GELDILUX
Guarantees of Euro-Loan Debt
In LUXembourg

GELDILUX Program

- Guarantees of Euro Loan Debt In LUXembourg (GELDILUX)
  - First Issue: GELDILUX 99-1, EUR 2.1 billion CLO (approx. DM 4.1 billion)
  - Credit protection for a portion of the Euroloan portfolio held in the Luxembourg subsidiary
- Release regulatory capital
- Support the growth of HVB’s lending activities
Overview of GELDILUX 99-1 Ltd.

Special purpose vehicle (“SPV”) domiciled in Jersey, Channel Islands

Issuer and Guarantor

<table>
<thead>
<tr>
<th>Tranche</th>
<th>Rating</th>
<th>Amount (million)</th>
<th>Percentage of Deal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class A-1</td>
<td>Aaa/AAA</td>
<td>EUR 1.748</td>
<td>94.0%</td>
</tr>
<tr>
<td>Class A-2</td>
<td>Aaa/AAA</td>
<td>USD 400</td>
<td>2.6%</td>
</tr>
<tr>
<td>Class B</td>
<td>A2/A</td>
<td>EUR 58.1</td>
<td>1.0%</td>
</tr>
<tr>
<td>Class C</td>
<td>Baa2/BBB</td>
<td>EUR 22.3</td>
<td>1.5%</td>
</tr>
<tr>
<td>Class D</td>
<td>Ba3/BB</td>
<td>EUR 33.5</td>
<td>0.9%</td>
</tr>
<tr>
<td>Class E</td>
<td>Unrated</td>
<td>EUR 2.262</td>
<td></td>
</tr>
</tbody>
</table>

Floating, based on 3 month EURIBOR (3 month $ LIBOR for Class A-2)
Quarterly
3 years (hard bullet), callable in whole in August and November 2001
Moody’s, S&P, Fitch IBCA and Duff & Phelps

Transaction Overview

- Global for Senior Notes (144A eligible)
- Subordinated Notes offered outside US
- Senior: EUR 100.000 or USD 100.000
- Subordinated: EUR 250.000
- Luxembourg and Frankfurt
- HypoVereinsbank and Goldman Sachs
- Deutsche Börse Clearing, Euroclear, CEDEL and DTC
- Pricing: February 1 or 2
- Payment Date: February 12
- Trustee: KPMG
- Cash Administrator and Paying Agent: Chase Manhattan
- Bloomberg
Transaction Structure

**Investors**
- Investors
- Purchase Price \[x\]
- Euribor + Spread
- Euribor
- Euribor

**HVB Public Pfandbriefe**
- Pfandbrief Purchase Price \[x\]
- Senior Notes \[x\]
- Subordinated Notes \[y\]
- Put Option
- Spread Protection
- Euribor
- Guarantee

**GELDILUX 99-1, Ltd.**
- Note Purchase Price
- Program Fee
- Subordinated Credit Support

**HYB Luxembourg**
- Cash Deposits \[y\]
- Guaranteed
- Euribor

**Reference Euroloans**

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**Euroloan Portfolio**

- Predominantly to *preferred* borrowers in Germany
- 4 months avg. original term, 1 year maximum
- High net worth individuals and small businesses
- Commercial (corporate and real-estate) entities
- Subset of HVB's German clientele
- EUR 7.3 billion Euroloan portfolio following VBI-Hypolux merger (HVL)
- Developed by BV for overall Euroloan portfolio
- HVB group adopted BV procedures

**Borrowers**
- Euroloans
- Borrowers
- Loan Origination, Administration & Collection

**HYB RMP NY**
- Allianz (ART)
Reference Loan Eligibility Criteria

**Performing Loans**
- Excludes delinquent and impaired Euroloans

**Term**
- Up to 364 days

**Size**
- Minimum balance DM 250,000, or EUR equivalent

**Currency**
- Only DM or Euro

**Borrowers**
- Borrowers in Germany only

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Reference Loan Eligibility Criteria

**Loan Contract Type**
- Euroloans with former BV contract type and HVL account
- Excludes former Hypolux Euroloans
- German law

**Pool Concentration Limits**
- 15% per Bundesland except 75% for Bavaria, 30% for Baden-Württemberg
- 8% industry sector limit (except maximum 45% real estate related)
- 40% private/small business customers
- 1% per borrower (i.e. approx. EUR 21.3 million)
Sample Pool Statistics  
As of November 30, 1998*

<table>
<thead>
<tr>
<th></th>
<th>In DM</th>
<th>In EURO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total outstanding balance</td>
<td>3,999,793,994</td>
<td>2,045,062,195</td>
</tr>
<tr>
<td>Total number of loans</td>
<td>1,818</td>
<td></td>
</tr>
<tr>
<td>Total number of borrowers</td>
<td>1,355</td>
<td></td>
</tr>
</tbody>
</table>

Outstanding Principal Balance per Loan

<table>
<thead>
<tr>
<th></th>
<th>In DM</th>
<th>In EURO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average</td>
<td>2,200,107</td>
<td>1,124,897</td>
</tr>
<tr>
<td>Median</td>
<td>1,000,000</td>
<td>511,292</td>
</tr>
<tr>
<td>Minimum</td>
<td>250,000</td>
<td>127,823</td>
</tr>
</tbody>
</table>

Special Features of Euroloans and GELDILUX

- Loans are not automatically extended at maturity
  - Redeemed through borrower pay-off or
  - New loan issued if ongoing financing
- Repayment frequently by draw on borrower’s committed loan facility with HVB (if not cancelled)
- Due to the short maturity of the loan, a borrower’s default during the life
### Euroloan Write-Offs

#### Historical Euroloan performance

<table>
<thead>
<tr>
<th></th>
<th>1996</th>
<th>1997</th>
<th>1998*</th>
<th>Annual Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Write-offs as %</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average Balance</td>
<td>0.017</td>
<td>%0.012</td>
<td>%0.0</td>
<td>%</td>
</tr>
<tr>
<td>0.010</td>
<td>%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Write-Offs on Eurolans

#### Geldilux Portfolio Performance 1999

<table>
<thead>
<tr>
<th></th>
<th>May 12</th>
<th>April 12</th>
<th>March 12</th>
<th>Feb 12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impared Reference Loans</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Cumulative Loan Losses</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Percent of Closing Balance</td>
<td>0,00%</td>
<td>0,00%</td>
<td>0,00%</td>
<td>0,00%</td>
</tr>
</tbody>
</table>
Euroloan Performance

- Short term
- *Preferred* customer base
- Refinancing mechanism if not repaid: committed line from HVB branch usually available to Euroloan borrower (as long as line has not been cancelled)
- Highly diversified portfolio
- Continued credit monitoring and

Transparency

**HVB Branches and Customers**

- Gather information for customer credit appraisals
- Responsible for ongoing surveillance of customer credit quality
- RAROC determines profitability of each loan & customer
- Each branch = profit center
- P&L “hit” for all losses on branch customers
- Branch compensation based on loan performance
**Credit Exposure in GELDILUX**

- Investors bear the credit risk of HVB’s *favourite* customers

AND

- Any principal write-off is based on actual write-offs (net of recoveries), not on loan loss provisions
- Average delay of over three years from impairment to write-off
- 6% of the total issue size are subordinated to the AAA tranche

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**Relative Value Senior Notes**

- AAA tranche backed by *Pfandbriefe*
- Allianz (ART) back-up for program fee
- Three year final maturity
- Hard Bullet structure (not amortizing), no prepayments
- Euro and USD to tap global investor base (144A)

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**Credit and Structural Considerations**

- Transparency
  - ongoing Bloomberg reporting

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Comparison to other CLOs, ABS

Advantages

• Three year hard bullet maturity (no prepayments) with floating rate coupon
• Exposure to actual write-offs, not provisions or estimates (time is on the investor’s side)
• Class E takes first “hit”
• Highly diversified Portfolio to Middle Market (“Mittelstand”) obligors

Pricing comparables

<table>
<thead>
<tr>
<th>Issuer</th>
<th>Rating</th>
<th>Spread at issue</th>
<th>Spread at present</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gear 98 (1.2y) DB</td>
<td>AAA</td>
<td>+19</td>
<td>+19</td>
</tr>
<tr>
<td>Noria 99 (3y) Paribas</td>
<td>AAA</td>
<td>+17</td>
<td>+16</td>
</tr>
<tr>
<td>Core 99 (3y) DB</td>
<td>AAA</td>
<td>+21</td>
<td>+19</td>
</tr>
<tr>
<td>Globe 99 (3y) DB</td>
<td>AAA</td>
<td>+20</td>
<td>+20</td>
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