

STRUCTURED FINANCE

ASSET-BACKED SECURITIES

GELDILUX 99 - 1 LIMITED

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PROVISIONAL
RATINGS

NEW ISSUE

Securities offered:

- EURO 1,747.80 million Class A1 Asset Backed Floating Rate Notes due February 12, 2002
- USD 400.00 million Class A2 Asset Backed Floating Rate Notes due February 12, 2002
- EURO 58.08 million Class B Asset Backed Floating Rate Notes due February 12, 2002
- EURO 22.34 million Class C Asset Backed Floating Rate Notes due February 12, 2002
- EURO 33.51 million Class D Asset Backed Floating Rate Notes due February 12, 2002
- EURO 20.10 million Class E Asset Backed Floating Rate Notes due February 12, 2002

Proposed ratings:

Class A-1 Notes	'AAA'
Class A-2 Notes	'AAA'
Class B Notes	'A'
Class C Notes	'BBB'
Class D Notes	'BB'
Class E Notes	Unrated
(together the 'Notes')	

Expected Closing Date:
February 12, 1999TRANSACTION
SUMMARY

Securities offered:

EURO 1,698.73 million asset-backed floating-rate Notes and USD 500.00 million asset-backed floating-rate Notes.

Issuer: Geldilux 99-1 Limited, incorporated in Jersey, Channel Islands.**Collateral:** A portfolio of floating rate Public sector Pfandbriefe (Öffentliche Pfandbriefe) issued by Bayerische Hypo- und Vereinsbank AG and rated 'AAA' by Standard & Poor's, maturing February 12, 2003 for the A1 and A2 Notes.

Cash deposits held with HypoVereinsbank Luxembourg SA for the B, C and D Notes.

Originator: Bayerische Hypo- und Vereinsbank AG (A-1+/AA-).**Trustee:** KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft.**Cross-currency Swap****Counterparty:** Goldman Sachs Mitsui Marine Derivative Products LP (--/AA+/Negative) guaranteed by Goldman Sachs group (A-1+/A+/Negative).**Put option provider:** HVB Risk Management Products inc, guaranteed by Bayerische Hypo- und Vereinsbank AG (A-1+/AA-).

Sponsor: Bayerische Hypo- und Vereinsbank AG (A-1+/AA-/Stable).

Dealers/Placement Agents: Bayerische Hypo- und Vereinsbank AG and Goldman Sachs International co.

Supporting Ratings:

Bayerische Hypo- und Vereinsbank AG for the Class B, C and D Notes, Pfandbriefe for the Class A1 and A2 Notes

Geldilux 99-1 Limited guarantees the performance of the underlying assets. The assets in the transaction are Euroloans, short-term loans extended by HVB to their corporate and private banking individual customers out of its Luxembourg subsidiary, HVL (see 3.Portfolio Analysis, below, for more details). The pool is revolving until maturity of the Notes. Investors take the risk of the guarantees being called by HVL which will happen as write-offs on the Euroloans portfolio occur.

Repayment of the Notes will come from the collateral (cash deposits and Pfandbriefe) not from the amortization of the assets. Repayment of the Class A1 and A2 Notes will be:

- i) in cash if HVB Risk Management Products inc (HVBRMP) or Bayerische Hypo- und Vereinsbank AG (HVB) perform under a put option and repurchase the Pfandbriefe for par plus accrued interest, or
- ii) as a payment in kind, by delivery of the Pfandbriefe in case HVBRMP and HVB do not perform under the put option.

1. TRANSACTION OVERVIEW

Standard & Poor's is reviewing the above transaction for the purpose of assigning the indicated ratings on the closing date. The proposed ratings rely on a credit analysis of the portfolio of assets to be guaranteed by Geldilux 99-1 Limited, a review of the underwriting, administration, collection, and accounting procedures that are followed by Bayerische Hypo- und Vereinsbank AG and HypoVereinsbank Luxembourg SA for Euroloans as well as an analysis of the legal structure which will be used.

The ratings assigned to the Notes are independent of the ratings of Bayerische Hypo- und Vereinsbank AG - the Originator. However investors should note the comments set out under Notes/Redemption of Principal, below.

The assignment of final ratings is subject to a satisfactory review of legal opinions and final documentation.

Geldilux 99-1 Limited, the Issuer, uses the issuance proceeds to create a 100% collateral for the assets, but these assets remain on the balance-sheet of the originator, HypoVereinsbank Luxembourg SA (HVL), and on a consolidated basis of Bayerische Hypo- und Vereinsbank AG (HVB). The main advantage of the transaction for HVB is regulatory capital relief.

Rating Rationale

In assigning ratings to the Notes Standard & Poor's has analysed the credit evaluation system of HVB with respect to its commercial banking operations and the historical loss performance of their commercial banking loan portfolio. This analysis has provided a benchmark against which Standard & Poor's has been able to assess rating levels for the Euroloans to be guaranteed in this transaction. *Note that this analysis does not follow the rating methodology for analysing collateralised loan obligations based on the Standard & Poor's CLO Default Model - see 3. Portfolio Analysis below.*

The ratings on the Notes issued by Geldilux 99-1 Limited reflect:

- The analysis of the underwriting procedures of HVB and HVL.

- The analysis completed by Standard & Poor's Financial Institutions Ratings Group of the loss experience of HVB in its commercial banking business.
- The analysis performed on the portfolio of Euroloans to be guaranteed by Geldilux and the Collateral.
- The analysis of the payment structure to ensure timely payment of cash flows to the final investors.
- Credit support for the Class A1 and A2 'AAA' Notes provided through the Class B, C, D and E Notes.
- Credit support for the Class B 'A' Notes provided through the class C, D and E Notes.
- Credit support for the Class C 'BBB' Notes provided through the Class D and E Notes.
- Credit support for the Class D 'BB' Notes provided through the E Notes.
- Hedging arrangements, which will insulate the Issuer from the risk of adverse movements of the EURO/USD exchange rate.
- The sound legal structure of the transaction.
- The servicing abilities of HVB and HVL, as confirmed by an on-site due diligence visit carried through by Standard & Poor's.

2. STRUCTURE

The Issuer

Geldilux 99-1 Limited (the "Issuer") will be established specifically to guarantee a portion of the portfolio of Euroloans of HVB.

The Issuer will be a bankruptcy-remote special purpose company incorporated in Jersey and will conform with Standard & Poor's special-purpose company criteria. The Issuer's activities will be limited to the issuance of the Notes and any other activities directly related to the issuance.

The Issuer's entire issued share capital is held by a Charitable Trust.

Guarantees

On the closing date, Geldilux 99-1 Limited ("the Issuer") will issue the Notes, the proceeds of which will be used for:

- i) the funding of four 4 different cash deposits with HVL from the proceeds of the Class B, C, D and E Notes.
- ii) the purchase of floating rate Public sector Pfandbriefe (*Öffentliche Pfandbriefe*) issued by HVB and rated 'AAA' by Standard & Poor's from the proceeds of the class A1 and A2 Notes

On the same closing date, the Issuer will extend two guarantees to HVL for the revolving portfolio of Euroloans:

- i) a Primary guarantee backed by a pledge of the four cash deposits with HVL.
- ii) an Excess of loss guarantee backed by the Pfandbriefe.

The Primary guarantee will be used to absorb losses on Euroloans by drawing under the cash deposits, starting with the deposit funded by the proceeds of the Class E Notes and then sequentially (deposit funded by the D Notes, then deposit funded by the C Notes, and finally deposit funded by the B Notes). Losses in the transaction are defined as amounts written-off in compliance with the bank's usual procedures.

Drawings under the Excess of loss guarantee, if any, will begin only once the cash deposits have been fully consumed, by way of sale of the Pfandbriefe.

The guarantees will cover a revolving portfolio of Euroloans until maturity of the Notes.

Cash deposits are pledged to HVL and the Pfandbriefe are transferred by way of security to cover the payment obligations of Geldilux 99-1 Limited under the guarantees.

Cash deposits constitute the security for the Class B, C and D Notes, however and

Pfandbriefe represent the collateral for the Class A1 and A2 Notes. In case HVL or HVB becomes insolvent, the collateral (tranches of cash deposit for the Class B, C and D Notes and Pfandbriefe for the Class A1 and A2 Notes) is automatically transferred to the trustee, KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft.

A legal opinion confirming that the transfer of collateral to the Trustee is valid and enforceable under German law has been reviewed by Standard & poor's legal department.

Servicing

HVL and HVB will continue to make collections and, if necessary enforce payment with respect to Euroloans.

Collections

Euroloans borrowers will receive no notification of the guarantees from Geldilux 99-1 Limited. Borrowers will continue to make payments as provided in the loan contracts.

The Notes

Interest on the Notes:

Interest is paid quarterly in arrears in EURO on the Class A1, B, C and D Notes, and with respect to the Class A2 Notes, in USD. Interest is paid on February 12, May 12, August 12 and November 12 or the following business day.

On the Class E Notes, interest is paid on the last interest payment date.

The first interest payment with respect to the Class A1, A2, B, C and D Notes will be due on May 12, 1999.

Class A1, B, C, and D Notes pay:
three-month EURIBOR on EURO plus an applicable margin.

Class A2 Notes pay:

three-month LIBOR on USD plus an applicable margin

Payment of interest to the Noteholders will come from:

- the interest received on the Pfandbriefe and on the cash deposits (EURIBOR minus a few basis points, to be set at closing).
- the payment of a "Program fee" (see definition below) by HVL, reimbursed by HVB
- the payments received under the cross-currency swap for the Class A2 Notes denominated in USD.

There is no interest rate risk in the transaction because Pfandbriefe and cash deposits pay EURIBOR like the Notes (the conversion into LIBOR for the Class A2 Notes is effected by the cross-currency swap).

There is, however, negative spread in the transaction. This is covered by the payment of a Program fee by HVL (reimbursed by HVB) to Geldilux 99-1 Limited on every interest payment date. The program fee encompasses operating expenses of the Issuer as well.

There is appropriate downgrade language for the payment of this program fee: in case HVB is downgraded below A-1+, the sum of Program fees until the maturity of the Notes would be paid into a separate A-1+ account with another institution.

The Notes will not provide for gross-up payments if interest payable becomes subject to withholding, withholding taxes or other taxes reducing the cashflows available for servicing the Notes.

Redemption of Principal:

If not otherwise redeemed the Notes are to be repaid in full on the Interest Payment Date falling in February 2002. The Notes will also be subject to early redemption at the option of the Issuer on the last two

interest payment dates in August and November 2001.

Notes are also to be redeemed immediately

- a) in case HVL or HVB is insolvent and
- b) in case HVB defaults on the Pfandbriefe.

Class A1 and A2 Notes are repaid from:

i) exercise of a put option on Bayerische Hypo- und Vereinsbank Risk Management Products Inc. (HVBRMP), guaranteed by HVB. HVBRMP or HVB pays par plus accrued interest.

ii) delivery of the Pfandbriefe as a payment in kind to the investors if HVBRMP and HVB do not perform under the put option. Pfandbriefe will mature one year later, on February 12, 2003

Upon downgrade of HVB below 'A', the documents provide for an automatic exercise of the put option. Although investors may take additional comfort from this trigger which would lead to an early termination event of the transaction, Standard & Poor's did not rely on it in its 'AAA' scenario.

Rather, in the unlikely event where HVB becomes insolvent in the course of the transaction (three years) and the trustee cannot sell the Pfandbriefe in the market for par value plus accrued interest, Standard & Poor's takes comfort from the fact that investors in Class A1 and A2 Notes may elect to receive Pfandbriefe collateral in principal amount equal to the EURO equivalent of the then principal amount of the Class A1 and A2 Notes. That delivery would be made in lieu of the repayment of principal upon redemption of the Notes. Holders of Class A2 Notes would in this case continue to receive payments in USD from the cross-currency swap provider until the Pfandbriefe maturity date (February 12, 2003).

Class B, C, D and E Notes are redeemed from the tranches of cash deposits

Hedging of Foreign Exchange:

The Issuer will also enter into a currency exchange rate hedge agreement with Goldman Sachs Mitsui Marine Derivative Products LP (GSMMDP), whereby the Issuer will pay EURO interest and principal receipts relating to the Class A2 Notes, and, to the extent that it has met its payment obligations, it will receive USD proceeds which will be applied to the Class A2 tranche until repaid in full. The cross-currency swap agreement will be extended for one year in case the Class A2 Notes have been repaid in kind at maturity by delivery of the Pfandbriefe.

There is no currency risk with respect to the other EURO denominated Classes of Notes as the Loans are DEM or EURO-denominated.

3. PORTFOLIO ANALYSIS

Eligibility criteria

In order to ensure that the Euroloans portfolio is validly existing and has the characteristics attributed to it, HVB and HVL will provide various representations to the Issuer in the Loan Portfolio Collateralisation Agreement.

Euroloans will primarily have to comply with the following criteria:

- fully disbursed by HVL, extended in the ordinary course of business of HVL, in compliance with loan origination, administration and collection procedures of the HVB group
- legal, valid, binding obligation and enforceable against the borrower
- maximum maturity of 364 days
- not delinquent, not impaired, not disputed, not rated 8, 9 or 10/Z under HVB internal rating scale

The Euroloans portfolio is also subject to the following concentration limits:

- Residents of Bavaria cannot exceed 75% of the pool (Bavaria is rated 'AAA'), residents of Baden-Württemberg cannot exceed 30% ('AAA'), residents of any other German Land cannot exceed 15%.
- Individual obligors cannot exceed 40% of the pool, real estate Euroloans cannot exceed 45%, other sectors are capped at 8%.
- Any single obligor cannot exceed 1% of the pool.

Description of Euroloans

Euroloans are short term loans extended by HVB to its customers (primarily corporates but also individuals, like self-employed customers, private banking customers) out of Luxembourg rather than in Germany purely for cost and administrative reasons.

Euroloans maturity is typically 1 year (only Euroloans having a maximum maturity of 364 days will be guaranteed by Geldilux 99-1 Limited). Euroloans typically bear a low margin. Hence they are extended to fee-generating customers who have an extensive banking relation with HVB and numerous credit limits. All of HVB customer relations are managed to maximise risk adjusted return on capital (RaRoC). Branches are not made aware in any way of the fact that a Euroloan is or is not protected by Geldilux 99 -1 Limited.

Their objective of maximizing RaRoc will therefore not change whether the Euroloan is or not protected.

Euroloans are subject to the same credit monitoring procedures as other loans:

- Euroloans are extended only to customers rated under HVB's internal rating system.
- Scorings are reviewed once a year

- Provisioning and write-off procedures are the same as those applied for other loan products.

A key specificity of Euroloans is that they can be repaid by the branch to HVL if there are available credit limits at the level of the branch. The customer agrees to the clause when signing the Euroloan agreement. In this case, when maturing, the Euroloan can be refinanced by another liquidity source booked at the level of the German branch.

Credit Analysis

In the Euroloans portfolio, like previously rated CLO portfolios in Germany, there are very few credits publicly rated by Standard & Poor's. The borrowers which make up the Euroloans portfolio consist of borrowers which are not large 'blue chip' corporations but are typically small to medium sized companies or individuals. For this reason the technique of translating the bank's ratings for the Euroloans loans into S&P equivalent ratings is not valid. Additionally, the very high number of borrowers in the transaction (1,355 as an historical average) and the diverse nature of the portfolio makes the Euroloans portfolio representative of the total commercial banking activity of HVB. Therefore Standard & Poor's has assessed credit enhancement levels for this transaction through an analysis of the historical losses experienced by HVB (Bayerische Vereinsbank AG and Bayerische Hypo- Bank AG before the September 1998 merger) over the 1988 - 1998 period - *the 'Actuarial Approach'*. Standard & Poor's believes however that the conservative credit enhancement levels assessed for this transaction are fully consistent with credit enhancement levels that have been set in other transactions using Standard & Poor's CLO default model.

Credit Enhancement based on historical losses

In order to evaluate the credit risk embedded in the portfolio of loans to be guaranteed (“Euroloans Portfolio”) (that is, expected losses over the three-year life of the Euroloans Portfolio), Standard & Poor’s Financial Institutions Ratings Group has completed a detailed analysis of the historical losses experienced by the total HVB loan portfolio in its commercial banking activity (“Total portfolio”).

The actuarial approach rests on:

- the diversity of the Euroloans Portfolio;
- the number of loans and borrowers in the Euroloans Portfolio;
- Standard & Poor’s analysis of the quality of HVB’s credit evaluation system.

Diversity

Standard & Poor’s has analysed the Euroloans Portfolio with respect to industry diversification, regional diversification and the diversity of borrowers (annual turnover).

Other than some concentration on Individual customers and in the Real estate sector, the Euroloans portfolio is fully diversified.

Individuals

Historically, concentration on ‘Individuals’ (a wide category that includes small businesses, self-employed people and private banking customers) has varied between 26.64% as an average and 28.60% as a maximum. A 40% concentration level for ‘Individuals’ is documented as an eligibility criteria.

Standard & Poor’s has reviewed write-off figures separating corporates and individuals and concluded that, historically, the risk profile for the ‘Individuals’ category has been better than that of the

corporate segment. This is because there is very significant collateral in many cases and the legal framework for personal insolvency in Germany is very stringent.

Real estate

Adding residential and commercial, real estate concentration has varied between 27.4% as an average and 32.7% as a maximum. A 45% concentration limit is documented. Under the real estate sector are aggregated Euroloans to real estate investors, housing companies, contractors, developers, property funds and property leasing companies.

There are several reasons why, overall, the risk profile of the real estate category is unlikely to be worse than that on the pool:

- Euroloans are not extended in the real estate sector unless an identified source of refinancing (typically a term loan, a sale contract to creditworthy purchasers, a guarantee of repayment or substantial property cashflow) is in place when the Euroloan is approved.
- In a very large number of cases, Euroloans in the real estate sector are secured by first mortgages, deposit accounts or guarantees.
- Euroloans extended in the real estate sector are reviewed by a specialized credit team. In addition to the usual check of financials and assessment of credit-worthiness, industry-specific factors are reviewed (procurement of building site - price, area, infrastructure - , building phase - speed, time accuracy, efficiency, experience of builder, -, marketing/sale of property - track record, experience of sales force, availability of guarantees, etc. -).
- The dedicated industry team is responsible for ensuring that once a loan has been approved, the funds are used specifically for the different completion stages for which they were approved. In any real estate project there is no profit extraction for the

developer before 100% completion of the project.

- Historical loss figures show that average losses in the real estate sector are below losses in overall commercial banking.

However, to address Standard & Poor's concern that real estate Euroloans may not have homogeneous risk characteristics depending on the type of property financed and purpose of the Euroloan, there will be a specific trigger in the transaction to cover real estate exposure: if a certain portion of the Class E deposit has been consumed and if write-offs in the real estate sector as a percentage of total write-offs on Euroloans exceed the ratio of real estate Euroloans to total Euroloans portfolio, then concentration limit for the sector will be brought down to 20%. Given the low average maturity of Euroloans, the new concentration limit should take effect within two or three months of being triggered.

HVB's Internal Rating System

Equally important, Standard & Poor's has conducted a review of the internal rating system that HVB applies in assigning credit ratings to their borrowers. Standard & Poor's thoroughly understands the credit evaluation process and is fully comfortable with HVB's ability to administer the portfolio.

HVB operates its credit analysis system throughout all of its branches in its worldwide network. Credit policies and guidelines for the respective credit groups are established and enforced centrally by the bank's head office in Munich.

The bank's credit function is independent of any relationship management function and is required to justify its actions only to the bank's board. HVB operates separate credit teams for real estate obligors of the bank and runs separate work-out groups.

The independence of the credit function within the bank enables credit assessments to be made objectively.

HVB's internal rating scale goes from 1 to 10/Z, 1 being the best, 10/Z being the worst. Geldilux 99-1 Limited will guarantee Euroloans only to customers rated 7 or better.

For corporates, HVB's credit analysis focuses on financial condition, market position, operating environment and management quality but there is also a focus on interpreting the data and assessing the borrower's future outlook and cash flow generation.

Standard & Poor's has concluded that HVB's internal rating system is of good quality, is applied consistently and is significantly discriminating

Based on the breakdown of the Total portfolio and of the Euroloans Portfolio per rating, Standard & Poor's has concluded that the Euroloans Portfolio has a *credit* quality that is at least as good if not better than that of the Total portfolio.

Borrower Concentrations:

Historical loss figures on the Total portfolio have been adjusted to take into account a number of positive factors reducing risks of write-offs and calls under the guarantees for this specific pool:

- Euroloans extended to customers rated 8, 9 or 10/Z are excluded from the pool.
- A customer is rated 8 when his/her/its loan is impaired, 9 when his/her/its loan is provisioned, 10/Z when a write-off occurs.
- Investors are exposed only to the risk of write-off not to the risk of loan loss provision. Historically, there has been a 2 to 3 years delay between provisions and write-offs.
- Historical maturity for Euroloans has averaged 4 months and maximum

maturity for the transaction can only be 1 year

These positive elements have led Standard & Poor's to conclude that in many instances HVB's procedures prevent that a write-off occurs while the related Euroloan is part of the pool guaranteed by Geldilux 99-1 Limited. Historical loss figures have been adjusted accordingly.

Conclusion:

In determining the final credit enhancement levels for this transaction Standard & Poor's has taken a very conservative approach toward the use of historical loss information. The loss estimate has been adjusted by multiples that reflect the different rating levels.

4. PAYMENT FLOWS

A Standard & Poor's rating addresses the availability of funds for full and timely payment of interest and principal in accordance with the terms of the rated securities. The timeliness of payments to Noteholders will be determined by the availability of cashflows throughout the life of the transaction.

Thanks to the downgrade language in the cross-currency swap agreement and for payment of the Program fees by HVB, timeliness of payments to Noteholders is

consistent with the final ratings on the Notes.

5. ADDITIONAL RISKS

Set-off risk

In CLO transactions, there is usually a risk that the underlying borrowers may set-off amounts owed under the respective loan obligations against amounts that may be owed by the originator to the borrowers themselves. Typical examples include deposits held by the borrowers with the originator or derivatives transactions that may be in-the-money for the borrowers. When this risk exists, Standard & Poor's performs a detailed analysis in order to identify any possible amount at risk, and requires coverage of these amounts to the extent needed. For this transaction however Standard & Poor's believes that the risk of set-off arising is extremely remote and rating-remote. This conclusion is based on the significance of HVB to the German financial system.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension, or withdrawal at any time by Standard & Poor's. Standard & Poor's expects to assign the ratings indicated above on the closing date.

ASSET-BACKED SECURITIES

Please complete this form so that we can keep you up to date with developments within your preferred interests in Structured Finance:

Name: _____ **Title:** _____

Department: _____

Company: _____

Address: _____

City: _____ **Post Code:** _____ **Country:** _____

Telephone Number: _____

Facsimile Number: _____

Areas of Interest:

	<i>Europe</i>	<i>Asia / Aust.</i>	<i>N. America</i>	<i>Latin America</i>	<i>Yes / No?</i>
<i>Asset Backed CP</i>					
<i>Consumer ABS</i>					
<i>Commercial ABS</i>					
<i>Commercial MBS</i>					
<i>Future Flows / PFI</i>					
<i>Residential MBS</i>					
<i>Trade Receivables</i>					
<i>Synthetic Securities</i>					

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