap Termination*

On any Payment Date falling on or succeeding the date as of which the Bank Swap Termination occurs or has occurred, KfW may pay the principal amount of each Certificate to the Creditor in the amount determined pursuant to Section 9.1(a) through (e) for such date.

**"Bank Swap Termination"** means the termination of the Bank Swap for any of the reasons set out under (iii)(A) or (B) of Section 12.1 (Early Redemption by the Issuer - Certificate Termination) of the Terms and Conditions.

### *9.3 Tax Event; Regulatory Event*

Without prejudice to Section 9.2 (Payment of Principal - Bank Swap Termination), on any Payment Date following the occurrence of a Regulatory Event in respect of KfW or a Tax Event, KfW shall have the right but no obligation to pay the principal amount of each Certificate (all but not some only) to the Creditor in the amount determined pursuant to Section 9.1(a) through (e) of the Certificate Conditions for such date.



## 10. Prepayment by KfW

Except as set forth in Section 9 (Payment of Principal) of the Certificate Conditions KfW shall not have the right to pay the principal amount of any Certificate in whole or in part. KfW hereby expressly waives any right of early termination which it may have at any time under any applicable law.

## 11. Taxes

Payments in respect of the Certificates shall only be made after the 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. KfW shall account for the deducted or withheld taxes with the competent government agencies and shall, upon request of the Creditor, provide a proof thereof.

**KfW is not obliged to pay any amounts as compensation for deduction or withholding of taxes in respect of payments on the Certificates.**

## 12. Assignment

The rights and claims of the Creditor under each Certificate may be assigned in writing and with the prior written consent of KfW only. In the case of an assignment, the assignor shall inform KfW of such assignment and the address of the assignee for the purposes of Section 13 (Communications) of the Certificate Conditions. The assignee shall then have the rights and claims of the Creditor in accordance with the Certificate so assigned.

## 13. Communications

- (1) All communications under the Certificates shall be made by mail or by fax, *provided that* notices made by fax must be confirmed by mail.
- (2) Any communication under the Certificates shall be in English.
- (3) Subject to written notification of any change of address, all notices under the Certificates to the parties set out below shall be directed to the following addresses:
  - (a) if to the Creditor:

PROVIDE BLUE 2004-1 PLC  
5 Harbourmaster Place  
IFSC  
Dublin 1  
Ireland

Attention:                   The Directors  
Telephone:                 (+353) 1 680 6000  
Telefax:                   (+353) 1 680 6050

(b) if to KfW:

Palmengartenstrasse 5-9  
60325 Frankfurt am Main  
Germany

Attention: TM b2 - Collateral Management/Loan Securitisation  
Telephone: (+49) 69 7431-0  
Telefax: (+49) 69 7431-3930

#### **14. Agents**

KfW has appointed the Principal Paying Agent as the initial Certificate calculation agent (in this capacity, the "**Certificate Calculation Agent**" which term shall include any substitute Certificate Calculation Agent appointed in accordance with the Transaction Documents) in respect of the Certificates.

KfW shall procure that for as long as any payment obligation under any of the Certificates remains outstanding there is a Certificate Calculation Agent appointed which shall be at all times the Principal Paying Agent under the Notes.

#### **15. Miscellaneous**

##### *15.1 Place of Performance*

Place of performance of the Certificates shall be Frankfurt am Main.

##### *15.2 Severability*

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

##### *15.3 Schuldversprechen*

Each Certificate constitutes an abstract undertaking of indebtedness (*abstraktes Schuldversprechen*) in written form pursuant to § 780 of the German Civil Code (*Bürgerliches Gesetzbuch*). The Certificates do not represent loans nor have the Certificates been issued on the basis of or in respect of any loans.

##### *15.4 Surrender*

Each Certificate shall be surrendered to KfW upon discharge of all obligations of KfW evidenced thereby.

#### **16. Applicable Law and Place of Jurisdiction**

##### *16.1 Applicable Law*

The Certificates and the agreements evidenced thereby shall be governed by the laws of the Federal Republic of Germany.

## 16.2 Jurisdiction

The non-exclusive place of jurisdiction for any action or other legal proceedings arising out of or in connection with the Certificates and the agreements evidenced thereby shall be the District Court (*Landgericht*) in Frankfurt am Main.

### **Purchase by the Issuer**

On the Issue Date, the Issuer will purchase the Certificates from KfW pursuant to the Certificate Purchase Agreement. The Issuer will use the gross proceeds from the issue of the Notes to pay to KfW the purchase price for the Certificates on the Issue Date. See "USE OF PROCEEDS"

### **Assignments and Pledges**

Pursuant to the Certificate Conditions each assignment of a Certificate requires the prior written consent of KfW. Pursuant to the Trust Agreement the Issuer undertakes not to assign any Certificate without the Trustee's prior written consent and the Trustee undertakes neither to assign the Trustee Claim which is secured by a pledge over the Certificates pursuant to the Trust Agreement (except in connection with the replacement of the Trustee pursuant to Clause 24 of the Trust Agreement), nor to give its consent to any assignment of a Certificate by the Issuer (except in connection with the substitution of the Issuer pursuant to Section 17 (Substitution of the Issuer) of the Terms and Conditions).

In addition, KfW has given its consent to the First Pledge and the Second Pledges pursuant to the Certificate Purchase Agreement

### **Payments on the Notes**

The Issuer will receive the amounts necessary for the payments under the Notes from payments under the Certificates. On each Payment Date payments of principal, if any, and interest on each Class of Notes will be made from the principal and interest received under the corresponding Certificate.

Neither the Notes nor the Certificates will provide for gross-up payments in the case that payments under the Certificates become subject to withholding or deduction of taxes. If on any Payment Date any withholding or deduction on account of taxes is imposed with respect to payments by KfW under the Certificates, 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 corresponding Certificate divided by the number of Notes of the Class of Notes relating to such Certificate.

### **Collateral**

On the Issue Date, the Issuer will grant the First Pledge over all its present and future claims and rights against KfW under the Certificates as well as all its present and future claims and rights under the other Transaction Documents (other than the Noteholder Security Agreement, the Swap Agreements, the Account Agreement, the Administration Agreement and the Irish Security Agreement) to the Trustee 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".

On the Issue Date, the Issuer will also assign by way of security in favour of the Trustee all of its claims, right, title and interest in and to: the Administration Agreement, the Account Agreement and the Account to secure the Trustee Claim (*Treuhänderanspruch*) pursuant to the Irish Security Agreement.

## **Noteholder Collateral**

In addition to the Collateral, the Issuer will on the Issue Date grant the Second Pledge, a second, junior pledge (*nachrangiges Pfandrecht*), for each Note of a particular Class over all its present and future rights and claims under the corresponding Certificate to the Manager as initial holder of the Notes purchased by it under the Subscription Agreement, to secure the Issuer's obligations under such Note pursuant to the Noteholder Security Agreement. The Second Pledges securing the Notes of a particular Class shall rank *pari passu* among each other. The First Pledge on any Certificate under the Trust Agreement shall rank senior to all Second Pledges in respect of such Certificate created by the Noteholder Security Agreement. The Second Pledges in respect of any Certificate may only be exercised if (i) the First Pledge in favour of the Trustee in respect of such Certificate no longer validly exists or (ii) the Trustee has waived the First Pledge or, in certain circumstances described herein, if (iii) no trustee is appointed in accordance with the Terms and Conditions. The Second Pledges in respect of the Certificates may be exercised upon the Trustee Resignation Effective Date if no successor trustee is appointed in accordance with the Trust Agreement by that time as set out in the Noteholder Security Agreement. The Second Pledges will be accessory (*akzessorisch*) to the Notes and therefore upon the transfer of each Note the Second Pledge securing such Note will pass on to the transferee by operation of law and so benefit each subsequent holder of such Note in accordance with the Noteholder Security Agreement, subject to the applicable conflict of law rules. See "THE NOTEHOLDER SECURITY AGREEMENT".

## **Collateral, Noteholder Collateral and Loss Allocation**

Notwithstanding the Collateral and/or the Noteholder 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 and/or the Noteholder Collateral.

## NOTEHOLDER SECURITY AGREEMENT

The following is the text of the Noteholder Security Agreement. The text is attached as Appendix D to the Terms and Conditions and constitutes an integral part of the Terms and Conditions. In case of any overlap or inconsistency in the definition of a term or expression in the Noteholder Security Agreement and elsewhere in this Information Memorandum, the definition in the Noteholder Security Agreement will prevail.

This Agreement is entered into as of April 29, 2004 between PROVIDE BLUE 2004-1 PLC, 5 Harbourmaster Place, IFSC, Dublin 1, Ireland (the "**Issuer**"), Deutsche Bank AG London, Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom (the "**Pledgee**"), and Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Schwannstrasse 6, 40476 Düsseldorf, Germany (the "**Trustee**").

WHEREAS:

(A) The parties hereby record the arrangements between them in respect of the issue of the following classes of credit linked notes (each a "**Class**", together, the "**Notes**") by the Issuer:

- (a) EUR 250,000 Class A+ Floating Rate Credit Linked Notes,
- (b) EUR 31,400,000 Class A Floating Rate Credit Linked Notes,
- (c) EUR 32,700,000 Class B Floating Rate Credit Linked Notes,
- (d) EUR 15,200,000 Class C Floating Rate Credit Linked Notes, and
- (e) EUR 13,000,000 Class D Floating Rate Credit Linked Notes.

(B) On the Issue Date, the Pledgee acquires all of the Notes pursuant to the Subscription Agreement as the initial holder of the Notes.

(C) Terms used but not defined herein have the same meaning as in the Terms and Conditions, including the Trust Agreement. The Pledgee confirms that it has knowledge of the provisions of the Terms and Conditions, including the Trust Agreement.

NOW THEREFORE, the parties agree as follows:

### Clause 1 Second Pledges of Certificates

(1) On the Issue Date, the Issuer has purchased from KfW the following classes of certificates of indebtedness of KfW credit linked to the Reference Claims:

- (a) Floating Rate Class A+ Certificate (the "**A+ Certificate**") in an initial principal amount of EUR 250,000,
- (b) Floating Rate Class A Certificate (the "**A Certificate**") in an initial principal amount of EUR 31,400,000,
- (c) Floating Rate Class B Certificate (the "**B Certificate**") in an initial principal amount of

EUR 32,700,000,

- (d) Floating Rate Class C Certificate (the "**C Certificate**") in an initial principal amount of EUR 15,200,000, and
- (e) Floating Rate Class D Certificate (the "**D Certificate**") in an initial principal amount of EUR 13,000,000.

(2) The Issuer as legal and beneficial owner of the Certificates hereby grants to the Pledgee the following pledges (each a "**Second Pledge**") subordinated in accordance with paragraph (4) below:

- (a) for each Class A+ Note, the Issuer hereby grants a pledge (*Pfandrecht*) pursuant to §§ 1204, 1273 and 1279 of the German Civil Code (*Bürgerliches Gesetzbuch*) on all its present and future rights and claims under the A+ Certificate to secure the Issuer's obligations under such Note;
- (b) for each Class A Note, the Issuer hereby grants a pledge (*Pfandrecht*) pursuant to §§ 1204, 1273 and 1279 of the German Civil Code (*Bürgerliches Gesetzbuch*) on all its present and future rights and claims under the A Certificate to secure the Issuer's obligations under such Note;
- (c) for each Class B Note, the Issuer hereby grants a pledge (*Pfandrecht*) pursuant to §§ 1204, 1273 and 1279 of the German Civil Code (*Bürgerliches Gesetzbuch*) on all its present and future rights and claims under the B Certificate to secure the Issuer's obligations under such Note;
- (d) for each Class C Note, the Issuer hereby grants a pledge (*Pfandrecht*) pursuant to §§ 1204, 1273 and 1279 of the German Civil Code (*Bürgerliches Gesetzbuch*) on all its present and future rights and claims under the C Certificate to secure the Issuer's obligations under such Note; and
- (e) for each Class D Note, the Issuer hereby grants a pledge (*Pfandrecht*) pursuant to §§ 1204, 1273 and 1279 of the German Civil Code (*Bürgerliches Gesetzbuch*) on all its present and future rights and claims under the D Certificate to secure the Issuer's obligations under such Note.

(3) The Second Pledges securing the Notes of a particular Class shall rank *pari passu* among each other.

(4) Prior to the Second Pledges being created pursuant to paragraph (2) above, the Issuer granted a pledge (the "**First Pledge**") over all its present and future rights and claims under the Certificates to the Trustee pursuant to the Trust Agreement as security for the Trustee Claim (*Treuhänderanspruch*). The First Pledge on any Certificate shall rank senior to all Second Pledges in respect of such Certificate created hereby. The Pledgee hereby acknowledges and confirms the continuing priority of the First Pledge.

(5) The Pledgee acknowledges that the Second Pledges (including the agreement pursuant to paragraph (6)) will be accessory to the Notes (§ 1250 of the German Civil Code (*Bürgerliches Gesetzbuch*)) and therefore upon the transfer of each Note the Second Pledge securing such Note will pass on to the transferee by operation of law.

(6) Notwithstanding the provisions of paragraph (4) the Trustee hereby agrees with the Pledgee that the Second Pledge in respect of any Note pursuant to paragraph (2) may be exercised upon the Trustee

Resignation Effective Date if no successor trustee is appointed in accordance with the Trust Agreement by the then current holder of such Note towards satisfaction of the obligations of the Issuer under such Note. The agreement in this paragraph (6) shall operate for the benefit of any Noteholder from time to time and constitutes a contract for the benefit of a third party pursuant to § 328(1) of the German Civil Code (*Bürgerliches Gesetzbuch*) (*echter Vertrag zugunsten Dritter*).

## **Clause 2 Representation of the Issuer**

The Issuer hereby represents to the Pledgee that:

- (a) the Issuer is the creditor of the Certificates and the rights and claims set forth therein (together, the "**Pledged Claims**");
- (b) except for the First Pledge, it has not previously transferred, assigned, pledged or otherwise charged any of the Pledged Claims to any third party; and
- (c) except for the First Pledge, no third-party rights to or in relation to any of the Pledged Claims have been created by it or, to the best of its knowledge, exist.

## **Clause 3 Amendments**

This Agreement (including this Clause 3) may only be amended by agreement of the parties hereto in writing.

## **Clause 4 Governing Law; Place of Performance; Jurisdiction**

- (1) This Agreement shall be governed by, and construed in accordance with, the laws of the Federal Republic of Germany.
- (2) Place of performance for the obligations of the parties hereto is Frankfurt am Main.
- (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 (*Landgericht*) in Frankfurt am Main. The Issuer hereby submits to the jurisdiction of such court. The Issuer has appointed FIDEUROP Treuhandgesellschaft für den Gemeinsamen Markt mbH, Wirtschaftsprüfungsgesellschaft, with its seat on the Issue Date at Bockenheimer Anlage 15, Mozartplatz, 60322 Frankfurt am Main, Germany, as its authorised agent for 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 as long as any Note remains outstanding.

## **Clause 5 Trustee**

The Trustee is only party to this Agreement for the purposes of Clause 1(6) and has no other obligations or liabilities hereunder.

**Clause 6**  
**Condition Precedent**

This Agreement and the rights and obligations hereunder are subject to the condition precedent that the Second Pledges will become effective only after the Trust Agreement including the First Pledge has become effective and that accordingly the Second Pledges rank junior to the First Pledge pursuant to § 1209 of the German Civil Code (*Bürgerliches Gesetzbuch*), even if, in the case of pledges which are subject to a condition precedent, the chronological order of the occurrence of such conditions (and not of the agreements and notifications constituting the conditional pledges) would be relevant for the rank of such pledges pursuant to § 1209 of the German Civil Code (*Bürgerliches Gesetzbuch*).

**Clause 7**  
**Counterparts**

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



## THE ISSUER

### Introduction

The Issuer was incorporated in Ireland on March 31, 2004 under registered number 384085, as a public company limited by shares under the Irish Companies Acts, 1963 to 2003 under the name of PROVIDE BLUE 2004-1 PLC. The registered office of the Issuer is at 5 Harbourmaster Place, IFSC, Dublin 1, Ireland. The authorised share capital of the Issuer is EUR 38,100 divided into 38,100 ordinary shares of EUR 1 each, 38,100 of which are issued and fully paid up (the "**Shares**") and held by Deutsche International Finance (Ireland) Limited as shareholder trustee (the "**Shareholder Trustee**") and six other nominee shareholders each of whom holds one ordinary share on trust for the Shareholder Trustee. The Shareholder Trustee holds the Shares on trust for certain charities and charitable institutions according to the terms of a Declaration of Trust signed by the Shareholder Trustee. The Issuer is not related to any of KfW or the Bank (in any of its respective capacities).

### Business of the Issuer

The principal objects of the Issuer are set forth in its Memorandum of Association and amongst other things are to carry on the business of purchasing, acquiring, selling, dealing in, holding, collecting, discounting, financing and refinancing (whether asset backed or not) of all kinds of financial assets in any currency whatsoever, negotiating, managing, selling, participating in (whether by acquiring the financial assets or by any other means (including, without limitation, entering into credit default swaps with respect to such assets or the risks associated therewith or acquiring credit linked notes relating to such assets or such risks)), disposing of or otherwise dealing, directly or indirectly, in real or personal property of whatsoever nature and to raise or borrow money and to grant security over its assets for such purposes. These objects allow the Issuer to issue the Notes and use the proceeds to acquire the Certificates.

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 2003, the authorisation and issue of the Notes, the acquisition of the Certificates, the execution of the Trust Agreement and of the other documents and matters referred to or contemplated in this Information Memorandum 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 March 31, 2004, its date of incorporation.

The time of the opening of the subscription lists, for the purposes of Section 56 of the Companies Act, 1963 of Ireland, shall be the date which is four Business Days after the date of this Information Memorandum.

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 Certificates purchased from KfW and, subject to Section 2.3 (Rights and Obligations under the Notes - Limited Recourse) of the Terms and Conditions such Certificates will be the only assets available to meet the claims of the Noteholders. Pursuant to the Trust Agreement, the Bank and/or KfW 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 AND ACCOUNTS".

## Directors

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

<b>Name</b>	<b>Address</b>	<b>Description</b>
Michael Whelan	5 Harbourmaster Place IFSC Dublin 1 Ireland	Company Director
Conor Blake	5 Harbourmaster Place IFSC Dublin 1 Ireland	Company Director

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 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.

## Secretary

The secretary of the Issuer is Deutsche International Corporate Services (Ireland) Limited whose business address is 5 Harbourmaster Place, IFSC, Dublin 1, Ireland.

## Capitalisation and Indebtedness Statement

The capitalisation of the Issuer as at the date of this Information Memorandum, adjusted for the Notes now being issued on the Issue Date, is as follows:

<b>Share Capital</b>	<b>EUR</b>
<b>Authorised:</b>	
EUR 38,100 divided into 38,100 ordinary shares of EUR 1 each	38,100
<b>Issued:</b>	
38,100 ordinary shares of EUR 1 each (fully paid)	38,100
<b>Loan capital:</b>	
EUR 250,000 Class A+ Floating Rate Credit Linked Notes	250,000
EUR 31,400,000 Class A Floating Rate Credit Linked Notes	31,400,000
EUR 32,700,000 Class B Floating Rate Credit Linked Notes	32,700,000
EUR 15,200,000 Class C Floating Rate Credit Linked Notes	15,200,000
EUR 13,000,000 Class D Floating Rate Credit Linked Notes	13,000,000
<b>Total Capitalisation</b>	<u><u>92,588,100</u></u>

Save for the foregoing, at the date of this Information Memorandum, 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, 2004. Since the date of its incorporation no statutory financial statements have been prepared.

### **Auditors**

The auditors of the Issuer are Deloitte & Touche, Deloitte & Touche House, 29 Earlsfort Terrace, Dublin 2, Ireland.

### **Expenses**

It is estimated that the expenses (including legal expenses, listing expenses and initial expenses of service providers) associated with the issue of the Notes (all of which expenses are payable jointly and severally by the Bank and KfW) will not exceed 1% of the initial aggregate principal amount of the Notes.

### **Commission**

Commission (not including commission to sub-underwriters) is payable by the Bank to the Manager for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions for the Notes.

### **Litigation**

The Issuer has not been engaged in any litigation or arbitration proceedings which may have a significant effect on its financial position since its incorporation, nor, as far as the Issuer is aware, are any such litigation or arbitration proceedings pending or threatened.

### **Material Change**

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

## **Accountants' Report**

22 April 2004

The Directors  
Provide Blue 2004-1 PLC  
5 Harbourmaster Place  
IFSC  
Dublin 1  
Ireland

### **Issue of Euro 250,000 Class A+ Floating Rate Notes and Euro 31,400,000 Class A Floating Rate Notes and Euro 32,700,000 Class B Floating Rate Notes and Euro 15,200,000 Class C Floating Rate Notes and Euro 13,000,000 Class D Floating Rate Notes.**

Dear Sirs,

#### **Re: Provide Blue 2004-1 plc**

We report on the financial information set out in paragraphs 1 to 2.2 below. This financial information has been prepared for inclusion in the Information Memorandum dated 22 April 2004. The financial information set out in this report is based on the non-statutory accounts of Provide Blue 2004-1 PLC (the "Company") for the period from incorporation on 31 March 2004 to 21 April 2004 to which no adjustments were considered necessary

#### ***Responsibility***

Such financial statements are the responsibility of the Directors of the Company. The Directors of the Company are responsible for the contents of the Information Memorandum dated 22 April 2004 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 Information Memorandum dated 22 April 2004, a true and fair view of the state of affairs of the Company as at 21 April 2004.

## ***Financial Information***

### **1. Balance Sheet at 21 April 2004\***

	<b>Euro</b>
<b>Current Assets</b>	
Cash	38,100
	<hr/>
<b>Capital and reserves</b>	
Share capital	38,100
Profit and loss reserve	-
Shareholders' funds – equity	38,100
	<hr/>

\* See notes in paragraph 2 below.

### **2. Notes**

2.1 The company was incorporated on 31 March 2004. The Company has not yet commenced business, no audited statutory financial statements have been made up and no dividends have been declared or paid since the date of incorporation.

2.2 The unaudited non-statutory accounts are prepared in accordance with generally accepted accounting principles in Ireland, by the directors for inclusion in the Information Memorandum dated 22 April 2004.

2.3 On incorporation the authorised share capital of the Company amounted to 38,100 Euro divided into 38,100 ordinary shares of 1 Euro each. 38,100 ordinary shares of 1 Euro have been issued and fully paid up.

Yours faithfully,

---

**DELOITTE & TOUCHE**

## CORPORATE ADMINISTRATION AND ACCOUNTS

### Corporate Administration

Pursuant to the Administration Agreement governed by Irish law, the Administrator has agreed to provide book-keeping and other corporate and administrative services to the Issuer as well as account management functions with respect to the Account.

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

All claims of the Administrator against the Issuer have been agreed to be subject to limited recourse.

#### *Description of the 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.

The information under "Description of the Administrator" has been provided by the Administrator, and neither the Issuer nor the Bank nor KfW assumes any responsibility for its contents.

### Account

In connection with the Transaction the Issuer will maintain one bank account with the Account Bank, BNP Paribas-Dublin Branch, 5 George's Dock, IFSC, Dublin 1, Ireland. The Account will be a current account.

Pursuant to the Irish Security Agreement, all of the Issuer's claims, right, title and interest in and to: the Account and the Account Agreement are assigned by way of security in favour of the Trustee to secure the Trustee Claim. See "THE CERTIFICATES, COLLATERAL AND NOTEHOLDER COLLATERAL".

The Issuer may, for good cause (*aus wichtigem Grund*), with the prior written consent of the Trustee (which shall not be unreasonably withheld) close the Account and open a new Account with another Account Bank. In such case the Issuer shall within 30 calendar days after receiving such written consent (i) close the Account with the Account Bank, (ii) open a new Account with another Account Bank having at least the Required Ratings from each of the Rating Agencies and (iii) transfer any amounts standing to the credit of the Account to such new Account.

In the event that the rating of BNP Paribas-Dublin Branch by any of the Rating Agencies is withdrawn or falls below the relevant Required Rating, the Issuer, or if the Issuer fails to do so, the Trustee shall within 30 calendar days (i) close the Account with the Account Bank, (ii) open a new Account with another Account Bank having at least the Required Ratings from each of the Rating Agencies and (iii) transfer any amounts standing to the credit of the Account to such new Account Bank.

**"Required Rating"** means for the Account Bank, each of the following ratings: A-1 by S&P and F1 by Fitch.

As consideration for the performance of its services and functions under the Account, the Issuer will pay the Account Bank a fee as separately agreed between the Account Bank and the Issuer with the consent

of the Bank and KfW.

All claims of the Account Bank against the Issuer have been agreed to be subject to limited recourse.

*Description of the Account Bank*

BNP Paribas SA is Europe's fourth largest banking group with activities in 87 countries and 80,000 employees. BNP Paribas was formed by the merger in May 2000, of Banque Nationale de Paris and Banque Paribas and is regulated by the Banque de France. The group is rated AA-/A1+ by S&P, Aa2/P-1 by Moody's and AA/F1+ by Fitch Ratings Ltd. BNP Paribas Dublin as a branch enjoys the same ratings.

The audited accounts for the year ended 31 December 2002, show the group had total assets of EUR 710,319 million and net income of EUR 3,295 million.

## THE BANK

### Formation

BHW is a special bank institute in the legal form of a public limited corporation. The institute was founded in 1928. The public limited corporation is registered in the Commercial Register of the Local Court of Hameln under Commercial Register No. (HRB) 1216.

From the outset, the capital providers of BHW were civil service professional organizations (*Standesorganisationen des öffentlichen Dienstes*). Endowed with a series of privileges, BHW contracted exclusively with clients from the civil service (*öffentlicher Dienst*) and their relatives until 1982. This customer group is still the best represented group today at BHW.

Initial formations of building societies (*Bausparkassen*) in the form of special banks with restricted business date back nearly 80 years. Only building societies may offer building savings contracts (*Bausparverträge*) in Germany. The course of these building savings contracts is technically and mathematically determined and classified by certain rates in consultation with the German banking supervision authorities. After a savings period, customers are entitled to disbursement of the accumulated credit and to additional disbursement of a building savings loan (*Bauspardarlehen*) in the amount of the difference between the Building Savings Amount (*Bausparsumme*) initially set pursuant to the building savings contract and the credit saved. The conditions for building savings loans are determined for customers at the start of the savings transaction. The interest rate remains unchanged for the entire loan transaction up to the complete loan redemption. The German government promotes the savings period through building savings assistance (*Bausparförderung*) and the later procurement of concrete residential space through assistance to residential building (*Eigenheimförderung*). The loans of the building societies may only be used for housing purposes. In accordance with a special German supervision act, building societies may also move beyond the narrow building savings business to undertake a broader range of various forms of financing and refinancing. For example, German building societies nowadays grant a large scope of loans for housing purposes which are not coupled with building savings contracts. Hence, German building societies compete with the products of mortgage banks and normal commercial banks and savings institutions.

### Company Portrait

The activities of BHW encompass all asset and liability transactions permitted in accordance with the German Building Savings Bank Act (*Bausparkassengesetz*). Mortgage loans not backed by any building savings contract are taking on increasing significance.

Allgemeine HypothekenBank Rheinboden AG with registered office in Frankfurt also pertains to the BHW Group under the holding company of BHW Holding AG. This bank likewise issues mortgage-backed housing loans, though as normal redemption loans. The refinancing is normally arranged through the issue of mortgage bonds (*Pfandbriefe*) in accordance with the German Mortgage Bank Act (*Hypothekbankgesetz*).

BHW possesses a stationary network in Germany of approximately 430 offices. These offices have different qualitative focuses both in terms of staffing and loan-commitment authority. The stationary network is complemented by a network which has been built up over the years and currently consists of approximately 4,078 agents who work full-time exclusively for BHW or the BHW Group.

BHW is one of the largest home finance banks (*Baufinanzierer*) in Germany when taking all of the home finance banks belonging to BHW Holding AG into account, i.e. the building society, a bank and a mortgage bank. The services of the holding company's own life insurance company, asset management company and BHW Immobilien GmbH continue to be distributed in cross-selling. The sales activities of the field representative organization are reinforced by supplementary sales channels, such as a call



center, Internet website and cooperation with insurance companies, banks, financial advisor networks and brokerage companies.

BHW has three branch offices in western Europe (Belgium, Luxembourg and Italy). Home financing products (*Wohnungsbaufinanzierungen*) are sold there in the respective national currencies with and without building savings plans. For its German clientele, BHW possesses the technical instruments to undertake mortgage-backed financing in a total of 12 western European countries.

BHW is wholly owned by BHW Holding AG. The holding company itself is not active in operative terms, but is the capital provider and control instrument for all enterprises in the BHW Group. Since 1997, BHW Holding AG has been listed on several German stock exchanges. As of December 31, 2002, owners include the German federation of unions under the corporate name "BGAG Beteiligungsgesellschaft der Gewerkschaften AG" with a share of 38.9%, the German civil servant federation DBB Beamtenbund und Tarifunion via its affiliate "Deutscher Beamtenwirtschaftsbund GmbH (BWB)" with a share of 36.6%, Münchener Rückversicherungs-Gesellschaft with a share of 9.2% and BHW Holding AG with a share of 7.8%.

BHW Bausparkasse is taking over AXA Bausparkasse AG, the AXA Group's Bauspar subsidiary. The purchase agreement was signed on April 20, 2004. The agreement provides for the takeover of AXA Bausparkasse AG by BHW with retrospective effect to January 1, 2004.

### **Supervision**

As a special "building society", BHW is generally subject to the German Banking Supervision Act (*Kreditwesengesetz* - the "**Banking Act**") as well as to the special act for building societies, the Building Savings Bank Act. Supervision is conducted by the general supervision authorities, the German Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) in Bonn.

### **Registered Office**

The registered office of BHW is in Hameln, Lubahnstraße 2. The main administration and management board of the company is located there.

### **Guarantee of Deposits**

BHW is a member of the Deposit Guarantee Fund for building societies (*Bausparkassen-Einlagensicherungsfonds e.V.*) in Berlin, and is a compulsory member of the legal guarantee institution for private institutes (*Entschädigungseinrichtung deutscher Banken GmbH*), Cologne.

### **Building Society Sector**

There are currently 29 building societies in Germany (16 in the private-law form of a joint stock corporation and 11 public-law divisions or subsidiaries of state banks). The total assets of all German building societies amounted to EUR 158.4 billion as of December 31, 2002. German building societies account for two-thirds of home financing in Germany. Nearly one-third of all adults in Germany hold one or more building savings contracts (source: Fitch).

BHW has been rated A/Negative/A-1 by S&P with a negative outlook. The rating is currently on "credit watch". Total assets amounted to EUR 32.1 billion as of December 31, 2002, the second highest figures among all German building societies after Bausparkasse Schwäbisch Hall.

## **Bodies of BHW (as of March 2004)**

### **Management Board**

Management is conducted by the Management Board which is monitored by the Supervisory Board.

The Management Board currently consists of the following members:

**Reinhard Wagner** (Chairman)  
**Dr. Bernd Dedert**  
**Rudolf Eis**  
**Hans-Joachim Gasda**  
**Dr. Joachim Klare**  
**Joachim Nüßler** (resigning on June 30, 2004)  
**Dr. Udo Rödel**

**Executive Managers**  
**Henning R. Engmann**

### **Supervisory Board**

The Supervisory Board currently consists of the following members:

**Heinz Ossenkamp**, Chairman, Deputy Federal Chairman of DBB Beamtenbund und Tarifunion, Federal Chairman of KOMBA Gewerkschaft für den Kommunal- und Landesdienst im DBB  
**Detlef Schulz**, Deputy Chairman of the BHW Group Worker's Council  
**Ute Brutzki**, Union Secretary, ver.di-Vereinte Dienstleistungsgewerkschaft e.V.  
**Klaus Dahmann**, Member of the Management Board BGAG Beteiligungsgesellschaft der Gewerkschaften AG  
**Dr. Ludwig Eckinger**, Federal Chairman of Verband Bildung und Erziehung (VBE) e.V.  
**Dr. Rolf Freyberg**, Chairman of the Management Board BGAG Beteiligungsgesellschaft der Gewerkschaften AG  
**Wolfgang Hartmann**, Head of Sales Promotion Department BHW Bausparkasse AG  
**Gerd Herzberg**, Deputy Chairman ver.di Vereinte Dienstleistungsgesellschaft e.V.  
**Manfred Schell**, Federal Chairman of the Gewerkschaft Deutscher Lokomotivführer (GDL) in the DBB  
**Torsten Schulte**, Chairman of the BHW Worker's Council  
**Dieter Sell**, Team Leader Clearing Office BHW Bausparkasse AG  
**Claus-Peter Willems**, Head of Main Lending Department BHW Bausparkasse AG

### **Equity**

The subscribed capital of BHW Bausparkasse is divided into 400,000 registered no-par value shares, which have been fully paid in. The sole shareholder is BHW Holding AG.

Equity Development (in millions of EUR)	12/31/2002	12/31/2003
Subscribed capital	204,517	204,517
Capital reserves	587,075	680,000
Profit reserves	80,161	80,161
<b>Total</b>	<b>871,753</b>	<b>964,678</b>
Retained earnings	46,100	0
Shareholders' equity	917,853	964,678

In the 2003 reporting year, risk assets increased by 22.6% to EUR 15.1 billion. The liable equity capital of BHW Bausparkasse in accordance with § 10 of the Banking Act increased by 23.5% to EUR 1,363.4 million. The equity capital resources are therefore above the minimum rate required by supervisory law. At 9.1% on December 31, 2003, the solvency ratio defined in Principle I of the German Banking Act had been met, and thus continues to lie above the required minimum rate. The core capital ratio amounted to 5.8%. Within the framework of its planned business expansion, BHW Holding AG will guarantee that there will be sufficient capital resources available.

## Financial Statements

BHW Bausparkasse AG

Consolidated Financial Statements in Accordance with the Provisions of the German Commercial Code (HGB)

Balance Sheet Figures in Millions of Euros

	31.12.2003 (audited)	31.12.2002 (audited)	31.12.2001 (audited)	31.12.2000 (audited)
Total assets	38,060	32,072	30,649	28,353
Shareholders' equity	965	918	934	929
Equity ratio	2.53%	2.89%	3.0%	3.3%
- Core capital ratio in accordance with the Banking Act	5.8%	6.8%	6.7%	7.3%
- Total capital ratio in accordance with the Banking Act	9.1%	9.0%	8.5%	8.3%
Building savings deposits (Bauspareinlagen)	14,228	12,186	11,657	11,550
Building savings loans (Bauspardarlehen)	3,831	3,720	3,914	4,089
Aggregate excess building savings balance (Kollektiver Überschuss)	10,397	8,466	7,743	7,461
Reserve fund for building contracts (Fonds baupartechnische Abwicklung)	88	79	70	63
Bridge financing (Vor- und Zwischenfinanzierungen)	16,025	13,272	11,770	10,864
Mortgage loans	3,073	2,764	2,159	1,711
Trust loans (Treuhandkredite)	7,902	5,727	5,434	4,950
Loans portfolio (number of contracts in thousands)(Vertragsbestand)	4,447	3,797	3,794	3,832
New building contracts with fully paid contract fee(building contract amount) (Eingelöstes Neugeschäft/Bausparsumme)	12,525	8,010.	7,806	7,632
Building loan allocations (amount) (Zuteilungsangebote/Betrag)	6,082	5,327	5,823	6,284
Net interest income	576	429	429	413
Net commission income	18	16	18	25
Administrative expenses	438	420	405	395
Operating result	330	80	103	102
Net income	0	46	62	57
Number of employees <sup>1</sup>	3,963	3,925	3,855	3,715

<sup>1</sup> Average figure for the respective fiscal year in accordance with the German Commercial Code, not including Management Board members.

## 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 Swap Counterparties. In particular, the Trustee will (i) 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.

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

All claims of the Trustee against the Issuer have been agreed to be subject to limited recourse as set out in the Trust Agreement.

See "THE TRUST AGREEMENT".

### *Description of the Trustee*

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

Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, is part of the Deloitte & Touche Group. Deloitte & Touche Group is a leading group of German accounting, tax service and consulting firms with 18 branches and offices in Germany, about 3,200 employees, and a turnover for the period ending on June 30, 2003, of approximately €461 million.

Internationally, Deloitte & Touche is a member of Deloitte Touche Tohmatsu, one of the world's leading accounting firms, tax advisors and business consultants with a 12 month turnover of 15.1 billion U.S. dollars worldwide for the period ending on May 31, 2003. Deloitte Touche Tohmatsu provides expert advice to multinational companies, as well as to large German concerns, public administrations, and fast growing small-to medium-sized businesses.

Deloitte Touche Tohmatsu employs a team of over 119,000 persons, operating in 150 countries worldwide to serve the international activities of its clients wherever necessary.

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

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

## **KfW**

### **Kreditanstalt für Wiederaufbau**

KfW was established on November 5, 1948, under the Law Concerning the Kreditanstalt für Wiederaufbau (the "**KfW Law**") as an institution incorporated under public law of the Federal Republic of Germany. It has its seat at Palmengartenstrasse 5-9, 60325 Frankfurt am Main, Federal Republic of Germany. KfW also maintains branch offices in Berlin and Bonn. The duration of KfW is unlimited.

### **Relationship with the Federal Republic of Germany**

#### **Ownership/Capital**

KfW's statutory capital amounts to EUR 3,750 million. The Federal Republic of Germany (the "**Federal Republic**") holds 80% of KfW's capital and the German federal states ("**Länder**") hold the remaining 20%. Shares in KfW's capital may not be pledged or transferred to entities other than the Federal Republic or the Länder.

#### **Guarantee of the Federal Republic**

Effective April 1, 1998, the KfW Law was amended to provide expressly that the Federal Republic guarantees all existing and future obligations of KfW in respect of money borrowed, bonds issued and derivative transactions entered into by KfW, as well as obligations of third parties which are expressly guaranteed by KfW (Article 1a KfW Law).

#### **Institutional Liability ("Anstaltslast")**

Under the German administrative law principle of Anstaltslast, the Federal Republic has an institutional liability with respect to KfW. This liability requires the Federal Republic to safeguard KfW's economic basis, keep it in a position to pursue its operations and enable it, in the event of financial difficulties, to perform its obligations when due through the allocation of funds or in some other appropriate manner.

#### **Rating**

KfW has outstanding long term debt which is rated AAA by Standard & Poor's Ratings Services and Aaa by Moody's Investors Services Limited.

## RATING

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

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

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

The Class C Notes are expected to be rated A by S&P and A by Fitch.

The Class D Notes are expected to be rated BBB by S&P and BBB by Fitch.

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

The rating of "AAA" is the highest rating that each of Fitch and S&P assigns to long term debts.

The rating of each Class of Notes by S&P and 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 Notes by S&P and Fitch addresses also the risk that a Realised Loss will be allocated to such Class pursuant to the Terms and Conditions as described herein. The rating by the 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 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 Notes will have the benefit of the Collateral, including the Certificates, securing the Trustee Claim. A change in the long term unsecured debt rating of KfW as the supporting rating for the Certificates or a change in the view of Fitch in respect of the long term unsecured debt of KfW below the rating of the respective Class or Classes of the Notes may affect the rating of the relevant Class or Classes of the Notes. See "THE CERTIFICATES, COLLATERAL AND NOTEHOLDER COLLATERAL" and "KfW".

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. In the event that the ratings initially assigned to any Class of Notes by the Rating Agencies are subsequently withdrawn or lowered for any reason, no person or entity is obliged to provide any additional support or credit enhancement with respect to such Class of Notes.

There can be no assurance as to whether any other 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 rating assigned to the Notes by such other rating agency could be lower than the respective ratings assigned by the Rating Agencies.

## TAXATION

**The information contained in this section "Taxation" is not intended as tax advice and does not purport to describe all of the tax considerations that may be relevant to a prospective purchaser of the Notes. It should be read in conjunction with the section entitled "Risk Factors". Potential purchasers of the Notes are urged to satisfy themselves as to the overall tax consequences of purchasing, holding and/or selling the Notes.**

### Taxation in Germany

#### *Taxation of Noteholders*

##### *Income Tax / Trade Tax*

Interest paid to a Noteholder resident in Germany is subject to personal or corporate income tax (plus solidarity tax thereon currently at a rate of 5.5%). Such interest is also subject to trade tax if the Notes form part of the property of a German business. Where the Notes are kept in a custodial account maintained with a German financial institution or financial services institution (including a German branch of a non-German financial institution or financial services institution, but excluding a non-German branch of a German financial institution or financial services institution, the "**Institution**") such Institution is generally required to withhold a tax at a rate of 30% (plus solidarity tax thereon at a rate of 5.5%) of the gross amount of interest paid to a Noteholder resident in Germany. Such withholding tax is credited against the Noteholder's final liability for personal or corporate income tax.

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

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

Gains from the alienation of Notes, including gains derived by a secondary or any subsequent acquirer of the Notes upon redemption of the Notes at maturity ("**capital gains**") derived by an individual Noteholder resident in Germany not holding the Notes as business assets are subject to personal income tax, regardless of the period between acquisition and alienation of the Notes as the payment of interest on the Notes is contingent on an uncertain event. Capital gains derived by an individual Noteholder resident in Germany holding Notes as a business asset are subject to personal income tax (plus solidarity tax thereon at a rate of 5.5%) and trade tax. Capital gains derived by a corporate Noteholder resident in Germany are subject to corporate income tax (plus solidarity tax thereon at a rate of 5.5%) and trade tax. Capital gains derived by a non-resident Noteholder are subject to personal or corporate income tax (plus solidarity tax thereon at a rate of 5.5%) if the Notes form part of the business property of a permanent establishment (in which case such gains are also subject to trade tax) or fixed base maintained in Germany by the Noteholder. Where the Notes are kept in a custodial account maintained with a German Institution such Institution is generally required to withhold tax at a rate of 30% (plus solidarity tax thereon at a rate of 5.5%) of an amount equal to 30% of the proceeds from the alienation or redemption of the Notes, or, where such Institution has since acquiring or selling the Notes held such Notes in custody, of the excess of the sales or redemption proceeds over the purchase price for the Notes.



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

### *Tax Reform Proposals*

According to a law dated December 23, 2003 tax amnesty will be granted to non-compliant taxpayers in case they make a declaration of the income so far unreported and pay a flat tax rate on the respective income in 2004 or at the latest until March 31, 2005. As part of the incentive for taxpayers to become compliant regarding capital income, the Federal Government further intends to change the existing tax regime in respect of interest income derived by individuals tax resident in Germany, according to a proposal made in March 2003. As far as interest income is taxable in Germany in such cases (cf. the cases described above) and subject to the withholding tax on interest payments currently imposed at a rate of 30% as a prepayment towards the taxpayer's ultimate tax liability, the liability to income tax of the taxable person shall then be satisfied by the withholding tax on interest payments. The rate of the withholding tax on interest payments, which would be 25% according to the draft legislation, has not yet been determined. Where the individual tax liability falls short of the rate for the withholding tax on interest payments, *however*, any excess withheld would be refunded based on an assessment to tax.

It is presently not possible to predict whether these plans will be implemented, and if so, in which form.

### *EU Savings Tax Directive*

On June 3, 2003 the Council of the European Union ("**Ecofin**") approved a directive regarding the taxation of interest income. Accordingly, each EU Member State must require paying agents (within the meaning of the 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 directive) is then required to communicate this information to the competent authority of the EU Member State of which the beneficial owner of the interest is a resident.

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

The member states shall apply the respective provisions as from January 1, 2005 provided that (i) Switzerland, Liechtenstein, San Marino, Monaco and Andorra apply from that same date measures equivalent to those contained in the directive, in accordance with agreements entered into by them with the European Community and (ii) also all the relevant dependent or associated territories (the Channel Islands, the Isle of Man and the dependent or associated territories in the Caribbean) apply from that same date an automatic exchange of information or, during the transitional period described above, apply a withholding tax in the described manner.

By ordinance dated January 26, 2004 the Federal Government enacted the provisions for implementing the directive into German law. The entering into force of the ordinance depends, however, on the decision by the Council of the European Union that the conditions for the application of the directive are met. In view of the conditions mentioned before, it is presently not yet possible to predict when the directive will ultimately be applicable.

### ***Gift or Inheritance Tax***

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

### ***Taxation of the Issuer***

The Issuer will derive interest and, potentially, capital gains from the Certificates. The income and gains derived by the Issuer will only be subject to German tax if the Issuer has its place of effective management and control or maintains a permanent establishment, or appoints a permanent representative, for its business in Germany.

It is expected that the Issuer will not be treated as having its place of effective management and control, as maintaining a permanent establishment or as appointing a permanent representative in Germany.

### **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 does not apply to Alternative Investments.*

*The summary is based upon Irish tax laws and the practice of the Irish Revenue Commissioners as in effect on the date of this Information Memorandum, 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.*

### ***Corporation Tax***

It is critical to the Irish tax treatment of the Issuer and of certain payments to be made by it that it should be treated as similar to a company carrying on a trading activity. Section 110 of the Taxes Consolidation Act 1997 (Section 110) provides for special relief in relation to qualifying companies. A qualifying company means a company;

- (a) which is resident in Ireland;
- (b) which carries on in Ireland the business of holding, managing or both the holding and managing of qualifying assets;
- (c) which, apart from activities ancillary to that business, carries on no other activities in Ireland;
- (d) in relation to which;
  - (i) the market value of all qualifying assets held or managed; or
  - (ii) the market value of all qualifying assets in respect of which the company has entered into

legally enforceable arrangements,

is not less than EUR10,000,000 on the day on which the qualifying assets are first acquired, first held, or an arrangement is first entered into by the company; and

- (e) which has notified in writing the Revenue Commissioners that it is or intends to be a qualifying company.

It provides that, for the purposes of the Irish Tax Acts, profits arising from the activities of a qualifying company shall be treated as annual profits and gains within Schedule D and shall be chargeable to corporation tax under Case III of that Schedule and for that purpose shall be computed in accordance with the provisions applicable to Case I of that Schedule. The rate of corporation tax applicable is 25%.

### ***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 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, Hungary, 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.

### ***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);
- (iii) is in bearer form; and
- (iv) 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 who is resident in Ireland for tax purposes.

### ***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 disponent's successor is resident or ordinarily resident in Ireland, or if any of the Notes are regarded as property situate in Ireland, the disponent's 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 disponent's 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 April 29, 2004, the 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 Manager a combined management and underwriting commission on the Class A Notes and Class B Notes. The Bank has agreed to pay to the Issuer on the Issue Date the aggregate amount of such combined management and underwriting commission.

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 Manager to terminate its obligations thereunder in certain circumstances prior to payment of the purchase price of the Notes. The Issuer has agreed to indemnify the Manager against certain liabilities in connection with the offer and sale of the Notes.

The Class A+ Notes will be privately placed.

### 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 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 Manager, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Notes, and it 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, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it during the restricted period a confirmation or notice to substantially the following effect:

"The Securities covered hereby have not been registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Securities as determined and certified by the 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 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.

*United Kingdom.* The Manager has represented and agreed that: (a) it has not offered or sold and, prior to the expiry of the period of six months from the Issue Date, will not offer or sell any Notes to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing, or disposing of investments (as principal or agent) for the purpose of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995; (b) it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom; and (c) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000) received by it in connection with the issue of the Notes in circumstances in which Section 21(1) of the Financial Services and Markets Act 2000 does not apply to the Issuer.

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

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

*Japan.* The 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 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.

*Ireland.* The Manager has represented and agreed that (i) it has not offered or sold and will not, for so long as Part III of the Companies Act, 1963 of Ireland (the "**1963 Act**") remains in force in relation to the Notes, offer or sell any Notes in Ireland or elsewhere by means of any document otherwise than in compliance with the provisions of Part III of the 1963 Act; (ii) it has not offered or sold and will not offer or sell any Notes to persons in Ireland or elsewhere except to persons in the context of their trades,

professions or occupations; and (iii) it has complied with, and will comply with all applicable provisions of the 1963 Act and the Irish Investment Intermediaries Act, 1995 (as amended), with respect to anything done by it in relation to the Notes in, from or otherwise involving Ireland.

*General.* The Manager has agreed that it will not offer, sell or deliver any of the Notes, directly or indirectly, or distribute this Information Memorandum 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 are approximately EUR 92,550,000. The net proceeds are equal to the gross proceeds and will be used by the Issuer for the purchase of the Certificates from KfW on the Issue Date. The costs of the Issuer in connection with the issue of the Notes, including the underwriting commission, are paid separately by the Bank and KfW to the respective recipients.



## GENERAL INFORMATION

### Authorisation

The issue of the Notes was authorised by a resolution of the board of directors of the Issuer on April 20, 2004.

### Litigation

The Issuer is not and has not been since its incorporation engaged in any 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 litigation or arbitration proceedings are pending or threatened.

### Material Change

Save as disclosed in this Information Memorandum, 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 listed on the Luxembourg Stock Exchange, the Issuer will notify the Luxembourg Stock Exchange of the Interest Amounts, Interest Accrual Periods and the Interest Rates and, if relevant, 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 (i) published in a leading daily newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) if and to the extent a publication in such form is required by the rules of the Luxembourg Stock Exchange and (ii) either (A) be delivered to Clearstream Frankfurt for communication by it to the Noteholders or (B) made available on a web site in accordance with the Terms and Conditions.

### Luxembourg Listing

Application has been made to list the Notes on the Luxembourg Stock Exchange. The Issuer has appointed Deutsche Bank Luxembourg S.A., 2 Boulevard Konrad Adenauer, 1115 Luxembourg, Luxembourg, as the initial listing agent for the Luxembourg Stock Exchange in the City of Luxembourg and as the initial Luxembourg Intermediary. The Luxembourg Intermediary will act as intermediary between the Issuer and the holders of the Notes listed on the Luxembourg Stock Exchange. For as long as any of the Notes are listed on the Luxembourg Stock Exchange the Issuer will maintain a Luxembourg Intermediary.

Prior to such listing of the Notes the Memorandum and Articles of Association of the Issuer and legal notices relating to the issue of the Notes will be lodged with the Registre de Commerce et des Sociétés du Luxembourg, where such documents may be inspected and copies thereof obtained, free of charge, upon request.

### 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 Information Memorandum. The Issuer and the Bank 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.

### **Auditor's Consent**

Deloitte & Touche have given and not withdrawn their written consent to the inclusion of their report relating to the Issuer in the form and context in which it is included in the Accountants' Report under the heading "THE ISSUER".

### **Clearing Codes**

Class A+  
Wertpapier-Kenn-Nummer A0BA80  
ISIN DE000A0BA800  
Common Code 019146324

Class C  
Wertpapier-Kenn-Nummer A0BA83  
ISIN DE000A0BA834  
Common Code 019146766

Class A  
Wertpapier-Kenn-Nummer A0BA81  
ISIN DE000A0BA818  
Common Code 019146472

Class D  
Wertpapier-Kenn-Nummer A0BA84  
ISIN DE000A0BA842  
Common Code 019147207

Class B  
Wertpapier-Kenn-Nummer A0BA82  
ISIN DE000A0BA826  
Common Code 019146529

### **Availability of Documents**

Copies of the following documents may be obtained during customary business hours on any working day from the date hereof (or the date of publication of such document, as relevant) 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 listed on the Luxembourg Stock Exchange 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 Information Memorandum, the Trust Agreement dated April 29, 2004, the Certificate Purchase Agreement dated April 29, 2004, the Certificates dated April 29, 2004, the Noteholder Security Agreement dated April 29, 2004, the Administration Agreement dated April 23, 2004, the Agency Agreement dated April 23, 2004, the Account Agreement dated April 29, 2004, the Irish Security Agreement dated April 29, 2004 and the Subscription Agreement dated April 29, 2004;
- (iv) the documents incorporated by reference herein (see "DOCUMENTS INCORPORATED BY REFERENCE");
- (v) all future annual financial statements of the Issuer and the Bank and all future published interim financial statements of the Bank (the Bank currently does not publish interim financial

statements; the Issuer does not publish interim financial statements);

- (vi) 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; and
- (vii) all notices given to the Noteholders pursuant to the Terms and Conditions (see "THE NOTES - Investor Notifications").

## INDEX OF DEFINED TERMS

€ .....	5
1963 Act.....	158
1990 Act.....	22
A Certificate.....	54, 123, 133
A+ Certificate .....	54, 123, 133
A+ Increase Factor .....	42
A+ Reduction Factor .....	35
Account.....	57
Account Agreement .....	31
Account Bank.....	11, 57
Accrued Priority Interest.....	86
Additional Collateral .....	85
Additional Reference Collateral .....	85
Administration Agreement .....	31
Administrator .....	11, 31
Advisor .....	73
Affected Reference Claim .....	92
Agency Agreement.....	58
Agents .....	49
Aggregate Principal Balance.....	45
Anstaltslast.....	150
Appraised Loss .....	42
Appraised Value .....	42
B Certificate.....	54, 123, 133
Bank.....	1, 54
Bank Swap.....	4, 55, 124
Bank Swap Termination.....	128
Bankruptcy .....	37
BHW.....	1
Borrower .....	87
Business Day.....	33
C Certificate.....	54, 123, 134
capital gains .....	152
Cash Settlement .....	55
Cash Settlement Amount .....	55
Certificate .....	54, 123
Certificate Calculation Agent .....	130
Certificate Conditions.....	54, 123
Certificate Purchase Agreement .....	58
Certificate Termination .....	44
Certificates.....	4
Class.....	1, 28, 124, 133
Class A Notes.....	28, 124
Class A+ Notes.....	28, 124
Class B Notes .....	28, 124
Class C Notes.....	29, 124
Class D Notes.....	29, 124
Class Excess.....	42, 46
Class Principal Amount .....	33
Clearstream Frankfurt.....	2, 29

Clearstream Frankfurt Accountholder .....	29
Clearstream, Luxembourg.....	3
Collateral .....	31
Collection Period .....	37
Collections.....	36
Cost Calculation Period.....	75
CPR .....	121
Credit and Collection Policies.....	90
Credit Event .....	37
Credit Event Notice .....	38
Creditor .....	125
Cut-off Date .....	83
D Certificate.....	54, 123, 134
Default Event .....	43
Defaulted Reference Claim .....	37
Determination Date.....	37
Direct Debit .....	36
Direct Debit Increase.....	36
Direct Debit Increase Amount .....	36
Dublin Business Day .....	33
Early Redemption.....	44
Early Redemption Date .....	44
Early Redemption Notification.....	49
Early Redemption Report .....	62
EC Treaty .....	34
Ecofin.....	153
Eligibility Criteria.....	87
Enforcement Costs.....	37
EUR.....	5, 89
EURIBOR .....	34
EURIBOR Determination Date.....	34
euro .....	5, 89
Euroclear .....	3
Euro-zone.....	34
Exchange Date .....	29
Expert .....	67
Failure to Pay.....	38
Federal Republic.....	150
First Pledge.....	16, 31, 134
Fitch.....	4, 48
Foreclosure .....	86
Foreclosure Event.....	59
Foreclosure Proceeds.....	86
Former Borrower .....	113
Frankfurt Business Day .....	33
Germany .....	2
Global Note.....	29
Hameln Business Day .....	37
Indemnification Claim.....	68
Information Memorandum .....	89
Initial Aggregate Principal Balance .....	83
Insolvency .....	45
Instalment .....	38
Institution.....	152

Interest Accrual Period.....	34
Interest Amount.....	33
Interest Rate .....	34
Investor Notification .....	64
Irish Security Agreement.....	31
Issue .....	1
Issue Date.....	1, 33, 123
Issuer .....	1, 28, 54, 124, 133
Issuer Costs .....	76
Junior Swap.....	4, 55
Junior Swap Counterparty .....	4, 55
KfW .....	1, 54
KfW Law .....	150
Länder .....	150
Late Recovery.....	38
Legal Maturity Date .....	42
Legal Maturity Report .....	61
Liquidated Reference Claim.....	37
Loss Allocation .....	35
LTAV.....	88
Luxembourg Intermediary .....	49
Manager.....	1, 58
Maximum LTAV .....	88
Mezzanine Tranche.....	44
Minimum Amount.....	38
Minimum LTAV .....	88
Modelling Assumptions.....	121
Mortgage .....	84
Mortgaged Property .....	1, 84
Mortgages.....	1
New Borrower .....	113
New Claim .....	84
New Issuer .....	50
New Reference Claim.....	84
Non-compliance Notice .....	65
Non-complying Reference Claim .....	65
Non-qualifying Reference Claim.....	92
Note Principal Amount .....	33
Noteholder Collateral .....	31
Noteholder Security Agreement .....	31
Noteholders.....	29
Notes .....	1, 28, 124, 133
Notice.....	64
Order of Seniority .....	79
Outstanding Nominal Amount.....	36
Outstanding Threshold Amount.....	37
Overdue Reference Claim.....	41
Payment Date.....	33
Permanent Global Notes .....	29
Pledged Claims .....	135
Pledgee.....	133
Pool Reduction.....	40
Pool Report.....	60
Principal Paying Agent .....	49

Priority Amount.....	85
Priority Mortgages .....	85
Priority of Payments .....	77
Procedure.....	64
Process Agent .....	53
Property Sale .....	114
Property Value.....	88
quoted Eurobond.....	156
Rating Agencies .....	4, 48
Realised Loss .....	36
Reference Banks .....	34
Reference Claim.....	1, 83
Reference Claim List .....	83
Reference Collateral .....	1, 85
Reference Loan.....	83
Reference Mortgage.....	84
Reference Pool .....	1, 32, 124
Reference Pool Provisions.....	32
Regular Notification.....	48
Regulatory Event.....	45
Related Collection Period .....	37
Relevant Determination Date.....	37
Relevant Mortgage .....	86
Reporting Date .....	60
Reports .....	62
Required Rating.....	57, 142
S&P.....	4, 49
Scheduled Maturity Date.....	41
Scheduled Maturity Report .....	61
Second Pledge .....	16, 31, 134
Section 246.....	155
Section 64.....	156
Securities Act.....	6, 157
Securities and Exchange Law .....	158
Senior Swap.....	4, 55
Senior Swap Counterparty .....	4, 55
Serious Cause.....	45
service .....	111
Servicer.....	111
servicing.....	111
Servicing Principles .....	15, 90
Servicing Standards.....	90
Shareholder Trustee .....	137
Shares .....	137
Special Taxation Measures Law .....	158
Subscription Agreement .....	58
Substitute Property.....	113
Swap Agreements .....	55
Swap Counterparties .....	4, 55
TARGET Settlement Day.....	33
Tax Event.....	44
taxes .....	47, 129
TCA 1997 .....	155
TEFRA D Rules.....	157

**Temporary Global Note .....29**  
**Termination Date.....44**  
**Termination Redemption Date .....43**  
**Terms and Conditions ..... 28, 55, 124**  
**Transaction.....32**  
**Transaction Creditors .....55**  
**Transaction Documents .....32**  
**Trust Agreement..... 32, 124**  
**Trustee..... 32, 54, 133**  
**Trustee Claim .....56**  
**Trustee Documents .....56**  
**Trustee Duties.....56**  
**Trustee Resignation Effective Date .....43**  
**Trustee Resignation Notice.....43**  
**United Kingdom..... 158**  
**United States.....29**  
**Unjustified Cash Settlement.....55**  
**Unjustified Loss Allocation.....40**  
**Value Experts .....67**



**THE ISSUER**

PROVIDE BLUE 2004-1 PLC  
5 Harbourmaster Place  
IFSC  
Dublin 1  
Ireland

**ADMINISTRATOR OF THE ISSUER**

Deutsche International Corporate Services (Ireland) Limited  
5 Harbourmaster Place  
IFSC  
Dublin 1  
Ireland

**THE TRUSTEE**

Deloitte & Touche GmbH  
Wirtschaftsprüfungsgesellschaft  
Schwannstrasse 6  
40476 Düsseldorf  
Germany

**THE BANK**

BHW Bausparkasse AG  
Lubahnstrasse 2  
31789 Hameln  
Germany

**KfW**

Kreditanstalt für Wiederaufbau  
Palmengartenstrasse 5-9  
60325 Frankfurt am Main  
Germany

**THE ARRANGER AND MANAGER**

Deutsche Bank AG London  
Winchester House  
1 Great Winchester Street  
London EC2N 2DB  
United Kingdom

**THE PRINCIPAL PAYING AGENT**

BHW Bank AG  
Lubahnstrasse 2  
31789 Hameln  
Germany

**THE LUXEMBOURG LISTING AGENT  
AND LUXEMBOURG INTERMEDIARY**

Deutsche Bank Luxembourg S.A.  
2 Boulevard Konrad Adenauer  
1115 Luxembourg  
Luxembourg

**TRANSACTION COUNSEL**

HENGELER MUELLER  
PARTNERSCHAFT VON RECHTSANWÄLTEN  
Bockenheimer Landstrasse 51-53  
60325 Frankfurt am Main  
Germany

**LEGAL ADVISOR TO THE ISSUER**

*as to Irish law*  
Matheson Ormsby Prentice  
Solicitors  
30 Herbert Street  
Dublin 2  
Ireland

**AUDITORS OF THE ISSUER**

Deloitte & Touche  
Deloitte & Touche House  
29 Earlsfort Terrace  
Dublin 2  
Ireland