

Pure German Lion RMBS 2008 GmbH

RMBS / Germany

Closing Date

3 December 2008

Contacts

Martin Lenhard
+49 69 70730 743
Martin.Lenhard@moodys.com
Iris Thate
+49 69 70730 778
Iris.Thate@moodys.com

Client Service Desk

Frankfurt: +49 69 2222-7847
London: +44 20 7772-5454
Madrid: +34 91 414-3161
Milan: +39 023 6006-333
Paris: +33 1 7070-2229
clientservices.emea@moodys.com
New York: +1 212 553-1653

Monitoring

monitor.rmbs@moodys.com

Website

www.moodys.com

DEFINITIVE RATINGS

Class	Rating	Amount (million)	% of Notes	Legal Final Maturity	Coupon ^a
A1 ^b	Aaa	€ 2,188,65	46.25	Feb. 65	3mE + 1.00%
A2 ^b	Aaa	€ 2,188.65	46.25	Feb. 65	3mE + 1.00%
B	A2	€ 212.95	4.50	Feb. 65	3mE + 1.50%
C	NR	€ 142.00	3.00	Feb. 65	3mE + 4.00%
Total		€ 4,732.25	100.00		

The ratings address the expected loss posed to investors by the legal final maturity. In Moody's opinion the structure allows for timely payment of interest and ultimate payment of principal at par on or before the rated final legal maturity date. Moody's ratings address only the credit risks associated with the transaction. Other non-credit risks have not been addressed, but may have a significant effect on yield to investors

^a The margin of the Class A1 and Class A2 Notes can be reset by the Issuer after closing as long as the class is held by a single noteholder at the time. The maximum margin after reset is set at 1.05%. Please see the terms & conditions of the notes for further details. The Class A and Class B Notes have margin step-up dates in November 2018, at which the respective margins will double.

^b Class A1 and Class A2 Notes rank *pari-passu* and *pro rata* regarding payments of interest and principal.

OPINION

Strengths of the Transaction

- ING-DiBa is a successful player in the German retail banking market (deposit, brokerage, mortgage lending) with sound operations and a financially strong parent which provides guarantees and back-up functions for ING-DiBa in this transaction.
- Favourable credit characteristics of the portfolio i.e. all the loans are annuity loans, the majority (99%) of the borrowers are employed, all properties are owner-occupied or partly owner-occupied, etc.

Weaknesses and Mitigants

- ING-DiBa, is a relatively young (with the current positioning in the market) and unrated originator, with no experience in the securitisation market so far. ING-DiBa is nevertheless a 100% subsidiary of ING Bank N.V. (**Aa2/Prime-1**, ("ING Bank")) and has gained substantial size due to growth in their business during recent years.
- The loan receivables in the transaction as well as the securing land charges will be registered in a refinancing register by ING-DiBa in order to be legally separated from ING-DiBa's estate in case of ING-DiBa's insolvency. Uncertainty remains regarding the usage of the so far untested refinancing register as certain issues related to this legal concept have been discussed in legal literature but have not yet been finally solved. In particular certain operational issues and details in the intended process are not perfectly clear, so that in Moody's opinion it seems reasonable to assume that there could be delays in the payment of collections from the securitised claims to the Issuer in case a transfer event should occur. Such a situation would most likely in itself not result in an additional credit loss,



but rather affect the liquidity of the transaction. In Moody's opinion the size of the liquidity facility should be sufficient to cover such a period, nevertheless some uncertainty remains regarding the operational aspects of the framework.

- The margin of the Class A Notes can be reset by the Originator after closing. This is a rather unusual feature but should not have any negative consequences regarding the credit risk of the other tranches since the potential increase in coupon will be covered via the swap and in addition, the maximum margin after reset is capped at 1.05%. The impact of a potential increase in the margin of Class A Notes has been tested in Moody's cash flow modeling of the transaction.
- ING-DiBa is unrated but performs various roles such as swap counterparty and account bank that usually require certain minimum ratings and respective collateralisation and replacement provisions in order to de-link the ratings of the notes from the ratings of the counterparty. Under this transaction, ING Bank N.V. guarantees DiBa's obligations as swap counterparty and account bank while the collateralisation and replacement provisions are linked to ING Bank's ratings.
- ING Bank will also guarantee the potential set-off risk in respect of the deposits that borrowers might have with ING-DiBa. At loss of **A2** ING Bank will provide cash to collateralise this risk. As long as this risk is not collateralised the Notes' ratings are to a certain degree linked to ING Bank's rating in case ING Bank should be downgraded.
- The volume of mortgage loans originated by ING-DiBa has significantly increased since 2003, so that a significant portion of ING-DiBa's mortgage loan portfolio has only limited seasoning. Therefore only limited historic performance data is available. This performance data as well as benchmarking against similar German mortgage loan portfolios have been considered in Moody's analysis, nevertheless as certain uncertainties exist, Moody's has used conservative estimates in its credit assessment process.
- A 3-year substitution period during which new loans can be added to the pool. Substitution is subject to certain substitution criteria which allow a certain degree of deviation from the initial pool. This potential change in the pool characteristics has been taken into account in Moody's analysis by modeling the pool characteristics to the limits set by the substitution criteria.
- The weighted average Loan-to-Appraised-Value (LTAV) of the portfolio at cut-off date was 80.9% and is allowed to increase to 85% as per the substitution criteria. In Moody's view, especially the high portion (56.1%) of loans with a LTAV >80% indicate that a certain portion of the borrowers in the pool are significantly leveraged. The individual loans' LTAV as well as the possible increase in weighted average LTAV due to substitution were considered in Moody's MILAN loan-by-loan analysis and the determination of the credit enhancement for the assigned ratings. Besides the LTAV, the portfolio's credit characteristics are generally positive as described above.

STRUCTURE SUMMARY (see page 4 for more details)

Issuer:	Pure German Lion RMBS 2008 GmbH, incorporated under the laws of Germany
Structure Type:	True Sale, 3-year revolving period, thereafter sequential amortisation
Seller/Originator:	ING-DiBa AG (NR), (“ING-DiBa”)
Servicer:	ING-DiBa
Back-up Servicer:	ING Bank
Account Bank:	ING-DiBa, guaranteed by ING Bank N.V. (Aa2/Prime-1), (“ING Bank”)
Cash Manager:	ING-DiBa
Interest Payments:	Quarterly, starting on 23 May 2009
Principal Payments:	None during 3-year revolving period (subject to performance triggers described below), thereafter quarterly, starting on 23 February 2012
Credit Enhancement/Reserves:	Excess Spread, subordination of junior notes
Liquidity Facility:	4.25% of outstanding amount of notes, amortising to a floor amount equal to 1% of the initial amount of the notes, provided by ING DiBa and guaranteed by ING Bank
Hedging:	Interest rate swap with ING-DiBa, guaranteed by ING-Bank
Principal Paying Agent:	BNP Paribas Securities Services
Trustee:	BNP Paribas Trust Corporation UK Limited
Arranger/Lead Manager:	ING Bank

COLLATERAL SUMMARY (see page 8 for more details)

Receivables:	Mortgage loan receivables from loans to German private individuals secured by first ranking non-certificated and certificated mortgages on residential properties located in Germany originated by ING-DiBa
Aggregate Portfolio Amount:	€4,732,141,122
Number of Contracts:	41,090
Number of Borrowers:	36,351
Geographic Diversity:	Diversified across German Federal States, largest regional concentrations in Nordrhein Westfalen (25.7%), Hessen (15.1%), Baden-Württemberg (12.1%) and Bayern (11.4%)
Weighted Average LTV:	80.9%
Weighted Average Seasoning:	26.5 months
Delinquency Status:	Not delinquent as of cut-off date
Milan AaaCE range:	5.2% - 5.4%; See Section “Moody’s Analysis” for details
Moody’s Expected Loss:	0.6%; See Section “Moody’s Analysis” for details

NOTES

Class	Subordination	Reserve Fund	Total
A1	7.5%	-	7.5%
A2	7.5%	-	7.5%
B	3.0%	-	3.0%
C	-	-	-

Excess spread at closing is 0.35% p.a. on the balance of the rated notes.

TRANSACTION SUMMARY

First securitisation of loans originated by ING DiBa AG

Pure German Lion RMBS 2008 GmbH is the first true sale securitisation of mortgage loans originated by ING DiBa. The loan receivables as well as the securing land charges will be registered in a refinancing register by ING-DiBa in order to be legally separated from ING-DiBa's estate in case of ING-DiBa's insolvency. In addition, the receivables will thereafter be assigned to the Issuer. The usage of the refinancing register for the legal separation of non-certificated registered land charges ("*Buchgrundschulden*") is a new, and in RMBS transactions so far untested, legal concept.

The Issuer will purchase the initial loan receivables from ING-DiBa and fund the purchase by issuing Class A, B and C Notes. The transaction is revolving for the first three years after closing until the interest payment date in November 2011, so that repayments from the pool can be used to purchase additional loan receivables, thereafter principal repayments will be used to repay the Class A, B and C Notes ("Notes") sequentially while the Class A Notes will be repaid pro-rata among each other.

The Issuer will hedge itself against the interest rate mismatch between the fixed rate interest it will receive from the mortgage pool and the floating rate interest due under the Notes via an interest rate swap with ING-DiBa. ING-DiBa's obligations under this swap will be guaranteed by ING Bank.

STRUCTURAL AND LEGAL ASPECTS

True sale of German residential mortgage loans achieved via the refinancing register.

Pure German Lion RMBS 2008 GmbH was established as a limited liability company ("*Gesellschaft mit beschränkter Haftung*") under German law. ING-DiBa as the refinancing company will enter the securitised receivables as well as the related security in the refinancing register and thereafter assign the receivables to the Issuer. As a result, at closing, the issuer will not become the owner of the mortgages, but will acquire a transfer claim in respect of the assets entered in the refinancing register.

For the first time a German RMBS rated by Moody's will rely on the refinancing register ("*Refinanzierungsregister*") in order to transfer the non-certificated land charges ("*Buchgrundschulden*") in a bankruptcy remote manner to the Issuer.

In 2005, the German Banking Act was amended in a way, so that refinancing companies can register receivables and collateral rights in a refinancing register. The intention of the introduction of the refinancing register is that the assets registered in the refinancing register will not belong to the insolvency estate in case the refinancing company should become insolvent. Instead, the Issuer would have a right of segregation ("*Aussonderung*") of all the assets that are recorded in the refinancing register.

Generally, prior to the introduction of the refinancing register, in order to transfer the legal ownership of non-certificated land charges, they needed to be re-registered in the name of the new owner in the land register. As this process – especially for a granular RMBS pool - is quite time consuming, costly and also requires the notification of the respective borrowers, this has been one of the reasons why there have only been a very limited number of German true sale RMBS so far.

The refinancing register has not been used frequently since it was introduced. The limited amount of guidance available by the legislator does not address some of the operational aspects and details that might be relevant for the application of the changes of the law in a relevant scenario. These issues have been discussed in legal literature but some aspects have not been finally clarified as the concept is still legally untested. In the following paragraphs Moody's discusses its view regarding some aspects of this uncertainty. This is not meant to be a comprehensive or complete summary of all possibly relevant aspects.

Due to the fact that the Issuer will via the registration of the assets in the refinancing register not become the owner of the assets but only obtain a transfer claim in case a transfer event should occur, the assets are owned by ING-DiBa until such an event has occurred. As a result of this, the issuer is exposed to certain risks such as enforcement of the assets by third party creditors of ING-DiBa ("*Einzelvollstreckung*") or multiple assignments of the assets. Moody's considers these risks as remote. The enforcement

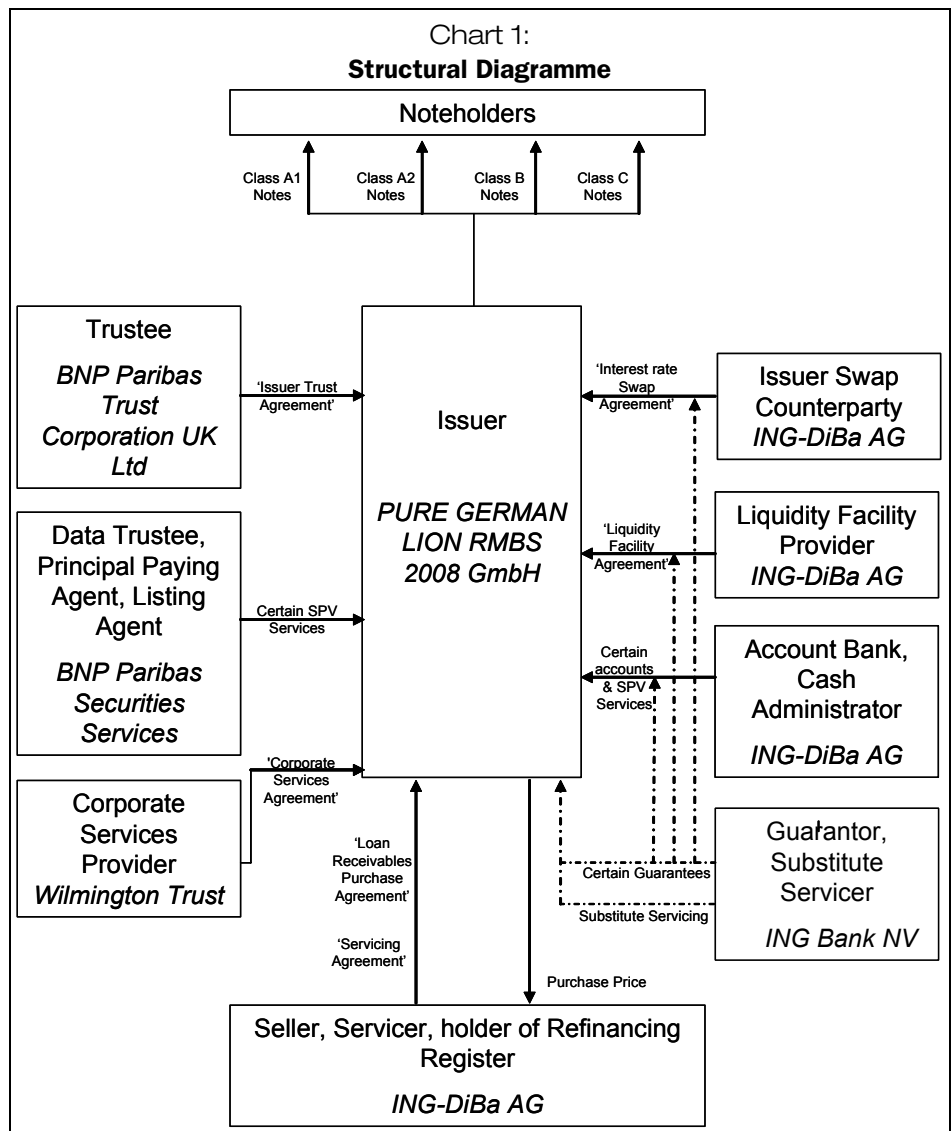
of ING-DiBa's assets by third party creditors is very unlikely as Moody's assumes that that ING-DiBa will meet its obligations as long as ING-DiBa is solvent, while the insolvency of ING-DiBa is a transfer event in respect of the registered assets. Multiple assignments of assets could happen due to poor IT systems and controls or fraud. In Moody's opinion ING-DiBa's IT system and control mechanisms are sufficient to mitigate this risk, while Moody's does not suspect fraud risk in the transactions it rates.

According to the law, in the insolvency of the refinancing company, the relevant German court would appoint a custodian ("*Sachwalter*") who would be entitled to administer the assets. The law does not explicitly mention that the custodian would be entitled to also transfer collections from the underlying portfolio to the issuer, but legal authors are of the opinion that the wording and the meaning of the law should be construed similar to the German Pfandbrief Act, where the word "administer" includes the transfer of collections. In addition, it can be argued that the ability to make timely payments on notes that were issued as part of a refinancing transaction was one of the goals of the change of the law, so that this section should be interpreted broadly.

In Moody's opinion uncertainty exists regarding a pre-insolvency scenario, in which the originator is in financial difficulties but no insolvency proceedings have been opened. Based on the discussion with the legal counsel it also seems reasonable to expect that in such a stoppage ("*Zahlungs- und Veräußerungsverbot*") scenario a custodian would be appointed by the competent court who would be entitled to administer the loans which should include the transfer of the collections to the Issuer. Nevertheless, there could be significant delays in cash flows to the Issuer in case the custodian should not be appointed immediately or in case any operational issues or legal disputes might come up in such a scenario. In Moody's opinion the liquidity facility is sized sufficiently to bridge such a period.

In addition, after a potential insolvency of the seller, it could become necessary to re-register the land charges in the name of the Issuer in order to enable the Issuer to foreclose on the properties. An amount equivalent to the court fees and notary fees expected to become due for this transfer has been reserved in the Transfer Reserve held with the account bank. On a quarterly basis, the servicer will update the amount expected to be necessary for the transfer of the mortgages in the portfolio based on the then current composition of the portfolio. The fees for the mortgage re-registration ("*Abtretung der Grundschuld*") of the initial pool are expected to be €16.9m.

In Moody's opinion, there are some aspects of the workings of the refinancing register regarding which a certain degree of uncertainty exists. In particular operational issues exist so there is uncertainty whether the process would work as envisaged by the law. In Moody's opinion, this legal framework (including the legislative materials which allow more insight in the legislator's reasoning) and the structural mitigants such as the liquidity facility and the Transfer Reserve for legal costs allow to assign an **Aaa** rating to the Class A Notes.



Set-off and Commingling Risk

As at closing the borrowers are not notified of the assignment of the claims under their mortgage loans to the Issuer. Since ING-DiBa in addition to mortgage loans also offers deposit accounts to its customers, the transaction is exposed to set-off risk in respect of potentially existing deposits by the borrowers in the pool in case of the seller's insolvency. The set-off exposure will be monitored and reported in the quarterly investor reports provided by the Servicer. ING Bank guarantees this set-off risk. In order to limit the degree of linkage between the Notes' ratings and ING Bank's rating, the obligation under this guarantee will be cash collateralised in case ING Bank should cease to be rated at least **A2**. Nevertheless, Moody's want to point out that depending on the amount of the future set-off exposure together with the then current rating of ING Bank, there might be a certain degree of linkage between ING Bank's rating and the ratings of the Notes.

ING Bank will also guarantee the commingling risk. The commingling risk arises from the fact that ING-DiBa will collect the regular payments from the borrowers and will only forward these collections once a month as long as ING Bank is rated **Prime-1** by Moody's. In case ING Bank should lose its **Prime-1** rating, ING-DiBa will forward the collections to the issuer account on a daily basis. In addition, ING Bank will guarantee ING-DiBa's obligations as the issuer's account bank. In case ING Bank should cease to be rated **Prime-1**, the trustee will open a new account with a **Prime-1**-rated account bank.

Liquidity

Liquidity will be provided via a liquidity facility provided by ING-DiBa. ING-DiBa's obligations under the liquidity facility will be guaranteed by ING Bank. The liquidity facility is the only liquidity support for the transaction as no reserve fund is included in the structure. The size of the liquidity facility will be 4.25% of the outstanding note balance and amortise as the notes will be repaid with a floor amount equal to 1% of the initial amount of the notes.

In Moody's opinion, in the case of servicer insolvency, the liquidity facility should be sufficient to cover senior costs and make interest and swap payments during the transition period in which a custodian, who would be appointed by the competent court to manage the refinancing register, would potentially need to work with the insolvency administrator before he would be able to transfer the collections from the securitised loans to the issuer.

Hedging

The Issuer will enter into an interest rate swap with ING-DiBa (**NR**) in order to hedge the interest rate mismatch between the fixed rate interest received from the mortgage loans and the variable rate interest due under the Notes. ING-DiBa's obligations under the swap agreement are guaranteed by ING Bank (**Aa2/Prime-1**).

Under the interest rate swap the Issuer will pay:

- i) the scheduled interest due under the mortgage loans,
- ii) plus any interest received on the transaction accounts,
- iii) minus 0.35% p.a. based on the balance of the Rated Notes (Class A Notes and Class B Notes),
- iv) minus all senior transaction costs (servicing and other senior expenses);

and will receive scheduled interest (Euribor plus margins) on the outstanding Note amount.

Under certain circumstances the Issuer has the option to reset the Note margin for each Class of Class A Notes once during the life of the Notes as long as the entire Note class is held by one investor and in case this investor approves the change in the Note margin. Since any increase in the Note margin will be covered by an increased payment from the interest rate swap counterparty, Moody's considers this option as neutral for the credit risk in respect of the other Notes since the amount of available excess spread should not be affected by such a margin reset. In addition the maximum Note margin after reset is capped at 1.05%.

ING-DiBa is permitted to transfer the hedge to another counterparty on terms that are, in all material respects, no less beneficial for the Issuer. Generally, the Issuer decides whether this condition is satisfied. But, since no party has covenanted to do this for the Issuer, the condition shall, in certain circumstances, be applied objectively.

Priority of Payments

There are two separate Priorities of Payments in this transaction. The Interest Available Amount comprises inter alia interest collected from the securitised mortgage loans, payments received from the swap counterparty or the swap guarantor (other than swap collateral) and amounts drawn under the Liquidity Facility Agreement. The Interest Available Amount will be applied to the Interest Priority of Payments as below (simplified):

- 1) To pay senior expenses;
- 2) To make payments to the swap counterparty (except for Subordinated Swap Amounts);
- 3) To pay Interest on Class A Notes;
- 4) To credit the PDL of Class A Notes equal to an amount sufficient to eliminate any debit balance of the Class A PDL;
- 5) To pay Interest on Class B Notes;
- 6) To credit the PDL of Class B Notes equal to an amount sufficient to eliminate any debit balance of the Class B PDL;
- 7) To pay Interest on Class C Notes;

- 8) To credit the PDL of Class C Notes equal to an amount sufficient to eliminate any debit balance of the Class C PDL;
- 9) To pay the Liquidity Subordinated Amounts;
- 10) To pay the Subordinated Swap Amounts;
- 11) To pay a Servicer Gratification to the Servicer.

After the end of the substitution period, principal collections as well as any Interest Available Amounts credited to the PDL will be distributed sequentially to Class A, Class B and Class C. Principal collections allocated to Class A will be used to repay the A1 and A2 Notes pro-rata. Therefore Class A1 and A2 Notes will be repaid pro-rata first, thereafter Class B Notes and finally Class C Notes will be redeemed.

Substitution

During the first three years of the transaction, the Issuer may use the Principal Available Amount to purchase substitute mortgage loan receivables as long as they comply with the conditions for substitution as well as with the eligibility criteria.

The loans that will be added to the pool after closing must comply with the following eligibility and substitution criteria (inter alia):

- a) on the first day of the calendar month immediately preceding the relevant Quarterly Payment Date, the Substitute Mortgage Receivables were not in arrears;
- b) the loan has been originated by the seller in accordance with the standard credit policies and guidelines;
- c) the loan is a fully disbursed annuity loan secured by a mortgage on property located in Germany and occupied by the respective borrower;
- d) the loan is not in arrears as of the substitution date;
- e) the weighted average of the Current LTV of all Mortgage Loans, including Mortgage Loans from which the Substitute Mortgage Receivables result, does not exceed 85 per cent.;
- f) the aggregate Outstanding Principal Amount of all Mortgage Receivables that are related to the financing of multi-family houses of up to 3 or 4 units does not exceed 5 per cent. of the aggregate Outstanding Principal Amount of all Mortgage Receivables;
- g) the aggregate Outstanding Principal Amount of all Mortgage Receivables that are granted to borrowers qualified as Self-Employed does not exceed 1 per cent. of the aggregate Outstanding Principal Amount of all Mortgage Receivables.
- h) the aggregate Outstanding Principal Amount of all Mortgage Receivables that are related to the financing of properties in Brandenburg, Mecklenburg-Vorpommern, Saxony, Saxony-Anhalt and Thuringia does not exceed 16 per cent. of the aggregate Outstanding Principal Amount of all Mortgage Receivables.

In addition to the eligibility criteria, substitution during the substitution period is subject to the following performance related triggers.

- a) there is no debit balance on the Principal Deficiency Ledger;
- b) the aggregate Outstanding Principal Amount of all Mortgage Receivables that are in arrears does not exceed on average 1.5 per cent. of the aggregate Outstanding Principal Amount of all Mortgage Receivables on the relevant Quarterly Payment Date and on the last day of the two calendar months immediately preceding such Quarterly Payment Date;
- c) the aggregate Outstanding Principal Amount of all Mortgage Receivables that are in arrears does not exceed 1.75 per cent. of the aggregate Outstanding Principal Amount of all Mortgage Receivables.

COLLATERAL

The Notes are backed by the receivables of 41,090 residential mortgage loans secured by first ranking non-certificated and certificated land charges on residential properties in Germany. The weighted average LTAV of the initial portfolio as of cut-off date was 80.9% and may increase to 85% during the substitution period or by the purchase of further

***Positive portfolio characteristics
but a relatively high LTAV and a 3-
year substitution period***

advances during the life of the transaction. This relatively high weighted average LTAV, the fact that it can further increase after closing and the high portion of loans with an LTAV of more than 80% in the initial portfolio were the main driver in Moody's MILAN loan-by-loan analysis. In addition, the weighted average seasoning of the initial portfolio is only 2 years and there is no minimum requirement regarding the seasoning of loans added to the portfolio after closing. This has been taken into account by Moody's in the analysis of the pool's credit risk.

Moody's considers the following portfolio characteristics as favourable compared to the majority of other German residential mortgage pools.

- the low portion of self-employed borrowers of 0.3% of the initial pool and the maximum limit of 1% in the substitution criteria;
- the low portion of properties in the pool that are neither flats nor houses with up to 2 units of 2.8% of the initial pool and the maximum limit of 5% in the substitution criteria;
- the low portion of properties in the pool that are not fully owner-occupied (2.8% of the initial pool) and the maximum limit of 5% in the substitution criteria as well as the exclusion of non-owner occupied properties;
- the pool consists entirely of annuity loans;
- the initial pool's sound performance history since as at the cut-off date 98.7% of the initial portfolio had never been in arrears since origination.

ORIGINATOR, SERVICER AND OPERATIONS REVIEW

Stong recent growth of the originated mortgage loan volume

ING-DiBa was founded in 1965 as a bank without a branch network that communicated with its customers via mail. The bank was focused on savings products even though mortgage loans have been offered relatively soon thereafter since 1969. After a couple of re-brandings and mergers, the bank started its online business in 1993 and entered into a strategic partnership with ING in 1998. In 2003, ING acquired the remaining shares of DiBa. Thereafter the bank was renamed to ING-DiBa and started an expansion strategy that was initially targeted towards growing market share in saving products and later also towards an increase of the mortgage lending business.

The bank's strategy is to offer basic and "easy-to-understand" products at attractive and transparent terms so that a large volume can be generated in order to achieve an attractive cost ratio. After a successful start with online savings accounts, ING-DiBa started to generate large volumes of residential mortgage loans in 2004. In 2005, 2006 and 2007, ING-DiBa originated €10-11bn of mortgage loans per year, which made them the biggest residential mortgage lender in terms of new business in Germany.

As of end of 2007, ING-DiBa's outstanding volume of mortgage loans was about €36bn. The most important sales channel is through brokers, as 80% of the mortgage loans are originated through this channel. The remainder is originated via a direct contact with the customer via ING-DiBa's website, phone or mailings.

The underwriting is based on an automated application score so that in standard cases employees do not make the decision but the scorecard either signals approval ("green") or rejection ("red"). When the loan application is handed in, employees put in/check the data from the application and compare whether the data matches the information of the underlying documents such as pay slips, land registry, etc. Only senior staff within the loan department have the authority to overwrite the systems decision in defined circumstances (existing client relationships, etc.)

As standard in the German market, the applicant needs to pass the financial capacity check, i.e. a calculation of the residual disposable income of the household after deduction of all regular financial obligations. This calculation also takes into account certain fixed amounts of assumed household expenses. ING-DiBa uses for example €550 for the first person and €350 for the second person in the household when the amount available for servicing the debt is determined. In addition to the minimum score and the financial capacity calculation, the borrower needs to pass tests regarding several knock-out criteria such as

- negative credit bureau entries (check is done with Schufa; any negative credit score leads to a decline of the application)
- applicant must have a job
- applicant must have a permanent residence permit (in case of a foreign borrower)

Furthermore, additional requirements exist for the financing of non-owner-occupied properties:

- no apartment in large building >20 units
- borrower must own an owner-occupied property or hold at least 20% of equity in the investment property
- additional requirements regarding the maximum distance from borrower's home to location of investment property, additional collateral, etc.

A "four-eye-principle" is implemented in the approval process. The first approval level is done based on the scoring result by the employee who entered the data into the system. The second vote must come from a more senior employee within the mortgage department (required approval level depends on borrower's aggregate loan amount) which must also not be the person who entered the data.

Property Valuation

For loans <€400,000, generally the purchase price is used which is a common approach by German banks. ING-DiBa uses a data base which contains property prices for individual post code areas in order to validate the purchase price as a reasonable market value of the property. The given purchase price and the property characteristics such as size and year of construction etc. are compared with the data in the database. In case the database indicates that the purchase price might be too high additional checks are conducted. ING-DiBa also uses the purchase price for the underwriting in respect of remortgages of loans that were previously with other lenders. Moody's considers this practice as a risk as dated property valuations are used for the underwriting decision in such cases. The fact that ING-DiBa checks the property values through a data base with up-to-date property prices in the area to a certain extent mitigates the risk of using too high historical property prices.

For loans between €400,000 and €500,000, either the Asset Value Approach ("Sachwertverfahren") which basically calculates the building costs of the property or the Earnings Capacity Method ("Ertragswertverfahren") which calculates the net present value of the estimated future rental income are applied. Which method is used depends on the property type and is defined in ING-DiBa's policy. In general, the Earnings Capacity Method is applied when the property can be characterised as a rather investment property (i.e. is mixed use, has three or more units).

For loans >€500,000, an external valuation provider is hired to perform the two valuation types described above and the lower of the two values is used in ING-DiBa's underwriting. For this transaction, only loans of less than €400,000 are included in the portfolio.

In Moody's opinion ING-DiBa's underwriting criteria represent in many aspects the market standard in the German residential mortgage loan market. Moody's considers a key strength of the underwriting guidelines the focus on the standardised loan product targeted towards employed applicants, owner-occupied properties and annuity loans. These characteristics are generally considered to be indicators for better than average credit risk. A negative is the LTV distribution of the pool, which clearly indicates that a significant portion of the borrowers in the pool is highly leveraged.

Servicing

There are no fixed rules in place that define when loans will be terminated. This is due to the fact that a forced sale of the property is considered not the most promising work-out strategy so that during the dunning process ING-DiBa prefers to try to convince the borrower to agree to an unforced sale outside of the legal procedure in order to maximise recoveries.

Nevertheless in case the borrower does not manage (together with a real estate agent hired by the bank) to sell the property within 9 months, ING-DiBa starts the foreclosure

process. According to ING-DiBa, the legal foreclosure process generally takes about 2 to 2.5 years. In parallel to the sale of the property, ING-DiBa sues the borrower to pay the outstanding loan amount. The remaining balance after the sale of the property and the legal actions against the borrower is written off at the latest 12 months after the sale of the property.

ING Bank is the contracted back-up servicer for this transaction. As ING Bank does not run its own retail operations in Germany this set-up most likely would mean that ING Bank would be responsible for bringing in a back-up servicer in case this should become necessary, but Moody's does not expect ING Bank to perform the servicing themselves.

Moody's has conducted an operations review meeting and visited ING-DiBa's premises in June 2008 and is of the opinion that ING-DiBa is capable of performing the servicing operations in a manner envisaged by the transaction documents.

MOODY'S ANALYSIS

Determination of the log normal loss distribution.

The first step in the analysis is to determine a loss distribution of the pool of mortgages to be securitised. Because of the large number of loans and supporting historical data, Moody's uses a continuous distribution to approximate the loss distribution: the lognormal distribution.

In order to determine the shape of the curve, two parameters are needed: the expected loss and the volatility around this expected loss. These parameters are derived from two important sources, historical loss data and the loan-by-loan model and are based on:

- a) The expected loss of the portfolio,
- b) The **Adjusted MILAN Aaa CE** and
- c) The average life of the portfolio.

Expected Loss determined by benchmarking.

In order to determine the expected loss number, Moody's has taken into account ING-DiBa's historical performance data and also compared the characteristics of the pool against those of other originators.

The Aaa CE number is determined by using the German version of MILAN, Moody's loan-by-loan model for rating RMBS transactions.

The expected loss is derived from historical loss data, and a general view of collateral quality. The **Adjusted MILAN Aaa CE** is calculated with the German version of MILAN. Please see Moody's Report "Moody's Approach to Rating German RMBS", published in 2004, for further details. MILAN (Moody's Individual Loan Analysis) works similarly to a scoring model. Each loan is compared and scored against the benchmark loan for a specific country. Hereby, the German benchmark loan is defined as a loan granted to an employed borrower (with full income verification) which is secured by the property (single family house or flat) the borrower lives in (owner occupied). Further, interest on the loan is fixed and principal payable monthly (amortising loan). Based on certain assumptions (mostly LTV, house price stress rates, foreclosure period and costs), the **Aaa** credit enhancement necessary for this benchmark loan can be determined. The comparison of the specific loan, property and borrower characteristics of each loan with those of the benchmark loan leads to adjustments and results in the **Aaa CE** for each individual loan. Once each loan has been scored, the given portfolio is compared with a benchmark portfolio as determined for Germany. This comparison again leads to certain adjustments to the credit enhancement for the benchmark portfolio and ultimately results in the **MILAN Aaa CE** for the total portfolio. All steps are analysed and discussed by a rating committee. As further quantitative and qualitative adjustments to **MILAN Aaa CE** might be determined by a rating committee (resulting in "**Adjusted MILAN Aaa CE**").

The standard deviation of the distribution is found by setting the probability of a loss greater than the expected loss that is consistent with the idealised Expected Loss target of the **Adjusted MILAN Aaa CE** number.

The key parameters used to calibrate the loss distribution curve for this portfolio include:

- a **Milan Aaa CE** range of 5.2% - 5.4% and
- an expected loss of 0.6%.

MARCO, Moody's cash-flow model, is used to assess the impact of structural features of RMBS transactions.

The expected loss is calculated for each class of Notes.

The transaction's ratings are sensitive to ING-DiBa's and ING Bank's creditworthiness.

Tranching and Rating of the Notes

Once the loss distribution of the pool under consideration has been computed, a cash flow model: Moody's Analyser of Residential Cash-Flows ("MARCO"), is used to assess the impact of structural features of the transaction such as the priorities of interest and principal. According to the credit and collection policy, ING-DiBa has the option to allocate losses not immediately after the respective property has been sold since the final loss must only be determined at the latest 12 months after the sale of the property. In the cash flow analysis, Moody's considered the fact by assuming a loss timing which is 12 months delayed compared to the standard loss timing for German RMBS. Since losses are credited to the PDL at a later point in time, this reduces the benefit of available excess spread that can be used to clear existing PDL balances. This has been taken into account in Moody's cash flow analysis.

The sum of the loss experience per Note class weighted by the probability of such loss scenario determines the expected loss on each tranche and hence the rating, which is consistent with Moody's target losses for each rating category.

The ratings of the Notes are therefore based on the analysis of:

- The characteristics of the mortgage pool backing the Notes;
- Protection provided by subordination against losses in the mortgage pool;
- The roles and creditworthiness of various transaction counterparties; and
- The legal and structural integrity of the Issue.

RATING SENSITIVITIES AND MONITORING

From Moody's point of view, this transaction has some rating sensitivity to ING-DiBa's (**Not Rated**) and ING Bank's (**Aa2/Prime-1**) creditworthiness as ING-DiBa is acting as servicer, swap counterparty and issuer account bank. Since ING-DiBa is not rated, the respective rating triggers that are usually in place to limit the credit risk introduced to the transaction via the roles of these counterparties are based on ING Bank as ING Bank guarantees ING-DiBa's obligations as swap counterparty and issuer account. In addition ING Bank provides a guarantee for potential set-off risk arising from borrowers having deposits with ING-DiBa and acts as back-up servicer in order to ensure that the servicing will be carried on in case ING-DiBa should need to be replaced.

The rating of the notes is also sensitive to the level of defaults and losses, incurred in the portfolio. Moody's will monitor the transaction on an ongoing basis to ensure that it continues to perform in the manner expected, including checking all supporting ratings and reviewing periodic servicing reports. Any subsequent changes in the rating will be publicly announced and disseminated through Moody's Client Service Desk.

The transaction's servicer has committed to provide Moody's with certain quarterly pool and loan level performance data. Moody's considers the amount of data currently available to be acceptable for monitoring collateral performance. In the event that adequate performance information is not made available to Moody's, Moody's ability to monitor the ratings may be impaired. This could negatively impact the ratings or, in some cases, Moody's ability to continue to rate the Notes.

RELATED RESEARCH

For a more detailed explanation of Moody's approach to this type of transaction as well as similar transactions please refer to the following reports:

Special Report

- Moody's Approach to Rating German RMBS, December 2004.(SF47671)

Rating Methodology

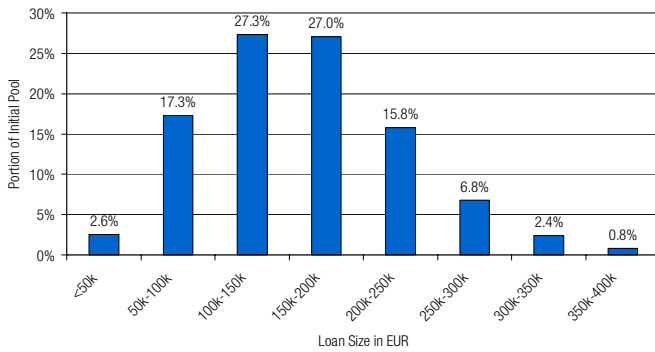
- Cash Flow Analysis in EMEA RMBS: Testing Structural Features with the MARCO Model, January 2006 (SF58290)

Credit Opinion

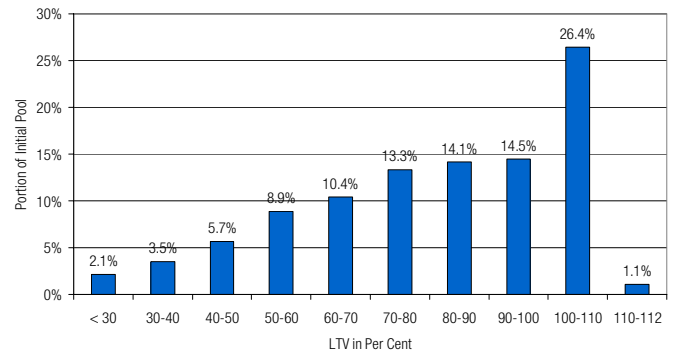
- ING Bank N.V., February 2008.

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

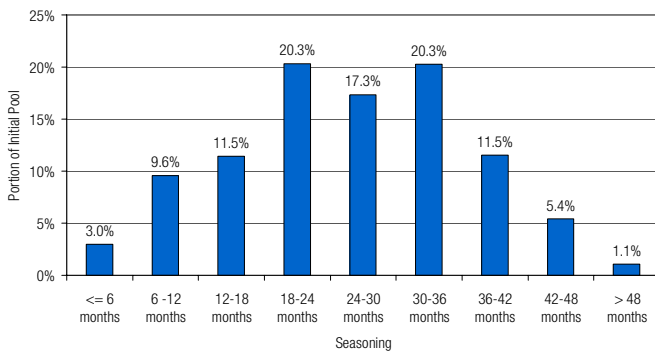
**Chart 2:
Distribution by Loan Size**



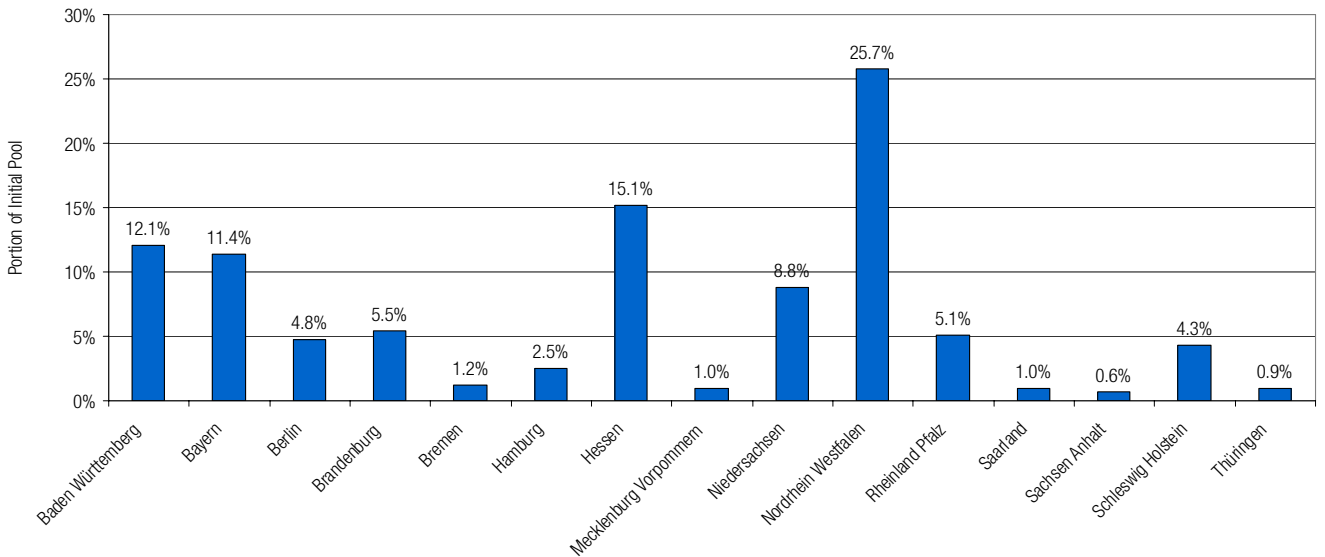
**Chart 3:
Distribution by Current LTV**

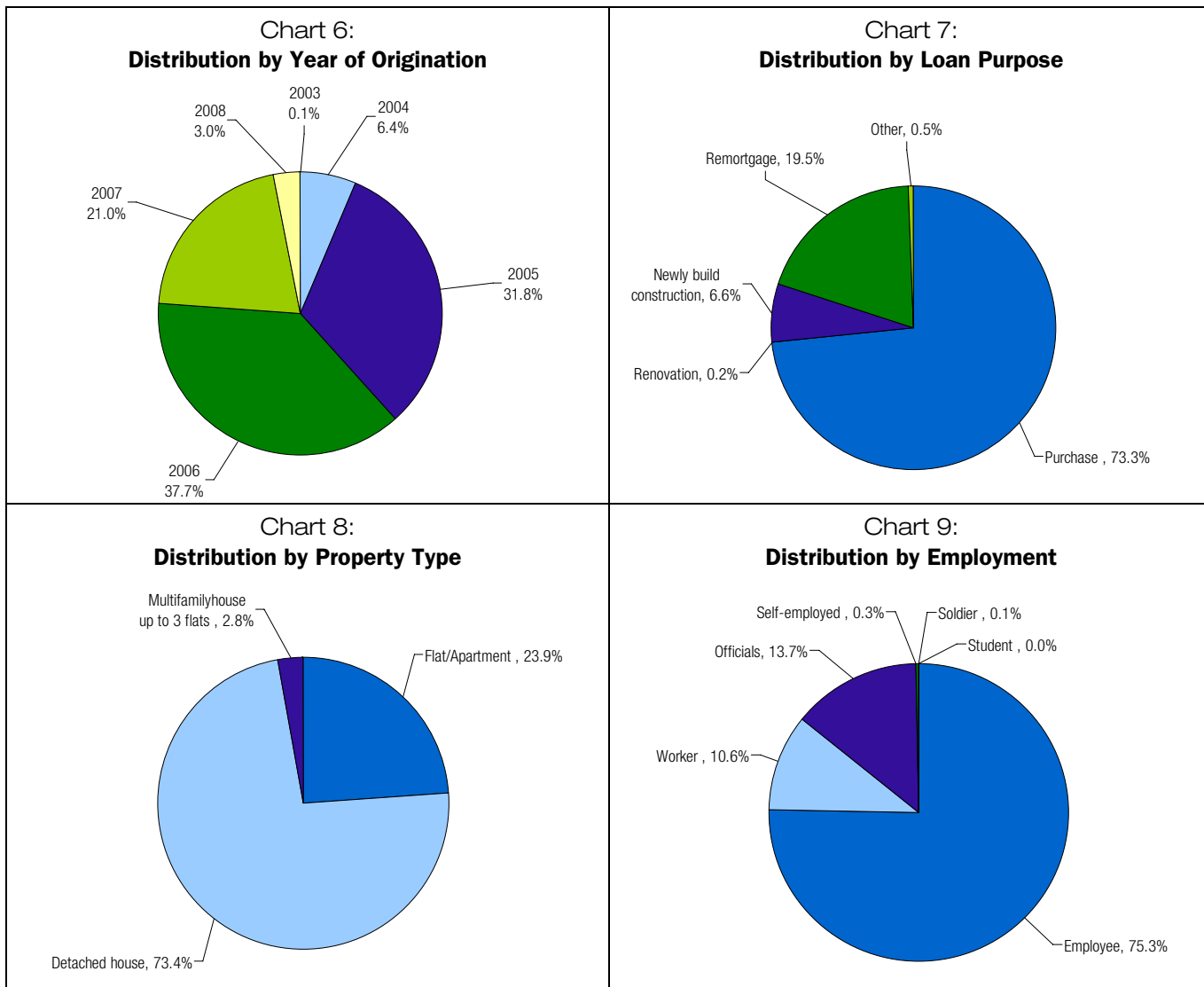


**Chart 4:
Distribution by Seasoning**



**Chart 5:
Regional Distribution**





SF144632isf

© Copyright 2008, Moody's Investors Service, Inc. and/or its licensors and affiliates (together, "MOODY'S"). All rights reserved. **ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY COPYRIGHT LAW AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.** All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, such information is provided "as is" without warranty of any kind and MOODY'S, in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability or fitness for any particular purpose of any such information. Under no circumstances shall MOODY'S have any liability to any person or entity for (a) any loss or damage in whole or in part caused by, resulting from, or relating to, any error (negligent or otherwise) or other circumstance or contingency within or outside the control of MOODY'S or any of its directors, officers, employees or agents in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication or delivery of any such information, or (b) any direct, indirect, special, consequential, compensatory or incidental damages whatsoever (including without limitation, lost profits), even if MOODY'S is advised in advance of the possibility of such damages, resulting from the use of or inability to use, any such information. The credit ratings and financial reporting analysis observations, if any, constituting part of the information contained herein are, and must be construed solely as, statements of opinion and not statements of fact or recommendations to purchase, sell or hold any securities. **NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.** Each rating or other opinion must be weighed solely as one factor in any investment decision made by or on behalf of any user of the information contained herein, and each such user must accordingly make its own study and evaluation of each security and of each issuer and guarantor of, and each provider of credit support for, each security that it may consider purchasing, holding or selling.

MOODY'S hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MOODY'S have, prior to assignment of any rating, agreed to pay to MOODY'S for appraisal and rating services rendered by it fees ranging from \$1,500 to approximately \$2,400,000. Moody's Corporation (MCO) and its wholly-owned credit rating agency subsidiary, Moody's Investors Service (MIS), also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually on Moody's website at www.moody's.com under the heading "Shareholder Relations – Corporate Governance – Director and Shareholder Affiliation Policy."