

Kestrel Funding p.l.c.

(incorporated with limited liability in Ireland under company registration number 417095)

U.S.\$5,000,000,000 Income Note Programme

This Base Prospectus Supplement (the "**Base Prospectus Supplement**") is prepared in connection with the U.S.\$5,000,000,000 Income Note Programme (the "**Programme**") of Kestrel Funding p.l.c. (the "**Issuer**") pursuant to which the Issuer may from time to time issue income notes (the "**Notes**" or the "**Income Notes**"). This Base Prospectus Supplement is supplemental to and must be read in conjunction with the base prospectus dated 2 August 2006 in relation to the Programme (the "**Base Prospectus**"). All capitalised terms used herein and not otherwise defined in this Base Prospectus Supplement shall have the meanings ascribed to them in the Base Prospectus. Save as expressly modified by this Base Prospectus Supplement, the Base Prospectus shall continue in full force and effect and this Base Prospectus Supplement and the Base Prospectus shall henceforth be read together as one document. Where there is any inconsistency between this Base Prospectus Supplement and the Base Prospectus, the provisions of this Base Prospectus Supplement shall prevail.

This Base Prospectus Supplement has been prepared to summarize and provide notice with respect to certain changes involving Brightwater Capital Management, a division of WestLB Asset Management (US) LLC, the Issuer's investment manager.

This Base Prospectus Supplement constitutes a base prospectus supplement for the purpose of Article 16 of the Directive 2003/71/EC (the "**Prospectus Directive**") as implemented in Ireland by the Prospectus (Directive 2003/71/EC) Regulations 2005 ("**Prospectus Regulations**").

The Issuer confirms that, at the date of this Base Prospectus Supplement, save as disclosed in this Base Prospectus Supplement, there has been no other significant new factor, material mistake or inaccuracy relating information included in the Base Prospectus Supplement since the publication of the Base Prospectus.

Application has been made to the Irish Financial Services Regulatory Authority (the "**Financial Regulator**"), as competent authority under the Prospectus Directive for this Base Prospectus Supplement to be approved.

Dealer
WestLB AG, London Branch
Placement Agent
WestLB Securities Inc.

26 June 2007

RESPONSIBILITY STATEMENT

Unless otherwise stated, Kestrel Funding p.l.c., whose registered office is c/o Deutsche International Corporate Services (Ireland) Limited, 5 Harbourmaster Place, IFSC, Dublin 1, Ireland, accepts responsibility for the information contained in this Base Prospectus Supplement. Having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus Supplement is, to the best of the knowledge of Kestrel Funding p.l.c., in accordance with the facts and does not omit anything likely to affect the import of such information.

Any investment in the Notes does not have the status of a bank deposit in Ireland and is not within the scope of the deposit protection scheme operated by the Irish Financial Services Regulatory Authority. The Issuer is not regulated by the Irish Financial Services Regulatory Authority by virtue of the issue of the Notes.

IMPORTANT NOTICE

The Issuer has confirmed to the Dealer and the Placement Agent named under “Subscription and Sale” in the Base Prospectus that this Base Prospectus Supplement is true, accurate and complete in all material respects and is not misleading in any material respect; that the opinions, predictions or intentions expressed herein are honestly held and based on reasonable assumptions; that there are no other facts in relation to the information contained or incorporated by reference in this Base Prospectus Supplement the omission of which would, in the context of the Programme or the issue of the Notes, make any statement herein or opinions or intentions expressed herein misleading in any material respect; and that all reasonable enquiries have been made to verify the foregoing. The Issuer has further confirmed to the Dealer and the Placement Agent that this Base Prospectus (together with the applicable Final Terms) contains all such information as may be required by all applicable laws, rules and regulations.

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Base Prospectus Supplement or any other document entered into in relation to the Programme or any information supplied by the Issuer or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer, the Security Trustee, the Dealer, the Placement Agent or the Investment Manager.

None of the Security Trustee, the Dealer, the Placement Agent nor the Investment Manager has separately verified the information contained herein (except for, in the case of the Investment Manager, the section entitled “**The Investment Manager**”). Accordingly, no representation or warranty is made or implied by the Security Trustee, the Dealer, the Placement Agent, the Investment Manager or any of their respective affiliates, and neither the Security Trustee, the Dealer, the Placement Agent, the Investment Manager nor any of their respective affiliates makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Base Prospectus Supplement (except for, in the case of the Investment Manager, the section entitled “**The Investment Manager**”) or any other information provided by the Issuer in connection with the Programme or the Notes or their distribution. Neither the delivery of this Base Prospectus Supplement nor any Final Terms nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Base Prospectus Supplement is true subsequent to the date hereof or the date upon which this Base Prospectus Supplement has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer since the date thereof or, if later, the date upon which this Base Prospectus Supplement has been most recently amended or supplemented or that any other information supplied in connection with the Programme 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.

IN CONNECTION WITH THE ISSUE OF ANY TRANCHE (AS DEFINED IN “GENERAL DESCRIPTION OF THE PROGRAMME”), THE DEALER OR DEALERS (IF ANY) NAMED AS THE STABILISING MANAGER(S) (THE “STABILISING MANAGER(S)”) (OR PERSONS ACTING ON BEHALF OF ANY STABILISING MANAGER(S)) IN THE APPLICABLE FINAL TERMS MAY OVER-ALLOT NOTES (*PROVIDED THAT, IN THE CASE OF ANY TRANCHE TO BE ADMITTED TO TRADING ON THE IRISH STOCK EXCHANGE, THE AGGREGATE PRINCIPAL AMOUNT OF NOTES ALLOTTED DOES NOT EXCEED 105 PER CENT. OF THE AGGREGATE PRINCIPAL AMOUNT OF THE RELEVANT TRANCHE*) OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER(S) (OR PERSONS ACTING ON BEHALF OF A STABILISING MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OF THE RELEVANT TRANCHE IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT

MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE RELEVANT TRANCHE AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE RELEVANT TRANCHE.

The Issuer will, at the specified offices of the Paying Agents, provide, free of charge, upon the oral or written request therefor, a copy of this Base Prospectus Supplement. Written or oral requests for such documents should be directed to the specified office of any Paying Agent.

THE INVESTMENT MANAGER

Responsibility Statement

WestLB Asset Management (US) LLC, acting through its Brightwater Capital Management division (“**Brightwater**” or the “**Investment Manager**”), accepts responsibility for the information contained in this section under the heading “The Investment Manager”. Having taken all reasonable care to ensure that such is the case, the information contained in this section under the heading “The Investment Manager” is, to the best of the knowledge of Brightwater, in accordance with the facts and does not omit anything likely to affect the import of such information.

The information appearing in this section has been prepared by Brightwater, and has not been independently verified by the Issuer, the Dealer or the Placement Agent. Neither the Dealer nor the Placement Agent assumes any responsibility for the accuracy, completeness or applicability of such information.

WestLB Asset Management (US) LLC and Brightwater Capital Management

The Investment Manager is a Delaware limited liability company, registered as an investment adviser with the SEC under the United States Investment Advisers Act of 1940, as amended. As such, the Investment Manager files Form ADV with the SEC. The Investment Manager is a wholly owned subsidiary of WestLB AG, a German bank. WestLB AG and its subsidiaries are subject to federal regulation in the United States under the International Bank Act of 1978 and the Bank Holding Company Act of 1956. The Investment Manager is also an affiliate of WestLB Securities Inc. The Investment Manager is responsible for the performance of its obligations under the Investment Management Agreement.

As of 31 May 2007, the Investment Manager managed, either directly or through sub-advisory arrangements, over U.S. \$33 billion in structured finance assets for its clients, special purpose vehicles. The fixed income assets under its management include non-U.S. government agency commercial mortgage-backed securities, collateralised bond obligations, collateralised loan obligations, home equity loan-backed securities, other asset-backed securities and leveraged loans. The sources of investments made by the Investment Manager on behalf of its clients include, but are not limited to, investment banks, commercial banks, transaction sponsors and other intermediaries.

The Investment Manager’s experience is enhanced by the experience of its employees in credit underwriting activities, which includes structuring and arranging financing and securitisation transactions. As a result of these activities, the Investment Manager’s professionals have developed a strong background in credit analysis and in the structuring of various types of debt transactions.

In the ordinary course of its business, WestLB AG evaluates a wide array of potential strategic transactions with respect to its business operations. From time to time, WestLB AG may engage in discussions regarding possible changes in the ownership structure of certain businesses, including those conducted by Brightwater and its affiliates.

Key Personnel of the Investment Manager

The Investment Manager employs approximately twenty-four professionals, approximately a third of whom are portfolio managers with an average of sixteen years experience, and a third of whom are credit specialists with an average of twelve years experience. In the course of performing its obligations under the Investment Management Agreement, the Investment Manager evaluates market sectors, particular issuers and specific investment opportunities on behalf of its clients, and both its portfolio managers and credit specialists participate in the investment analysis which is the basis on which the Investment Manager makes its investment decisions.

Brief summaries of the backgrounds and experience of certain persons currently employed by the Investment Manager and who are expected to be responsible for directing the Investment Manager’s performance of its obligations pursuant to the terms of the Investment Management Agreement are set forth below. There can be no assurance that these persons will continue to be employed by the Investment Manager.

Neil Colverd is President and CEO of the Investment Manager. Mr. Colverd is also CEO for the Asia Pacific region for WestLB AG, and acting Chief Investment Officer for the Investment Management Unit of WestLB AG, a position he has held since 2001. In this capacity, Mr. Colverd has been responsible for managing portfolio holdings on a global basis in excess of U.S. \$80 billion. In addition, he is Chairman of the Dublin-based WestLB Covered Bond Bank. He joined WestLB in 1997. Prior to joining WestLB, Mr. Colverd worked in a variety of trading and investment positions for Nippon Credit Bank Grand Cayman, UBS Tokyo, Merrill Lynch, Long Term Credit Bank of Japan, Smith Barney Harris & Upham and Nomura International. Mr. Colverd is a graduate of Cambridge University, M.A. Hons, Geography.

Gerri Alfino Egler, Managing Director, is Chief Operating Officer of the Investment Manager. Before taking on her responsibilities at the Investment Manager, Ms. Egler was a Managing Director within WestLB's Capital Markets Division with responsibility for the structuring and implementation of certain special projects. Prior to joining WestLB, Ms. Egler was Senior Vice President, General Counsel and Secretary of Assured Guaranty Corp. and a member of that firm's executive committee, and General Counsel to CGA Investment Management, an SEC registered investment adviser. Ms. Egler also practiced law at Dewey Ballantine LLP and at Gibson, Dunn & Crutcher. She is a graduate of the State University of New York at Stony Brook, B.A. with honors, and holds a J.D. from Fordham University's School of Law.

Ulf-Erik Mehwald is Chief Financial Officer of the Investment Manager. Prior to joining the Investment Manager, Mr. Mehwald was Personal Executive Assistant to Klaus-Michael Geiger, the Chief Operating Officer and a member of the Managing Board of WestLB. Before assisting Mr. Geiger, Mr. Mehwald worked for several years as a member of the Group Organization Department of WestLB. He is a graduate of the University of Konstanz, Germany and holds a Diploma of Administrative Science.

George Suspanic, Managing Director, is the Chief Investment Officer and is also responsible for leveraged finance asset portfolio management. Prior to joining Brightwater at the end of January, 2006, Mr. Suspanic was a Managing Director in the Portfolio Management Unit of the New York branch of WestLB, where he was also Co-Head of the Energy & Power Group. Prior to joining WestLB in 2002, Mr. Suspanic was with Goldman, Sachs & Co. for fourteen years, where he was a Managing Director in the Investment Banking Division. Mr. Suspanic holds an M.S. in Operations Research from Stanford University, and a B.S. in Electrical Engineering, with Distinction, from Cornell University. Prior to moving to Wall Street, Mr. Suspanic was a Member of Technical Staff at Bell Laboratories, working in the areas of research and development.

David Gault is an Executive Director of the Investment Manager. Prior to joining the Investment Manager, Mr. Gault was a Director in the Portfolio Management Unit of the New York branch of WestLB. Prior to joining WestLB in 2003, Mr. Gault was Vice President, Portfolio Manager at Advanced Investment Management, a hedge fund. He began his career in 1994 at Integra Financial Corporation. In 1996, he moved to Mellon Financial Corporation. From 1998 to 2001, Mr. Gault was a corporate bond trader at Mellon Financial Markets, LLC. Mr. Gault is a graduate of Carnegie Mellon University, BS Industrial Management 1993 and School of Business, MSIA 2001, and is a CFA.

Terence Mark is an Executive Director of the Investment Manager. Prior to joining the Investment Manager, Mr. Mark was an Executive Director with the Portfolio Management Unit of the New York branch of WestLB, with a primary focus on commercial mortgage-backed and credit risk securities. Mr. Mark began his career 24 years ago and has held positions in credit sales, trading and structuring at Schroders (New York, London & Tokyo Branches), Royal Bank of Canada (New York & Tokyo Branches) and Bear Stearns & Co. (New York). In 2001 he joined WestLB Securities (Tokyo Branch) where he headed Structured Products, and transferred to the Portfolio Management Unit in New York in October 2003. He holds Chartered Financial Analyst (CFA), Financial Risk Manager (FRM) and Professional Risk Manager (PRM) professional designations.

Thomas Vannatta is an Executive Director of the Investment Manager. He joined WestLB in 1999 as an Associate in Finance, supporting the MBS Agency and Portfolio Group, moving to the Portfolio Management Unit of the New York branch of WestLB in 2003. Prior to joining WestLB, Mr. Vannatta was an Associate at Prudential, holding positions in its Fixed Income Bond Support group. Mr. Vannatta received a B.S. in accounting from William Paterson University.

Thomas Irwin is an Executive Director of the Investment Manager. Prior to joining the Investment Manager, Mr. Irwin was a Director responsible for the management of Credit and Surveillance for the Portfolio Management Unit of the New York branch of WestLB. Mr. Irwin has 18 years of experience in fixed income and capital markets counterparty credit. He joined WestLB in 2003 from Credit Suisse First Boston, where he was responsible for the management of credit risk for all North American ABS, CDOs, Residential Mortgages, Finance Companies, as well as the High Net Worth Individual portfolios. Prior to Credit Suisse First Boston, Mr. Irwin was employed by MBIA Inc., in its Financial Institution Enhancements Group, structuring credit enhancement products for commercial banks. Mr. Irwin has also worked for PaineWebber, Elders Finance, Dean Witter and E.F. Hutton in various credit positions. He holds a B.S. in Environmental and Business Economics from Rutgers University.

Anthony LoFaso, PhD, is an Executive Director of the Investment Manager, with responsibility for risk management, quantitative portfolio analysis and mathematical modelling. Dr. LoFaso joined WestLB in 2002 as a member of its risk management team, overseeing structured products. He joined the Investment Manager in 2004. Prior to joining WestLB, Dr. LoFaso directed mortgage analysis for Alliance Capital/Bernstein Asset Management. In addition, he has held positions at UBS Securities and at PaineWebber. Dr. LoFaso holds a B.A. in Mathematics and Physics from Hamilton College, an M.A. in Mathematical Statistics from Columbia University and a PhD in Operations Research from MIT.