

OFFERING CIRCULAR dated 24 September 2007

Sound II B.V.
(incorporated with limited liability in the Netherlands)

€ 732,800,000 Senior Class A Mortgage-Backed Notes 2007 due 2045, issue price 100 per cent.
€ 11,600,000 Mezzanine Class B Mortgage-Backed Notes 2007 due 2045, issue price 100 per cent.
€ 5,600,000 Subordinated Class C Mortgage-Backed Notes 2007 due 2045, issue price 100 per cent.

Application has been made to list the € 732,800,000 Senior Class A Mortgage-Backed Notes 2007 due 2045 (the "**Senior Class A Notes**") and the € 11,600,000 Mezzanine Class B Mortgage-Backed Notes 2007 due 2045 (the "**Mezzanine Class B Notes**") on Eurolist by Euronext Amsterdam N.V. ("**Euronext Amsterdam**"). No application for listing will be made in respect of the € 5,600,000 Subordinated Class C Mortgage-Backed Notes 2007 due 2045 (the "**Subordinated Class C Notes**", and together with the Senior Class A Notes and the Mezzanine Class B Notes, the "**Notes**"). The Notes are expected to be issued on 26 September 2007. This Offering Circular constitutes a prospectus for the purposes of Directive 2003/71/EC (the "**Prospectus Directive**").

The Notes will carry floating rates of interest, payable quarterly in arrear on each Quarterly Payment Date (as defined herein). The rate of interest will be equal to three-months Euribor (as defined in the terms and conditions of the Notes, the "**Conditions**") plus a margin per annum which will be 0.05 per cent. for the Senior Class A Notes, 0.45 per cent. for the Mezzanine Class B Notes and 12.00 per cent. for the Subordinated Class C Notes. If on the First Optional Redemption Date (as defined below) the Notes of any Class have not been redeemed in full, the margin for the Notes will increase and the interest applicable to such Notes will then be equal to three-months Euribor plus a margin per annum which will be for the Senior Class A Notes 0.15 per cent. and for the Mezzanine Class B Notes 0.90 per cent. For the Subordinated Class C Notes such margin will remain at 12.00 per cent.

Payments of principal on the Notes will be made quarterly in arrear on each Quarterly Payment Date in the circumstances set out in, and subject to and in accordance with the Conditions. The Notes will mature on the Quarterly Payment Date falling in March 2045. On the Quarterly Payment Date falling in September 2014 and each Quarterly Payment Date thereafter (each an "**Optional Redemption Date**") the Issuer will have the option to redeem all of the Notes, in whole but not in part, at their Principal Amount Outstanding, subject to and in accordance with the Conditions.

It is a condition precedent to issuance that, on issue, the Senior Class A Notes be assigned an 'Aaa' rating by Moody's Investors Service Limited ("Moody's") and an 'AAA' rating by Fitch Ratings Ltd. ("Fitch") and the Mezzanine Class B Notes be assigned an 'A3' rating by Moody's and an 'AA' rating by Fitch. The Subordinated Class C Notes will not be assigned a rating. 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. For a discussion of some of the risks associated with an investment in the Notes, see section *Risk Factors* herein.

The holders of the Notes (the "**Noteholders**") and the other Security Beneficiaries (as defined in *Description of Security*) will benefit from the security provided to the Security Trustee in the form of a pledge over the Mortgage Receivables and the Beneficiary Rights (both as defined herein) and a pledge over substantially all of the assets of the Issuer in the manner more fully described herein under *Description of Security*. The right to payment of interest and principal on the Mezzanine Class B Notes and the Subordinated Class C Notes will be subordinated to the Senior Class A Notes and limited as more fully described herein under *Terms and Conditions of the Notes*.

The Notes of each Class will be initially represented by a temporary global note in bearer form (each a "**Temporary Global Note**"), without coupons, which will be deposited with a common safekeeper for Euroclear Bank S.A./N.V., as operator of the Euroclear System ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**"), on or about the issue date of the Notes. Interests in each Temporary Global Note will be exchangeable for interests in a permanent global note of the relevant class (each a "**Permanent Global Note**"), without coupons attached (the expression "**Global Notes**" means the Temporary Global Note of each class and the Permanent Global Note of each class and the expression "**Global Note**" means each Temporary Global Note or each Permanent Global Note, as the context may require), not earlier than forty (40) days after the Closing Date (as defined herein) upon certification as to non-U.S. beneficial ownership. Interests in each Permanent Global Note will, in certain limited circumstances, be exchangeable for Definitive Notes in bearer form as described in the Conditions.

The Notes will be solely the obligations of the Issuer. The Notes will not be obligations or responsibilities of, or guaranteed by, any other entity or person, acting in whatever capacity, including, without limitation, the Seller, the Arranger, the Joint Lead Managers, the Listing Agent, the MPT Provider, the Sub-MPT Providers, the Issuer Administrator, the Floating Rate GIC Provider, the Liquidity Facility Provider, the Liquidity Facility Guarantor, the Swap Counterparty, the Paying Agent, the Savings Mortgage Participants, the BKW Mortgage Participant or the Reference Agent (each as defined herein), except for certain limited obligations of the Security Trustee under the Trust Deed (as defined herein) to - *inter alia* - the Noteholders. Furthermore, none of the Seller, the Arranger, the Joint Lead Managers, the Listing Agent, the MPT Provider, the Sub-MPT Providers, the Issuer Administrator, the Floating Rate GIC Provider, the Liquidity Facility Provider, the Swap Counterparty, the Paying Agent, the Savings Mortgage Participants, the BKW Mortgage Participant, the Reference Agent or any other person, acting in whatever capacity, other than the Security Trustee in respect of limited obligations under the Trust Deed, will accept any liability whatsoever to the Noteholders in respect of any failure by the Issuer to pay any amounts due under the Notes. None of the Seller, the Arranger, the Joint Lead Managers, the Listing Agent, the MPT Provider, the Sub-MPT Providers, the Issuer Administrator, the Floating Rate GIC Provider, the Liquidity Facility Provider, the Swap Counterparty, the Paying Agent, the Savings Mortgage Participants, the BKW Mortgage Participant, the Reference Agent and the Security Trustee will be under any obligation whatsoever to provide additional funds to the Issuer (save in the limited circumstances described herein).

Arranger
NIBC Bank N.V.

Joint Lead Managers
NIBC Bank N.V.
ABN AMRO

Only the Issuer is responsible for the information contained in this Offering Circular. To the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case) the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information. The Issuer accepts responsibility accordingly.

For the information contained in the following sections of this Offering Circular: *Overview of the Dutch Residential Mortgage Market*, *NIBC Bank N.V.*, *Description of Portfolio Mortgage Loans* and *Mortgage Loan Underwriting and Servicing* hereto, the Issuer has relied on information from the Sellers. For the information contained in section *The Sub-MPT Providers* of this Offering Circular the Issuer has relied on information from the Sub-MPT Providers. The information in these sections and any other information from third-parties contained and specified as such in this Offering Circular has been accurately reproduced and as far as the Issuer is aware and is able to ascertain from information published by that third-party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

This Offering Circular is to be read in conjunction with the articles of association of the Issuer dated 7 September 2007 which are deemed to be incorporated herein by reference (see section *General Information* below). This Offering Circular shall be read and construed on the basis that such document is incorporated in, and forms part of, this Offering Circular.

No person has been authorised to give any information or to make any representation which is not contained in or consistent with this Offering Circular or any other information supplied in connection with the offering of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or the Joint Lead Managers.

This Offering Circular does not constitute an offer to sell or a solicitation of an offer to buy Notes in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction. The distribution of this document and the offering of the Notes in certain jurisdictions may be restricted by law.

Persons into whose possession this Offering Circular (or any part thereof) comes are required to inform themselves about, and to observe, any such restrictions. A fuller description of the restrictions on offers, sales and deliveries of the Notes and on the distribution of this Offering Circular is set out in *Subscription and Sale* below. No one is authorised to give any information or to make any representation concerning the issue of the Notes other than those contained in this Offering Circular in accordance with applicable laws and regulations.

Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer.

Neither the delivery of this Offering Circular at any time nor any sale made in connection with the

offering of the Notes shall imply that the information contained herein is correct at any time subsequent to the date of this Offering Circular. The Issuer does not have the obligation to update this Offering Circular, except when required by the listing and issuing rules or Euronext Amsterdam or any other regulation.

The Joint Lead Managers and the Sellers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Notes. Investors should review, *inter alia*, the most recent financial statements of the Issuer when deciding whether or not to purchase any Notes.

The Notes have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the "**Securities Act**") and are subject to United States tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to United States persons (see *Subscription and Sale* below).

In connection with the issue of the Notes, NIBC Bank N.V., or any other appointed person acting for NIBC Bank N.V., may over-allot or effect transactions that stabilise or maintain the market price of the Notes at a level that might not otherwise prevail. However, there is no obligation on NIBC Bank N.V. to undertake these actions. Any stabilisation action may be discontinued at any time but will, in accordance with the rules of Euronext Amsterdam, in any event be discontinued at the earlier of thirty (30) days after the issue date of the Notes and sixty (60) days after the date of allotment of the Notes. Stabilisation transactions will be conducted in compliance with all applicable laws and regulations, as amended from time to time.

All references in this Offering Circular to "€", "EUR" and "euro" refer to the single currency which was introduced at the start of the third stage of the European Economic and Monetary Union pursuant to the Treaty establishing the European Community (as amended by the Treaty on European Union).

Capitalised terms used in this Offering Circular, unless otherwise indicated, have the meanings as set out in this Offering Circular. For the page reference of the definitions of capitalised terms used in this Offering Circular see Index of Terms.

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TRANSACTION SUMMARY

The following is a summary of the principal features of the transaction described in this Offering Circular including the issue of the Notes. The information in this section does not purport to be complete. This summary should be read as an introduction to this Offering Circular and any decision to invest in the Notes should be based on a consideration of the Offering Circular as a whole, including any amendment and supplement thereto and the documents incorporated by reference. Where a claim relating to the information contained in this Offering Circular is brought before a court, the plaintiff investor might, under the national legislation of the Member State, have to bear the costs of translating this Offering Circular before the legal proceedings are initiated. Civil liability attaches to the Issuer, being the entity which has prepared the summary, and applied for its notification, only if the summary is misleading, inaccurate or inconsistent when read with other parts of the Offering Circular.

Capitalised terms used, but not defined, in this section can be found elsewhere in this Offering Circular, via the Index of Terms unless otherwise stated.

Risk factors

There are certain risk factors which the prospective Noteholders should take into account. These risk factors relate to, *inter alia*, the Notes, such as (but not limited to) the fact that the liabilities of the Issuer under the Notes are limited recourse obligations whereby the ability of the Issuer to meet such obligations will be dependent on the receipt by it of funds under the Mortgage Receivables, the proceeds of the sale of any Mortgage Receivables and the receipt by it of other funds. Despite certain facilities, there remains a credit risk, liquidity risk, prepayment risk, maturity risk and interest rate risk relating to the Notes. Moreover, there are certain structural and legal risks relating to the Mortgage Receivables (see under *Risk Factors* below).

Transaction

On the Closing Date, the Issuer will (i) issue the Notes and (ii) apply the net proceeds of the Notes towards payment, in part, of the Initial Purchase Price for the Mortgage Receivables, consisting of any and all rights and claims of the Sellers against certain borrowers under or in connection with certain selected mortgage loans originated or acquired by the Sellers which mortgage loans have the benefit of a NHG Guarantee or a guarantee from a Dutch municipality and are secured by a first-ranking right of mortgage (*hypothekrecht*) or first and sequentially lower ranking right of mortgage, provided that part of the Initial Purchase Price will be withheld by the Issuer and deposited into the Construction Deposit Account for payments relating to Construction Deposits and which part will be paid out by the Issuer to the relevant Sellers only after the Construction Deposits have been paid out by such Sellers to the relevant Borrowers.

The NHG Guarantee covers the outstanding principal, accrued unpaid interest and disposal costs. Irrespective of scheduled repayments or prepayments made on the mortgage loans, the NHG Guarantee reduces on a monthly basis by an amount which is equal to the monthly payments as if the

mortgage loan were being repaid on a thirty year annuity basis. Any amount payable under a NHG Guarantee will be adjusted accordingly. Pursuant to the NHG Conditions, *Stichting Waarborgfonds Eigen Woningen* has no obligation to pay any loss (in whole or in part) incurred by a Seller after a private or a forced sale of the Mortgaged Assets if the relevant Seller has not complied with the NHG Conditions. At the Closing Date each of the Sellers will, therefore, represent and warrant that all NHG Conditions applicable at the time of origination of the Portfolio Mortgage Loan were complied with.

The Issuer will use receipts of principal and interest in respect of the Mortgage Receivables together with amounts it receives under the Liquidity Facility Agreement, the Floating Rate GIC, the Savings Mortgage Sub-Participation Agreements and the Swap Agreement to make payments of, *inter alia*, principal and interest due in respect of the Notes provided that up and including the Quarterly Payment Date falling in September 2010, the Issuer will use the principal received by it in respect of the repurchase of the Mortgage Receivables by a Seller to purchase Replacement Receivables and/or Substitute Mortgage Receivables and thereafter up to and including the Quarterly Payment Date immediately preceding the First Optional Redemption Date, to purchase Replacement Receivables, to the extent such Substitute Mortgage Receivables and Replacement Receivables are offered to the Issuer by the Sellers. It is of note that the obligations of the Issuer in respect of the Notes will rank behind the obligations of the Issuer in respect of certain items set forth in the applicable priority of payments (see under *Credit Structure* below) and that the right to payment of interest and principal on the Mezzanine Class B Notes and the Subordinated Class C Notes will be subordinated to the right to payment of principal and interest on the Senior Class A Notes and may be limited as more fully described herein under *Terms and Conditions of the Notes*.

Pursuant to the Liquidity Facility Agreement the Issuer will be entitled to make drawings if there are insufficient funds available to the Issuer as a result of a shortfall in the Notes Interest Available Amounts (see under *Credit Structure* below).

Pursuant to the Floating Rate GIC the Floating Rate GIC Provider will agree to pay a guaranteed rate of interest on the balance standing from time to time to the credit of the GIC Accounts (see under *Credit Structure* below).

To hedge the risk between the rate of interest to be received by the Issuer on the Mortgage Receivables and the rate of interest payable by the Issuer on the Notes, the Issuer will enter into the Swap Agreement (see under *Credit Structure* below).

The Issuer

Sound II B.V. is incorporated under the laws of the Netherlands as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) under number BV 1452386, having its corporate seat in Amsterdam, the Netherlands and registered with the Commercial Register of the Chamber of Commerce for Amsterdam under number 34282520. The entire issued share capital of the Issuer is held by Stichting Sound Holding. The Issuer is established to issue the Notes.

Security Structure

The Noteholders will benefit from the security granted in favour of the Security Trustee, whereas the Notes will be secured indirectly, through the Security Trustee, by (i) a first ranking pledge granted by the Issuer to the Security Trustee over the Mortgage Receivables (including any parts thereof which are placed on Construction Deposits), including all rights ancillary thereto in respect of the Portfolio Mortgage Loans and the Beneficiary Rights, and (ii) a first ranking pledge by the Issuer to the Security Trustee over the Issuer's rights under or in connection with the Mortgage Receivables Purchase Agreement, the Swap Agreement, the Servicing Agreement, the Floating Rate GIC, the Liquidity Facility Agreement, the Savings Mortgage Sub-Participation Agreements, the Beneficiary Waiver Agreement and in respect of the GIC Accounts.

In order to ensure the valid creation of the security rights under Dutch law in favour of the Security Trustee, the Issuer has undertaken in the Trust Deed to pay to the Security Trustee, by way of a parallel debt, under the same terms and conditions, an amount equal to the aggregate of all its undertakings, liabilities and obligations to the Security Beneficiaries pursuant to the relevant Transaction Documents.

The Trust Deed sets out the priority of the claims of the Security Beneficiaries. See for a more detailed description *Description of Security* below.

Redemption of the Notes

Unless previously redeemed, the Issuer will redeem the Notes on the Quarterly Payment Date falling in March 2045.

Provided that no Enforcement Notice has been served in accordance with Condition 10, the Issuer shall on each Quarterly Payment Date apply the Notes Principal Available Amount, subject to possible application thereof towards payment of the purchase price for the Replacement Receivables and/or Substitute Mortgage Receivables, towards redemption of the Notes.

Subject to and in accordance with the Conditions, the Issuer has, provided that no Enforcement Notice has been served in accordance with Condition 10, the option to redeem all of the Notes, in whole but not in part, on any Optional Redemption Date. In addition, the Issuer has the option to redeem the Notes in the event of certain tax changes affecting the Notes. Finally the Notes shall be redeemed by the Issuer in whole but not in part, following the exercise by the Sellers, acting jointly, of the Sellers Clean-up Call Option.

RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes. Most of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

Factors which are material for the purpose of assessing the market risks associated with the Notes are also described below.

The Issuer believes that the factors described below represent the material risks inherent in investing in the Notes, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with the Notes may occur for other reasons. Additional risks and uncertainties not presently known to the Issuer or that the Issuer deems immaterial may also have a material adverse effect on the Issuer's business, results of operations or financial condition and could negatively affect the Notes. Prospective Noteholders should read the information contained herein in conjunction with the detailed information set out elsewhere in this Offering Circular and should reach their own views prior to making any investment decision.

Capitalised terms used, but not defined, in this section can be found elsewhere in this Offering Circular, via the Index of Terms, unless otherwise stated.

Liabilities under the Notes and limited recourse

The Notes will be solely the obligations of the Issuer. The Notes will not be obligations or responsibilities of, or guaranteed by, any other entity or person, acting in whatever capacity, including, without limitation, the Sellers, the Arranger, the Joint Lead Managers, the Listing Agent, the MPT Provider, the Sub-MPT Providers, the Issuer Administrator, the Savings Mortgage Participants, the BKW Mortgage Participant, the Floating Rate GIC Provider, the Liquidity Facility Provider, the Liquidity Facility Guarantor, the Swap Counterparty, the Paying Agent, the Reference Agent or, except for certain limited obligations under the Trust Deed as more fully described in *Description of Security*, the Security Trustee. Furthermore, none of the Sellers, the Arranger, the Joint Lead Managers, the Listing Agent, the MPT Provider, the Issuer Administrator, the Savings Mortgage Participants, the BKW Mortgage Participant, the Floating Rate GIC Provider, the Liquidity Facility Provider, the Swap Counterparty, the Paying Agent, the Reference Agent or any other person, acting in whatever capacity, other than the Security Trustee in respect of limited obligations under the Trust Deed, will accept any liability whatsoever to Noteholders in respect of any failure by the Issuer to pay any amounts due under the Notes.

The obligations of the Issuer under the Notes are limited recourse obligations and the ability of the Issuer to meet its obligations to pay the principal of and interest on the Notes will be dependent on the receipt by it of funds under the Mortgage Receivables, the proceeds of the sale of any Mortgage Receivables, payments under the Swap Agreement and the Savings Mortgage Sub-Participation

Agreements and the receipt by it of interest in respect of the balances standing to the credit of the GIC Accounts. In addition, the Issuer will have available to it the amounts available to be drawn under the Liquidity Facility (as defined below) for certain of its payment obligations. See further under *Credit Structure* below.

Payment of principal and interest on the Notes will be secured indirectly by the security granted by the Issuer to the Security Trustee pursuant to the Security Documents. If the security granted pursuant to the Security Documents is enforced and the proceeds of such enforcement, after payment of all other claims ranking in priority to amounts due under the Notes, are insufficient to repay in full all principal and to pay all interest and other amounts due in respect of the Notes, then, as the Issuer has no other assets, it may be unable to satisfy claims in respect of any such unpaid amounts. As enforcement of the security by the Security Trustee pursuant to the terms of the Trust Deed, the Pledge Agreements and the Notes is the only remedy available to Noteholders for the purpose of recovering amounts owed in respect of the Notes, the Noteholders shall following the application of the proceeds of such enforcement, subject to and in accordance with the Post-Enforcement Priority of Payments have no further claim against the Issuer or the Security Trustee in respect of any such unpaid amounts.

Risks inherent to the Notes

By acquiring the Notes, the Noteholders shall be deemed to have knowledge of, accept and be bound by the Conditions. Neither the Issuer nor the Paying Agent will have any responsibility for the proper performance by the Clearing Institutions or their participants of their obligations under their respective rules, operating procedures and calculation methods.

(i) Credit Risk

There is a risk of non-payment of principal and interest on the Notes due to non-payment of principal and interest on the Portfolio Mortgage Loans, despite of the following:

- in the case of the Senior Class A Notes, the subordinated ranking of the Mezzanine Class B Notes and the Subordinated Class C Notes;
- in the case of the Senior Class A Notes and the Mezzanine Class B Notes, the subordinated ranking of the Subordinated Class C Notes; and
- the fact that the Portfolio Mortgage Loans have the benefit of a NHG Guarantee or a guarantee from a Dutch municipality.

(ii) Liquidity Risk

There is a risk that interest on the underlying Mortgage Receivables is not received on time thus causing temporary liquidity problems to the Issuer despite the availability, in certain circumstances, of the Liquidity Facility provided by the Liquidity Facility Provider.

(iii) Prepayment Risk

Until the Quarterly Payment Date falling in September 2010, as long as the Sellers on each

Quarterly Payment Date offer additional Mortgage Receivables (i.e. Substitute Mortgage Receivables) in an amount equal to the Notes Principal Available Amounts less the Replacement Available Amount (if any), the Notes will not be redeemed. However, if the Substitution Criteria are not met or the Sellers do not offer sufficient Substitute Mortgage Receivables or Replacement Receivables, the Notes Principal Available Amount will be used to redeem the Notes (other than the Subordinated Notes). The level of prepayments by the Borrowers can vary and therefore, if no substitution takes place and no Replacement Receivables are purchased by the Issuer, there is a risk that the average life of the Notes is shorter or longer than anticipated. The average life of the Notes is subject to some factors outside the control of the Issuer and consequently no assurance can be given that any estimates and assumptions in this respect will prove in any way to be realistic.

(iv) *Maturity Risk*

There is a risk that the Issuer will not have received sufficient principal to fully redeem the Notes at maturity. The Final Maturity Date for the Notes is on the Quarterly Payment Date falling in March 2045. The Issuer has on any Optional Redemption Date the right to sell and assign all (but not only part of) the Mortgage Receivables, excluding the Savings Parts, if any, to any party. The Issuer shall be required to apply the proceeds of such sale, to the extent relating to principal, to redeem the Notes in accordance with the Conditions. If the Issuer does not exercise this option on the First Optional Redemption Date, the interest rate for the Notes will be a floating rate based on three-months Euribor plus the margin set out under *Interest Step-up* in the section *Key Parties and Summary of Principal Features* below. No guarantee can be given that the Issuer will exercise its option or that there will be a third party purchaser and therefore that the Notes will be redeemed on such First Optional Redemption Date or any Optional Redemption Date thereafter.

(v) *Interest Rate Risk*

There is a risk that, due to interest rate movements, the interest received on the Mortgage Receivables and the GIC Accounts is not sufficient to pay the floating interest on the Notes.

(vi) *Structural/Legal Risk*

As to the structural/legal risks relating to the Notes reference is made to, *inter alia*, *Transfer of Legal Title to Mortgage Receivables*, *Set-off*, *Mortgage Rights*, *Insurance Policies* and *Reduced Value of Investments* below.

Rating of the Notes

The ratings to be assigned to the Notes (other than the Subordinated Class C Notes) by the Rating Agencies are based on the value and cash flow-generating ability of the Portfolio Mortgage Loans and other relevant structural features of the transaction, including, *inter alia*, the short-term and long-term unsecured and unsubordinated debt rating of the other parties involved in the transaction, such as the providers of ancillary facilities (i.e. Floating Rate GIC Provider, Swap Counterparty, Liquidity Facility

Provider and Liquidity Facility Guarantor) and the rating of the Dutch State, as ultimate 'guarantor' under the NHG Guarantee. The ratings only reflect the view of each of the Rating Agencies.

There is no assurance that any such rating will continue for any period of time or that they will not be reviewed, revised, suspended or withdrawn entirely by the Rating Agencies as a result of changes in or unavailability of information or if, in the Rating Agencies' judgement, circumstances so warrant. Future events also, including events affecting the Swap Counterparty and/or circumstances relating to the Mortgage Receivables and/or the Dutch residential mortgage market, in general could have an adverse effect on the ratings of the Notes.

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.

Value of the Notes and Liquidity

Prior to this offering, there has been no public secondary market for the Notes and there can be no assurance that the issue price of the Notes will correspond to the price at which the Notes will be traded after the initial offering of the Notes. Furthermore, there can be no assurance that active trading in the Notes will commence or continue after the offering. A lack of trading in the Notes could adversely affect the price of the Notes, as well as the Noteholders' ability to sell the Notes.

Loan to Foreclosure Value Ratio

The Portfolio Mortgage Loans have a loan to foreclosure value ratio ("**LTFV**") of up to and including 145 per cent. Generally, in the Dutch mortgage market the foreclosure value (*executiewaarde*) is approximately 90 per cent. of the market value (*vrije verkoopwaarde*) of the relevant mortgaged property. There can be no assurance that, on enforcement, all amounts owed by a Borrower under a Portfolio Mortgage Loan can be recovered from the proceeds of the foreclosure on the relevant Mortgaged Asset or that the proceeds upon foreclosure will be at least equal to the estimated foreclosure value of such Mortgaged Asset (see *Description of Portfolio Mortgage Loans*).

NHG Guarantee and Dutch municipality guarantee

The Portfolio Mortgage Loans will have the benefit of either a '*Nationale Hypotheek Garantie*' ("**NHG Guarantee**") or a guarantee granted by a Dutch municipality. Pursuant to the NHG Conditions, the '*Stichting Waarborgfonds Eigen Woningen*' ("**WEW**") has no obligation to pay any loss (in whole or in part) incurred by a lender after a private or a forced sale of the mortgaged property if such lender has not complied with the NHG Conditions. The same may apply in respect of a guarantee granted by a Dutch municipality. Each of the Sellers will, therefore, on the relevant purchase date, represent and warrant, *inter alia*, that (i) all NHG Conditions applicable to the NHG Guarantee or the guarantee from the relevant Dutch municipality, as the case may be, at the time of origination of the Portfolio Mortgage Loan were complied with and (ii) it is not aware of any reason why any claim under any NHG Guarantee or under the guarantee from the relevant Dutch municipality, as the case may be, should not be met in full and in a timely manner.

Furthermore, the NHG Conditions stipulate that the NHG Guarantee of the WEW will terminate upon expiry of a period of thirty (30) years after the establishment of the NHG Guarantee.

Finally, the NHG Conditions stipulate that the amount guaranteed by the WEW under the NHG Guarantee (irrespective of the type of redemption of the mortgage loan) is reduced on a monthly basis by an amount which is equal to the amount of the monthly repayments as if the mortgage loan were to be repaid on a thirty year annuity basis. The actual redemption structure of a Portfolio Mortgage Loan can be different (see *Description of the Portfolio Mortgage Loans*). This may result in the Issuer not being able to fully recover any loss incurred with the WEW under the NHG Guarantee and may consequently lead to the Issuer not having sufficient funds to fully repay the Notes.

Trust Deed

The Noteholders will benefit from the security granted in favour of the Security Trustee pursuant to the Security Documents. Under the terms of the Trust Deed, the Issuer will undertake to pay to the Security Trustee, on the same terms and conditions, an amount equal to the aggregate of all amounts from time to time due and payable by the Issuer to the Security Beneficiaries (including, but not limited to, the Noteholders) in accordance with the terms and conditions of the relevant Transaction Documents (as defined in the Conditions) (such payment undertaking and the obligations and liabilities resulting from it being referred to as the "**Parallel Debt**"). The Parallel Debt represents an independent claim of the Security Trustee to receive payment thereof from the Issuer, provided that (i) the aggregate amount that may become due under the Parallel Debt will never exceed the aggregate amount that may become due under all of the Issuer's obligations to the Security Beneficiaries, including the Noteholders, pursuant to the Transaction Documents, and (ii) every payment in respect of such Transaction Documents for the account of or made to the Security Beneficiaries directly in respect of such undertaking shall operate in satisfaction *pro tanto* of the corresponding covenant in favour of the Security Trustee. The Parallel Debt is secured by the Pledge Agreements.

It is generally assumed that under Dutch law a right of pledge cannot be validly created in favour of a person who is not the creditor of the claim that the right of pledge purports to secure. The Parallel Debt is included in the Trust Deed to address this issue. It is noted that there is no statutory law or case law available on the validity or enforceability of a parallel covenant such as the Parallel Debt or the security provided for such debts. However, the Issuer has been advised that there are no reasons why a parallel covenant such as the Parallel Debt will not create a claim of the pledgee (the Security Trustee) thereunder which can be validly secured by a right of pledge such as the rights of pledge created pursuant to the Pledge Agreements.

Transfer of Legal Title to Mortgage Receivables

Under Dutch law a transfer of title by way of assignment of a receivable can be effected either by means of (i) a deed of assignment executed between the assignee and the assignor and a notification of the assignment to the relevant debtor or (ii) a notarial deed or a registered deed of assignment,

without notification of the assignment to the relevant debtor being required (the so-called *stille cessie*). In the latter case notification to the debtor, however, will still be required to prevent such debtor validly discharging its obligations (*bevrijdend betalen*) under the receivable by making a payment to the relevant assignor. The legal ownership of the Mortgage Receivables will be transferred by the Sellers to the Issuer on the relevant date of purchase and assignment through a registered deed of assignment. The Mortgage Receivables Purchase Agreement provides that such transfer of legal title to the Mortgage Receivables by the Sellers to the Issuer will not be notified to the Borrowers unless certain events (referred to as Assignment Notification Events) occur. For a description of these notification events reference is made to the section *Mortgage Receivables Purchase Agreement* below.

Until notification of the transfer of legal title has been made to the Borrowers, the Borrowers can only validly discharge their obligations (*bevrijdend betalen*) under the relevant Portfolio Mortgage Loan by making a payment to the relevant Seller. Each of the Sellers has undertaken in the Mortgage Receivables Purchase Agreement to pay (or procure that the MPT Provider shall pay on its behalf) on the third Business Day following the last day of each calendar month all amounts received by it in respect of the Portfolio Mortgage Loans with respect to the immediately preceding Portfolio Calculation Period. However, receipt of such amounts by the Issuer is subject to the Sellers actually making such payments.

Payments made by the Borrowers to the relevant Seller prior to notification but after bankruptcy or suspension of payments in respect of such Seller having been declared, will be part of the Seller's bankruptcy estate. However, the Issuer has the right to receive such amounts by preference after deduction of the general bankruptcy costs (*algemene faillissementskosten*).

Construction Deposits

Pursuant to the Mortgage Conditions, in respect of certain Portfolio Mortgage Loans, the Borrower has the right to request that part of the Portfolio Mortgage Loan will be applied towards construction of, or improvements to, the Mortgaged Asset. In that case the Borrower has placed part of the monies drawn down under the Portfolio Mortgage Loan on deposit with the relevant Seller, and such a Seller has committed to pay out such deposits to or on behalf of the Borrower in order to enable the Borrower to pay for such construction of, or improvements to, the relevant Mortgaged Asset, provided certain conditions are met (such mortgage are called construction mortgages (*bouwhypotheeken*)). Pursuant to the current NHG Conditions, a Construction Deposit has to be paid out after the building activities or renovation activities have been finalised. If the remaining Construction Deposit exceeds € 2,500, such Construction Deposit will be set-off against the Mortgage Receivable up to the amount of the Construction Deposit, in which case the relevant Seller will pay the amount of the relevant Construction Deposit to the Issuer to form part of the Notes Principal Available Amounts on the next succeeding Quarterly Payment Date. Pursuant to the NHG Conditions, if the remaining Construction Deposit is less than € 2,500, the relevant Seller has the right to pay out the remaining amount to the relevant Borrower.

Under the Mortgage Receivables Purchase Agreement, the Sellers will sell to the Issuer the full amount of the Mortgage Receivables, which therefore includes the amounts represented by the Construction Deposits. A Borrower will be entitled to set-off the amounts represented by the relevant Construction Deposits against the amounts due by it to the relevant Seller under the relevant Portfolio Mortgage Loan (see further *Set-off* below).

Payment by the Issuer to the relevant Seller of part of the Initial Purchase Price for the Mortgage Receivables to which a Construction Deposit corresponds, which part of the purchase price shall be equal to such Construction Deposit, is withheld until the first Portfolio Payment Date after the relevant part of the Construction Deposit has been paid out to or on behalf of the Borrower. Such payment will be made from the Construction Deposit Account. However, if an Assignment Notification Event has occurred the Issuer will no longer be under an obligation to pay such amount, unless the relevant Mortgage Receivable including the part thereof that corresponds to the Construction Deposit has been transferred to the Issuer so that such transfer is fully effective in relation to a possible bankruptcy of the relevant Seller.

Furthermore, under Dutch law the distinction between 'existing' receivables and 'future' receivables is relevant in connection with Construction Deposits. If receivables are to be regarded as future receivables, an assignment and/or pledge thereof will not be effective to the extent the receivable comes into existence after or on the date on which the assignor or, as the case may be, the pledgor has been declared bankrupt or has had a suspension of payments granted. If, however, receivables are to be considered as existing receivables, the assignment and pledge thereof are not affected by the bankruptcy or suspension of payments of the assignor/pledgor.

Whether such part of a Mortgage Receivable as relates to a Construction Deposit should be considered as an existing or future receivable is difficult to establish on the basis of the applicable terms and conditions of the relevant Portfolio Mortgage Loans and has not been addressed conclusively in case law or legal literature. If the full Mortgage Receivable is considered to be drawn down under the Portfolio Mortgage Loan when the Construction Deposit is created, the part of the Mortgage Receivable relating to the Construction Deposit will be deemed to be existing as from the creation of the Construction Deposit. However, it is also conceivable that such part of the Portfolio Mortgage Loan concerned is considered drawn down only when and to the extent the Construction Deposit is paid out to or on behalf of the Borrower in which case such part of the Mortgage Receivable is deemed to be a future receivable until the Construction Deposit is paid out.

If the part of the Mortgage Receivable relating to the Construction Deposit is to be regarded as a future receivable, the assignment and/or pledge of such part will not be effective if the Construction Deposit is paid out on or after the date on which the relevant Seller is declared bankrupt or granted a suspension of payments. In that case, the part of the Mortgage Receivable that is not subject to the assignment or pledge will no longer be available to the Issuer.

Set-off

Under Dutch law a debtor has a right of set-off if it has a claim which corresponds to its debt to the same counterparty and it is entitled to pay its debt as well as to enforce payment of its claim. Subject to these requirements being met, each Borrower will, prior to notification of the assignment of the Mortgage Receivable to the Issuer having been made, be entitled to set off amounts due by a Seller to it (if any) with amounts it owes in respect of the Mortgage Receivable. As a result of the set-off of amounts due by the relevant Seller to the Borrower with amounts the Borrower owes in respect of the Mortgage Receivable, the Mortgage Receivable will, partially or fully, be extinguished (*gaat teniet*). Set-off by Borrowers could thus lead to losses under the Notes. The legal requirements for set-off are met in respect of the Construction Deposits.

After assignment of the Mortgage Receivables to the Issuer and notification thereof to a Borrower, such Borrower will also have set-off rights vis-à-vis the Issuer, provided that the legal requirements for set-off are met (see above), and further provided that (i) the counterclaim of the Borrower results from the same legal relationship as the relevant Mortgage Receivable, or (ii) the counterclaim of the Borrower has been originated and become due prior to the assignment of the Mortgage Receivable and notification thereof to the relevant Borrower. The question whether a court will come to the conclusion that the Mortgage Receivable and the claim of the Borrower against the Seller result from the same legal relationship will depend on all relevant facts and circumstances involved. But even if these would be held to be different legal relationships, set-off will be possible if the counterclaim of the Borrower has originated (*opgekomen*) and become due (*opeisbaar*) prior to notification of the assignment, and, further, provided that all other requirements for set-off have been met (see above). The Construction Deposits result from the same legal relationship as the relevant Mortgage Receivables and, therefore, the legal requirements for the relevant Borrower being able to invoke set-off rights against the Issuer in respect of such Construction Deposits will be met.

The Mortgage Conditions may provide that payments by the Borrowers should be made without set-off. Although this clause is intended as a waiver by the Borrowers of their set-off rights vis-à-vis the relevant Seller, under Dutch law it is uncertain whether such waiver will be valid. Should such waiver be invalid, the foregoing applies *mutatis mutandis*.

If notification of the assignment of the Mortgage Receivables is made after the bankruptcy or suspension of payments of the relevant Seller having become effective, it is defended in legal literature that the Borrower will, irrespective of the notification of the assignment, continue to have the broader set-off rights afforded to it in the Dutch Bankruptcy Code. Under the Dutch Bankruptcy Code a person which is both debtor and creditor of the bankrupt entity can set off its debt with its claim, if each claim (i) came into existence prior to the moment at which the bankruptcy became effective or (ii) resulted from transactions with the bankrupt entity concluded prior to the bankruptcy becoming effective.

The Mortgage Receivables Purchase Agreement provides that if a Borrower sets off amounts due to it by the relevant Seller against the relevant Mortgage Receivable and, as a consequence thereof, the

Issuer does not receive the amount which it would otherwise have been entitled to receive in respect of such Mortgage Receivable, such Seller will pay to the Issuer an amount equal to the difference between (i) the amount which the Issuer would have received in respect of the relevant Mortgage Receivable if no set-off had taken place and (ii) the amount actually received by the Issuer in respect of such Mortgage Receivable. Receipt of such amount by the Issuer from such Seller is subject to the ability of the Seller to actually make such payments.

Provided certain conditions are met under the relevant Portfolio Mortgage Loans, the Borrower has the right to require a Seller to pay out the Construction Deposit to or on behalf of such Borrower. Under Dutch law a creditor is entitled to dissolve (*ontbinden*) an agreement and/or demand payment of damages if its debtor defaults in the performance of its obligations under such agreement. A possible bankruptcy involving a Seller in itself would not be grounds for the Borrower to dissolve the agreements under which the Portfolio Mortgage Loans arise unless the parties have agreed otherwise. Should the relevant Seller in that case make the Construction Deposits available to the Borrower in the manner agreed between such Seller and the Borrower, the Borrower will in turn have to perform its obligations to the Seller under the Mortgage Receivables (including in respect of the amounts placed on the Construction Deposit). Upon a bankruptcy or suspension of payments involving a Seller, the Borrower is entitled to require such Seller's bankruptcy trustee to confirm within a reasonable term whether it will perform the Seller's obligations under the relevant Portfolio Mortgage Loan, i.e. making available to the Borrower the Construction Deposit. The Borrower can request that the Seller's bankruptcy trustee provides in these circumstances security for the performance of its obligations. If the Seller's bankruptcy trustee fails to provide such confirmation or such security the Seller's bankruptcy trustee (and possibly also the Issuer and/or the Security Trustee) will lose its/their right to demand performance by the Borrower of his obligations to the extent relating to the relevant Construction Deposit. The Borrower, however, will not be released from his payment obligations in respect of the amounts that it has received under the relevant Portfolio Mortgage Loan from the relevant Seller by payment out of the relevant Construction Deposit.

In addition, if a Seller would for any reason fail to fulfil its obligations relating to the Construction Deposits, the Borrower could invoke rights of set-off or other defences vis-à-vis the Issuer, which would reduce the proceeds of the Mortgage Receivables.

A Seller will also have the right to set-off any amounts owing to a Borrower against a Mortgage Receivable in respect of such Borrower. The Mortgage Receivables Purchase Agreement will provide that, prior to notification of the assignment and/or pledges, each of the Sellers will pay to the Issuer any amounts not received by the Issuer as a result of such right of set-off being invoked by it. After notification of the assignment and/or pledges to the Borrowers, a Seller will no longer have any set-off right against the relevant Borrowers.

For specific set-off issues relating to Life Mortgage Loans, Switch Mortgage Loans and Savings Mortgage Loans reference is made to *Insurance Policies* below.

Mortgage Rights

The Mortgage Receivables sold to the Issuer will be secured by mortgage rights which not only secure the initial loan granted to the Borrower, but also other liabilities and monies that the Borrower, now or in the future, may owe to a Seller (the so-called *bankhypotheeken*, hereinafter referred to as "**Bank Mortgages**").

Under Dutch law a mortgage right is an accessory right (*afhankelijk recht*) which follows by operation of law the receivable with which it is connected. Furthermore, a mortgage right is an ancillary right (*nevenrecht*) and the assignee of a receivable secured by an ancillary right will have the benefit of such right, unless the ancillary right by its nature is, or has been construed as, a purely personal right of the assignor or such transfer is prohibited by law. However, Dutch legal commentators have different views on whether, in the event of assignment or pledge of a receivable secured by a Bank Mortgage, the mortgage will follow such receivable. Based upon case law, the prevailing view has been for a long time that a Bank Mortgage will only follow the receivable which it secures if the relationship between the bank and a borrower has been terminated in such a manner that following the transfer, the bank cannot create or obtain new receivables against the borrower. However, in recent legal literature this view is generally disputed and it is argued, in particular where the mortgage deed indicates that the parties intended this to happen, that the Bank Mortgage will (partially) follow the receivable to the extent that it has been assigned, irrespective of whether the banking relationship between the bank and the borrower has terminated. Those legal commentators argue that in case of assignment of a receivable secured by a Bank Mortgage, the Bank Mortgage will in principle (partially) pass to the assignee as an accessory right. In this argument the transfer does not conflict with the nature of a Bank Mortgage, which is -in this argument- supported by the same case law. Any further claims of the assignor will also continue to be secured and as a consequence the Bank Mortgage will be jointly-held by the assignor and the assignee after the assignment. In this view a Bank Mortgage only continues to secure exclusively claims of the original holder of the Bank Mortgage and will not pass to the assignee, if this has been explicitly stipulated in the deed creating the Bank Mortgage.

Although the view prevailing in the past, to the effect that given its nature a Bank Mortgage will as a general rule not follow as an accessory right upon assignment of a receivable which it secures, is still defended, the Issuer has been advised that the better view is that as a general rule a Bank Mortgage in view of its nature follows the receivable as an accessory right upon its assignment. Whether in the particular circumstances involved the Bank Mortgage will remain with the original holder of the security right, will be a matter of interpretation of the relevant deed creating the Bank Mortgage.

The Mortgage Conditions applicable to most of the Portfolio Mortgage Loans do contain a provision to the effect that, upon assignment or pledge of the relevant receivable, in whole or in part, the Mortgage Right will pro rata follow such receivable as an ancillary right. This provision is a clear indication of the intention of the parties in respect of assignment and pledge of the receivable. In the determination of whether a Bank Mortgage follows the receivable to which it is connected, the wording of the Mortgage

Conditions in the relevant mortgage deed is an all important factor. The inclusion of this provision in the Mortgage Conditions therefore provides strong support for the view that, in this case, the Mortgage Right will follow the Mortgage Receivable on a pro rata basis upon assignment or pledge as an ancillary right, albeit that there is no conclusive case law which supports this view.

The Mortgage Conditions applicable to the other Portfolio Mortgage Loans do not contain any explicit provision on the issue whether the Bank Mortgage follows the receivable upon its assignment and as a consequence thereof there is no clear indication of the intention of the parties. The Issuer has been advised that even in such case the Bank Mortgage should (partially) follow the Mortgage Receivable as accessory and ancillary right upon its assignment, but that there is no case law explicitly supporting this advice and that, consequently, it is not certain what the Dutch courts would decide if this matter were to be submitted to them, particularly taking into account the prevailing view of Dutch commentators on Bank Mortgages in the past, which view continues to be defended by some legal authors.

If the Bank Mortgages would (pro rata) have followed the Mortgage Receivables upon assignment or pledge, this would imply that the Mortgage Rights may be co-held by the relevant Seller and the Issuer in respect of which the rules applicable to co-ownership (*gemeenschap*) apply. The Dutch Civil Code provides for various mandatory rules applying to such co-owned rights. In the Mortgage Receivables Purchase Agreement the Sellers, the Issuer and the Security Trustee will agree that the Issuer and/or the Security Trustee, as the case may be, will manage and administer such co-held rights. It is uncertain whether the foreclosure of the Mortgage Rights will be considered as day-to-day management, and, consequently whether, upon a Seller being declared bankrupt or being granted a suspension of payments, the consent of the relevant Seller's bankruptcy trustee or administrator may be required for such foreclosure. The Sellers, the Issuer and the Security Trustee will agree in the Mortgage Receivables Purchase Agreement that in case of foreclosure the share (*aandeel*) in each co-held Mortgage Right of the Security Trustee and/or the Issuer will be equal to the outstanding principal amount of the relevant Portfolio Mortgage Loan, increased with interest and costs, if any, and the share of the relevant Seller will be equal to the Net Proceeds less the outstanding principal amount of the relevant Portfolio Mortgage Loan, increased with interest and costs, if any. It is uncertain whether this arrangement will be enforceable. In this respect it will be agreed that in case of a breach by a Seller of its obligations under these arrangements or if any of such agreements are dissolved, void, nullified, or ineffective for any reason in respect of a Seller, such Seller shall compensate the Issuer and/or the Security Trustee, as the case may be, forthwith for any and all loss, cost, claim, damage and expense whatsoever which the Issuer and/or the Security Trustee, as the case may be, incurs as a result thereof. Receipt of such amount by the Issuer and/or the Security Trustee is subject to the ability of the Seller to actually make such payments.

If the Bank Mortgages would not (pro rata) have followed the relevant Mortgage Receivables upon assignment by the relevant Seller, this means that it is uncertain, depending on the specific facts and circumstances involved, (i) whether the Issuer and, consequently, the Security Trustee (as pledgee),

would have the benefit of a Mortgage Right securing such Mortgage Receivables, and (ii) if subsequently a Borrower fails to comply with its obligations under the relevant Portfolio Mortgage Loan, whether the Issuer or the Security Trustee (as the case may be) would be in a position to foreclose the Bank Mortgage (respectively, as legal owner and as pledgee of the relevant Mortgage Receivables). If not, the assistance of the Seller's administrator (in the case of suspension of payments) or bankruptcy trustee (in the case of bankruptcy) would be required to effect a foreclosure which would, in whole or in part, be for the benefit of the Issuer or the Security Trustee, as the case may be. It is uncertain whether such assistance would be forthcoming.

It is noted that if the Issuer does not have the benefit of the Mortgage Right, it will not be entitled to claim under the associated NHG Guarantee (if any).

Borrower Pledges

What is stated in the various paragraphs under *Mortgage Rights* above in respect of mortgage rights applies mutatis mutandis in respect of the rights of pledge (each such right a "**Borrower Pledge**") granted by the Borrower as security for its payment obligations towards a Seller where such right of pledge secures the same liabilities as the Bank Mortgages.

Insurance Policies

The Portfolio Mortgage Loans which in whole or in part consist of a Life Mortgage Loan, a Savings Mortgage Loan or a Switch Mortgage Loan have the benefit of a Life Insurance Policy, Savings Insurance Policy, or Savings Investment Insurance Policy, respectively. The Portfolio Mortgage Loans which do not include such a Life Mortgage Loan, Savings Mortgage Loan or Switch Mortgage Loan will have the benefit of a separate Risk Insurance Policy in the event and to the extent the relevant Portfolio Mortgage Loan exceeds 80 per cent. of the value of the relevant property (the Life Insurance Policies, Savings Insurance Policies, Savings Investment Insurance Policies and Risk Insurance Policies being together referred to as the "**Insurance Policies**").

In this paragraph, certain legal issues relating to the effects of the assignment of the Mortgage Receivables on the Insurance Policies are set out. Investors should be aware that it is possible that (i) the Issuer will not benefit from the Insurance Policies and/or (ii) the Issuer may not be able to recover any amounts from the relevant Borrower if the relevant Insurance Company defaults in its obligations as further described in this paragraph. As a consequence thereof the Issuer may not have a claim for such amounts on the Borrower and may, therefore, not have the benefit of the Mortgage Right securing such claim. In such case the rights of the Security Trustee will be similarly affected. Due to the dependency on the performance by the Insurance Companies of their obligations under the Insurance Policies, a deterioration of the credit quality of the Insurance Companies or part thereof might have an adverse effect on the ratings of the Notes.

Pledge

Many of the Portfolio Mortgage Loans have the benefit of an Insurance Policy. All rights of the

Borrowers under the Insurance Policies have been pledged to the relevant Seller. However, the Issuer has been advised that it is possible that the right to receive payment, including the commutation payment (*afkoopsom*), under the Insurance Policies will be regarded by a Dutch court as a future right. The pledge of a future right is, under Dutch law, not effective if the pledgor is declared bankrupt or granted a suspension of payments prior to the moment such right comes into existence. This means that it is uncertain whether such right of pledge will be effective. Even if the pledge over the rights under the Insurance Policies was effective, it would be uncertain whether such right of pledge would pass to the Issuer or, as the case may be, the Security Trustee upon the assignment or pledge of the Mortgage Receivables where such pledge secures the same liabilities as the Bank Mortgages.

Appointment of Beneficiary

Furthermore, each of the Sellers has been appointed as beneficiary under the Insurance Policies up to the amount owed by the Borrowers to such Seller at the moment when the insurance proceeds under the Insurance Policies become due and payable by the relevant Insurance Company (the "**Beneficiary Rights**"), except for cases where another beneficiary has been appointed who will rank ahead of the relevant Seller. In such cases it is provided that the relevant Insurance Company is irrevocably authorised by such beneficiary to apply the insurance proceeds in satisfaction of the Mortgage Receivables. It is unlikely that the Beneficiary Rights will follow the Mortgage Receivables upon assignment or pledge thereof to the Issuer or the Security Trustee. The Beneficiary Rights will, to the extent legally possible, be assigned by the Sellers to the Issuer and will be pledged by the Issuer to the Security Trustee (see under *Description of Security* below), but it is uncertain whether this assignment and pledge will be effective.

Because of the uncertainty as to whether the Issuer becomes beneficiary of the Insurance Policies and whether the pledge of the Beneficiary Rights is effective, the Issuer will enter into a beneficiary waiver agreement at the Signing Date (the "**Beneficiary Waiver Agreement**") with the Sellers, the Security Trustee and each of NSF, AXA and REAAL. In the Beneficiary Waiver Agreement each of the Sellers, subject to the condition precedent of the occurrence of an Assignment Notification Event, waives its rights as beneficiary under the Insurance Policies and appoints as first beneficiary (i) the Issuer subject to the dissolving condition of the occurrence of a pledge notification event (a "**Pledge Notification Event**") as referred to in Clause 7 of the Mortgage Receivables Pledge Agreement relating to the Issuer and (ii) the Security Trustee under the condition precedent of the occurrence of a Pledge Notification Event referred to in the Mortgage Receivables Pledge Agreement relating to the Issuer. It is, however, uncertain whether such waiver and appointment will be effective, mainly because it is unclear whether or not the right to change the appointment can be validly assigned to the Issuer or is included in the rights of a Seller as pledgee or as beneficiary under the Insurance Policies. In view of this, each of the Sellers and each of NSF, AXA and REAAL will undertake to use its best efforts following an Assignment Notification Event to obtain the co-operation of all relevant parties to appoint the Issuer or the Security Trustee, as the case may be, as first beneficiary under the Insurance Policies. It is uncertain whether such co-operation will be forthcoming. In the event that an irrevocable authorisation to apply the insurance proceeds in satisfaction of the Mortgage Receivables as described

above exists, the Sellers and NSF, AXA and REAAL will undertake in the Beneficiary Waiver Agreement, following an Assignment Notification Event, to use their best efforts to change the payment instruction in favour of (i) the Issuer subject to the dissolving condition of the occurrence of a Pledge Notification Event relating to the Issuer and (ii) the Security Trustee under the condition precedent of the occurrence of a Pledge Notification Event relating to the Issuer. If the Issuer or the Security Trustee, as the case may be, has not become beneficiary of the Insurance Policies and the pledge and the waiver of the Beneficiary Rights are not effective, any proceeds under the Insurance Policies will be payable to the relevant Seller or to another beneficiary, instead of the Issuer or the Security Trustee, as the case may be. If the proceeds are paid to the relevant Seller, it will be obliged to pay the amount involved to the Issuer or the Security Trustee, as the case may be. If the proceeds are paid to the relevant Seller and such Seller does not pay the amount involved to the Issuer or the Security Trustee, as the case may be, e.g. in the case of bankruptcy of the Seller or if the proceeds are paid to another beneficiary instead of the Issuer or the Security Trustee, as the case may be, this may result in the amount paid under the Insurance Policies not being applied in reduction of the Mortgage Receivable. This may lead to the Borrower invoking defences against the Issuer or the Security Trustee, as the case may be, for the amounts so received by the relevant Seller as further discussed under *Set-off or defences* below.

Insolvency of the Insurance Companies

If any of the Insurance Companies is no longer able to meet its obligations under the Insurance Policies, e.g. in case it is declared bankrupt or subjected to emergency regulations, this could result in the amounts payable under the Insurance Policies not or only partly being available for application in reduction of the relevant Mortgage Receivables. This may lead to the Borrowers trying to invoke set-off rights and defences as further discussed under *Set-off or defences* below.

Set-off or defences

If the amounts payable under the Insurance Policies do not serve as a reduction of the Mortgage Receivable (see *Appointment of Beneficiary* and *Insolvency of Insurance Company* above), the Borrower may try to invoke a right of set-off of the amount due under the Mortgage Receivable with amounts payable under or in connection with the relevant Insurance Policy.

As set out (under *Set-off* above) the Borrowers have waived their set-off rights, but it is uncertain whether such waiver is effective. If the waiver is not effective, the Borrowers will in order to invoke a right of set-off, need to comply with the applicable legal requirements. One of these requirements is that the relevant Borrower should have a claim which corresponds to his debt to the same counterparty. The Insurance Policies are contracts between the Insurance Companies and the Borrowers on the one hand and the Portfolio Mortgage Loans are contracts between the Sellers and the Borrowers on the other hand. Therefore, in order to invoke a right of set-off the Borrowers would have to establish that the relevant Seller and the relevant Insurance Company are to be regarded as one legal entity or that, based upon interpretation of case law, set-off is allowed, even if such Seller and the Insurance Company are not considered as one legal entity, since the Portfolio Mortgage Loans

and the Insurance Policies are to be regarded as one interrelated relationship.

Furthermore, the Borrowers should have a counterclaim. If one of the Insurance Companies is declared bankrupt or is subjected to emergency regulations, the Borrower will have the right to unilaterally terminate the Insurance Policy and to receive a commutation payment (*afkoopsom*). These rights are subject to the Borrower Pledge (see *Pledge* above). However, despite this pledge it may be argued that the relevant Borrower will be entitled to invoke a right of set-off for the commutation payment. Apart from the right to terminate the Insurance Policies, the Borrowers are also likely to have the right to rescind the Insurance Policies and to claim restitution of premiums paid and/or supplementary damages. It is uncertain whether such claim is subject to the Borrower Pledge. If not, the Borrower Pledge would not obstruct a right of set-off with such claim by the Borrowers.

Even if the Borrowers cannot invoke a right of set-off, they may invoke other defences vis-à-vis the relevant Seller, the Issuer and/or the Security Trustee. The Borrowers could, *inter alia*, argue that it was the intention of the parties involved - at least that they could rightfully interpret the mortgage documentation and the promotional materials in such manner - that the Portfolio Mortgage Loan and the relevant Insurance Policy are to be regarded as one interrelated legal relationship, and could on this basis claim a right of annulment or rescission of the Portfolio Mortgage Loan or that the Mortgage Receivable would be (fully or partially) repaid by means of the proceeds of the Insurance Policy and that, failing such proceeds, the Borrower is not obliged to repay the (corresponding) part of the Mortgage Receivable. On the basis of similar reasoning, Borrowers could also argue that the Portfolio Mortgage Loans and the Insurance Policies were entered into as a result of 'error' (*dwalig*) or that it would be contrary to principles of reasonableness and fairness (*redelijkheid en billijkheid*) for a Borrower to be obliged to repay the Mortgage Receivable to the extent that he has failed to receive the proceeds of the Insurance Policy.

Life Mortgage Loans

In respect of Life Mortgage Loans, in view of the factual circumstances involved, the possibility cannot be disregarded that the courts will honour any set-off or other defences, as described above, made by the Borrowers, if in the case of bankruptcy or emergency regulations of the relevant Insurance Company the Borrowers are not able to recover their claims under their Life Insurance Policies.

The Issuer has been advised that in respect of certain Life Mortgage Loans as at the Portfolio Cut-Off Date being 56.9 per cent. of the aggregate Life Mortgage Loans forming part of the Portfolio, in view of the factual circumstances involved, the risk that the courts will honour any set-off or other defences, as described above, made by the Borrowers, if in the case of bankruptcy or emergency regulations of the relevant Insurance Company the Borrowers are not able to recover their claims under their Life Insurance Policies, is remote. This view is based on the fact that (i) the relevant Insurance Companies, at the Portfolio Cut-Off Date, other than Allianz Nederlands Levensverzekeringen N.V., AXA Leven N.V., DBV Levensverzekeringsmaatschappij N.V., Falcon Leven N.V., Generali Levensverzekeringsmaatschappij and Levensverzekeringsmaatschappij Erasmus N.V. and only these

Insurance Companies, and the relevant Sellers are not the same entity; therefore, the legal requirement for set-off that both the debt and the claim are owed and due to the same entity is not met, (ii) such Insurance Companies do not form part of the same group of companies to which the relevant Seller belongs, (iii) there are no marketing ties between the relevant Seller and the Insurance Companies, (iv) the Life Mortgage Loan and the relevant Life Insurance Policy are not sold as one single package, i.e. the Borrowers do have a free choice as to the Insurance Company with which they will take out a Life Insurance Policy in relation to their mortgage loan to be entered into with the relevant Seller, provided that any such insurance company selected is established in the Netherlands (or acting through an establishment in the Netherlands) and (v) there is no connection from a legal view, between the Life Mortgage Loans and the relevant Life Insurance Policies other than the relevant Borrower Insurance Pledge and Beneficiary Rights. Although the possibility cannot be disregarded that the courts will honour any set-off or other defences, as described above, made by the Borrowers, if in the case of bankruptcy or emergency regulations of the relevant Insurance Company the Borrowers are not able to recover their claims under their Life Insurance Policies, under such circumstances there are good legal arguments to take the view that the courts will be reluctant to do so.

Savings Mortgage Loans and Switch Mortgage Loans

In respect of Savings Mortgage Loans and Switch Mortgage Loans the Issuer has been advised that there is certainly a risk that the invoking of a right of set-off or other defences, as described above, would be successful in view, *inter alia*, of the close connection between the Savings Mortgage Loan and the Switch Mortgage Loan on the one hand and the Savings Insurance Policy and Savings Investment Insurance Policy on the other hand and the fact that these loans and the relevant insurance policies are sold as one single package. However, in respect of the Savings Mortgage Loans, the Savings Mortgage Sub-Participation Agreements will provide that in case of set-off or defences by Borrowers, including but not limited to a right of set-off or defence based upon a default in the performance by the relevant Savings Mortgage Participant of its payment obligations under the relevant Savings Insurance Policy, as a consequence of which the Issuer has not received any amount due and outstanding, the relevant Savings Participation of the Savings Mortgage Participant will be reduced by an amount equal to the amount which the Issuer has failed to receive. The amount of the Savings Participation in respect of a Savings Mortgage Loan is equal to the amount of Savings Premiums received by the Issuer plus the accrued interest on such amount (see under *Savings Mortgage Sub-Participation Agreements* below), provided that the relevant Savings Mortgage Participant will have paid all amounts due under the relevant Savings Mortgage Sub-Participation Agreement to the Issuer or, as the case may be, will have assigned to the Issuer all Savings Parts as were required to be assigned pursuant to the relevant Savings Mortgage Sub-Participation Agreement. Therefore, normally the Issuer would not suffer any loss if the Borrower was to invoke any such right of set-off or defence, if and to the extent that the amount for which the Borrower was to invoke set-off or defences did not exceed the amount of the Savings Participation. The mitigation set out above applies equally to the Switch Mortgage Loans for an amount equal to the Savings Investment Premiums plus accrued interest on such amount received by the Issuer as the relevant Savings Mortgage Participants have entered into a similar arrangement as set out above with respect to these Switch Mortgage

Loans.

Investment Mortgage Loans

Under the Investment Mortgage Loans the Borrowers do not repay principal prior to maturity of the mortgage loans. Instead the Borrowers undertake to invest agreed amounts in certain investment funds. See further under *Description of Portfolio Mortgage Loans*.

Investment Accounts

Under the Investment Mortgage Loans the investments in certain investment funds are effected by the Borrowers paying certain agreed amounts to an entity (usually a foundation (*stichting*) which qualifies as a so-called 'effectengiro' or 'beleggersgiro' (see below) (each a "**Foundation**")), which amounts are subsequently applied to acquire participations (*deelnemingsrechten*) in certain selected investment funds in accordance with the instructions of the relevant Borrowers. Each of the investment funds are managed by separate legal entities. The participations that are purchased are credited to the Investment Accounts of the relevant Borrowers. It is the intention that the Mortgage Receivables will be fully or partially repaid with the proceeds of the investments. In this structure the Borrowers have a claim on the relevant Foundation for the value of the investments. The purpose of each of the Foundations is to hold participations in investment funds for custody purposes and normally its obligations to holders of the Investment Accounts should be equal to the value of the corresponding participations of the relevant Foundation in the investment funds. Provided that each of the Foundations is in full compliance with all applicable laws, in particular the Act on the Financial Supervision (*Wet op het financieel toezicht*), and provided the limitations on the scope of its business as set out in its corporate objective (pursuant to which it will be prohibited from conducting any commercial activity other than its activities as custodian in respect of the securities held for the Borrowers and the keeping of the books in respect of the securities accounts) are observed, the investments made by the Borrowers through any of the Foundations will form part of the estate of the relevant Foundation and each of the Foundations can be considered a bankruptcy remote entity. Should any of the Foundations not be able to meet its obligations towards the Borrowers, this could lead to set-off or defences by Borrowers similar to those described under Insurance Policies above, except for the set-off or defences described in *Appointment of Beneficiary* in respect of the situation where the Seller is insolvent.

Pledge

All rights of a Borrower in connection with the relevant Investment Account have been pledged to the relevant Seller in order to secure the same liabilities as the relevant Mortgage Right. The observations made above in relation to *Mortgage Rights* apply equally here.

Reduced Value of Investments and incomplete or misleading promotional materials

If the development of the value of the investments made under the Investment Mortgage Loans is disappointing in the opinion of the Borrower, a Borrower may try to invoke set-off or other defences against the Sellers or the Issuer, as the case may be, by arguing that he has not been properly

informed of the risks involved in the investments. The merits of any such claim will, to a large extent, depend on the manner in which the Investment Mortgage Loans have been marketed by the Sellers and/or their intermediaries and the promotional material provided to the Borrower. The above may also apply in the case of reduction in value of investments made by one of the Insurance Companies in connection with the Life Insurance Policies and/or Savings Investment Insurance Policies. In this respect it is further of note that in the summer of 2006 the Authority for the Financial Markets has published a report on so-called unit-linked or investment insurance policies whereby the premiums are invested in certain investment funds selected by the insured. The proceeds of the insurance policy are therefore dependent on the return of such investment funds. According to the report the promotional material provided by some of the insurance companies to its customers was not complete and misleading in some respects (i.e. in respect of transparency of costs). The report was followed by a letter of the Minister of Finance and a report issued by the Committee De Ruiters in December 2006 containing recommendations to the insurance companies to improve the information provided to the customers and to compensate the customers which were misled. This may induce customers making claims for compensation against the relevant insurance companies. The above mentioned investment insurance policies may also be linked to Switch Mortgage Loans and Life Mortgage Loans granted by the Sellers. If any of the Borrowers under such Switch Mortgage Loans or Life Mortgage Loans makes a claim for compensation against the relevant Insurance Company and the Insurance Company does not pay such claim, the Borrower may subsequently try to invoke set-off rights against the relevant Seller and/or the Issuer.

Long Leases

The Mortgage Rights securing the Portfolio Mortgage Loans may be vested on a long lease (*erfpacht*), as further described under *Description of Portfolio Mortgage Loans* below.

A long lease will, *inter alia*, end as a result of expiration of the long lease term (in the case of a fixed period), or termination of the long lease by the leaseholder or the landowner. The landowner can terminate the long lease in the event the leaseholder has not paid the remuneration due for a period exceeding two (2) consecutive years or commits a material breach of other obligations under the long lease. If the long lease ends, the landowner will have the obligation to compensate the leaseholder. In such event the mortgage right will, by operation of law, be replaced by a right of pledge on the claim of the (former) leaseholder against the landowner for such compensation. The amount of the compensation will, *inter alia*, be determined by the conditions of the long lease and may be less than the market value of the long lease.

Enforcement of Dutch Security Rights

The Notes will be secured indirectly, through the Security Trustee, by (i) a first ranking undisclosed right of pledge granted by the Issuer to the Security Trustee over the Mortgage Receivables, including all rights ancillary thereto in respect of the Portfolio Mortgage Loans and the Beneficiary Rights relating thereto, and (ii) a first ranking disclosed pledge by the Issuer to the Security Trustee over the Issuer's rights under or in connection with the Mortgage Receivables Purchase Agreement, the Swap

Agreement, the Servicing Agreement, the Floating Rate GIC, the Liquidity Facility Agreement, the Savings Mortgage Sub-Participation Agreements, the BKW Mortgage Sub-Participation Agreement, the Beneficiary Waiver Agreement and in respect of the GIC Accounts. Notification of the undisclosed right of pledge in favour of the Security Trustee can be validly made after bankruptcy or the granting of a suspension of payments in respect of the Issuer. Under Dutch law the Security Trustee can, in the event of bankruptcy or suspension of payments of the Issuer, exercise the rights afforded by law to pledgees as if there were no bankruptcy or suspension of payments. However, bankruptcy or suspension of payments involving the Issuer would affect the position of the Security Trustee as pledgee in some respects, the most important of which are: (i) payments made by the Borrowers to the relevant Seller or, after notification of the assignment, to the Issuer, prior to notification of the right of pledge over the Mortgage Receivables but after bankruptcy or (preliminary) suspension of payments of such Seller or, as the case may be, the Issuer, will form part of the bankruptcy estate of the Seller or the Issuer, although the pledgee has the right to receive such amounts as a preferential creditor after deduction of certain bankruptcy-related costs, (ii) a mandatory freezing-period of up to four (4) months may apply in the case of bankruptcy or suspension of payments, which, if applicable, would delay the exercise of the right of pledge on the Mortgage Receivables and (iii) the pledgee may be obliged to enforce its right of pledge within a reasonable period as determined by the judge-commissioner (*rechter-commissaris*) appointed by the court in the case of bankruptcy of such Seller or the Issuer, as the case may be.

Interest Rate Reset Rights

The Issuer has been advised that a good argument can be made that the right to reset the interest rate of the Portfolio Mortgage Loans after the termination of the fixed interest period, should be considered as an ancillary right and follows the Mortgage Receivables upon their assignment to the Issuer and the pledge to the Security Trustee, but that in the absence of case law or legal literature this is not certain. To the extent the interest rate reset right passes upon the assignment of the Mortgage Receivables to the Issuer or upon the pledge of the Mortgage Receivables to the Security Trustee, such assignee or pledgee will be bound by the contractual provisions relating to the reset of interest rates. If the interest reset right remains with a Seller, the co-operation of the bankruptcy trustee (in bankruptcy) or administrator (in suspension of payments) would be required to reset the interest rates. It is uncertain whether or when such co-operation will be forthcoming.

Risks of Losses associated with declining property values

The security for the Notes created under the Pledge Agreements may be affected by, among other things, a decline in the value of those properties subject to the mortgage rights securing the Mortgage Receivables and investments under the Insurance Policies. No assurance can be given that values of those properties have remained or will remain at the level at which they were on the date of origination of the related Portfolio Mortgage Loans. A decline in value may result in losses to the Noteholders if such security is required to be enforced.

Subordination

To the extent set forth in Conditions 4, 6 and 9 the Mezzanine Class B Notes are subordinated in right of payment to the Senior Class A Notes and the Subordinated Class C Notes are subordinated in right of payment to the Senior Class A Notes and the Mezzanine Class B Notes. With respect to any Class of Notes, such subordination is designed to provide credit enhancement to any Class of Notes with a higher payment priority than such Class of Notes.

If, upon default by the Borrowers and after exercise by the MPT Provider of all available remedies in respect of the applicable Portfolio Mortgage Loans, the Issuer does not receive the full amount due from such Borrowers, Noteholders may receive by way of principal repayment on the Notes an amount less than the face amount of their Notes and the Issuer may be unable to pay in full interest due on such Notes, to the extent set forth in Condition 9. On any Quarterly Payment Date, any such losses on the Portfolio Mortgage Loans will be allocated as described in *Credit Structure* below.

Conflict of interest between the interests of holders of different Classes of Notes

Circumstances may arise when the interests of the holders of different Classes of Notes could conflict. The Trust Deed contains provisions requiring the Security Trustee to have regard to the interests of the Noteholders as regards all powers, trust, authorities, duties and discretions of the Security Trustee (except where expressly provided otherwise) each as a Class, but requiring the Security Trustee in any such case to have regard only to the interests of the most senior ranking Class of Noteholders, if, in the Security Trustee's opinion, there is a conflict between the interests of this Class of Noteholders on one hand and the lower ranking Class or, as the case may be, Classes of Noteholders on the other hand. In addition, the Security Trustee shall have regard to the interests of the other Security Beneficiaries, provided that in case of a conflict of interest between the Security Beneficiaries the priority of payments upon enforcement set forth in the Trust Deed determines which interest of which Security Beneficiary prevails.

Act on the Financial Supervision

Under the Act on the Financial Supervision (*Wet op het financieel toezicht*), which entered into force on 1 January 2007, a special purpose vehicle which services (*beheert*) and administers (*uitvoert*) loans granted to consumers, such as the Issuer, must have a license under that act. An exemption from the license requirement is available, if the special purpose vehicle outsources the servicing of the loans and the administration thereof to an entity holding a license under the Act on the Financial Supervision. The Issuer has outsourced the servicing and administration of the Portfolio Mortgage Loans to the MPT Provider. The MPT Provider holds a license under the Act on the Financial Supervision and the Issuer will thus benefit from the exemption. However, if the Servicing Agreement is terminated, the Issuer will need to outsource the servicing and administration of the Portfolio Mortgage Loans to another licensed entity or it needs to apply for and hold a license itself. In the latter case, the Issuer will have to comply with the applicable requirements under the Act on the Financial Supervision. If the Servicing Agreement is terminated and the Issuer has not outsourced the servicing and administration of the Portfolio Mortgage Loans to a licensed entity and, in such case, it will not hold a license itself, the

Issuer will have to terminate its activities and settle (*afwickelen*) its existing agreements. There are a number of licensed entities in the Netherlands to which the Issuer could outsource the servicing and administration activities. It remains, however, uncertain whether any of these entities will be willing to perform these activities on behalf of the Issuer.

EU Council Directive on taxation of savings income

Under the EU Council Directive 2003/48/EC on the taxation of savings income, Member States are required, to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories have adopted similar measures. Pursuant to Condition 5(b)(iv), the Issuer undertakes that it will ensure that it maintains a paying agent in an EU Member State that will not be obliged to withhold or deduct any tax pursuant to the EU Council Directive 2003/48/EC. Such a paying agent may not perform its obligations in this respect under its agreement with the Issuer, which may result in the Issuer not being able to meet its obligation pursuant to the afore-mentioned Condition 5(b)(iv), in which case there remains a risk that under certain circumstances the interest payments under the Notes become subject to withholding tax.

Change of law

The structure of the issue of the Notes and the ratings which are to be assigned to the Notes are based on Dutch law and, to the extent it relates to the Swap Agreement, on English law in effect as at the date of this Offering Circular. No assurance can be given as to the impact of any possible change in Dutch law or English law or administrative practice in the Netherlands and England and Wales after the date of this Offering Circular.

Reliance on third parties

Counterparties to the Issuer may not perform their obligations under the Transaction Documents, which may result in the Issuer not being able to meet its obligations. It should be noted that there is a risk that, *inter alia*, either (a) NIBC Bank N.V. in its capacity as MPT Provider, Issuer Administrator, Liquidity Facility Provider, Paying Agent and Reference Agent, (b) ING Bank N.V. in its capacity as Floating Rate GIC Provider, (c) ABN AMRO Bank N.V., London Branch in its capacity as Swap Counterparty and Liquidity Facility Guarantor and (d) any of HyplInvest B.V., Seyst Hypotheken B.V., Royal Residentie Hypotheken B.V., Capitalum Hypotheken B.V., Huizen Hypotheken B.V., Nieuwegein Hypotheken B.V., Zwaluw Hypotheken B.V., Estate Hypotheken B.V., ATRIOS Hypotheekfonds B.V. and Amstelstaete Hypotheken B.V., Quion I B.V., Quion III B.V., Quion 14 B.V., Quion 30 B.V., Nationale Hypotheek Maatschappij B.V. and IKS Hypotheken B.V. in their capacity as Seller will not perform their obligations vis-à-vis the Issuer.

Swap Agreement

The Swap Counterparty will be obliged to make payments under the Swap Agreement without any withholding or deduction of taxes unless required by law. If any such withholding or deduction is required by law, the Swap Counterparty will be required to pay such additional amount as is necessary to ensure that the net amount actually received by the Issuer will equal the full amount that the Issuer would have received had no such withholding or deduction been required. The Swap Agreement will provide, however, that if due to (i) an action taken by a relevant taxing authority or brought in a court of competent jurisdiction, or (ii) any change in tax law, in both cases after the date of the Swap Agreement, the Swap Counterparty will, or there is a substantial likelihood that it will, be required to pay to the Issuer additional amounts for or on account of tax (a "**Tax Event**"), the Swap Counterparty may (with the consent of the Rating Agencies and the Issuer) transfer its rights and obligations to another of its offices, branches or affiliates or any other person that meets the criteria for a swap counterparty as set forth in the Swap Agreement to avoid the relevant Tax Event.

The Swap Agreement will be terminable by one party if - *inter alia* - (i) an event of default (as defined therein) occurs in relation to the other party, (ii) it becomes unlawful for either party to perform its obligations under the Swap Agreement or (iii) an Enforcement Notice is served. Events of default in relation to the Issuer will be limited to (i) non-payment under the Swap Agreement and (ii) insolvency events. If not previously terminated, the Swap Agreement will terminate on the earlier of the Final Maturity Date and the date on which the Notes have been redeemed or written off in full in accordance with the Conditions.

The Swap Agreement provides that, in the event that any payment by the Issuer to the Swap Counterparty is less than the amount which the Issuer would be required to pay to the Swap Counterparty, the corresponding payment obligation of the Swap Counterparty to the Issuer shall be reduced by an amount equal to such shortfall. See further under *Interest Rate Hedging* in section *Credit Structure* below.

KEY PARTIES AND SUMMARY OF PRINCIPAL FEATURES

The following is a summary of the principal features of the issue of the Notes. This summary should be read in conjunction with, and is qualified in its entirety by reference to, the detailed information presented elsewhere in this Offering Circular.

KEY TRANSACTION PARTIES

Issuer: Sound II B.V., incorporated under the laws of the Netherlands as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*), having its corporate seat in Amsterdam, the Netherlands and registered with the Commercial Register of the Chamber of Commerce for Amsterdam under number 34282520 (the "**Issuer**"). The entire issued share capital of the Issuer is held by Stichting Sound Holding.

Sellers: HyplInvest B.V., incorporated under the laws of the Netherlands as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*), having its corporate seat in The Hague, the Netherlands and registered with the Commercial Register of the Chamber of Commerce for the Haaglanden under number 27169419;

Seyst Hypotheken B.V., incorporated under the laws of the Netherlands as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*), having its corporate seat in The Hague, the Netherlands and registered with the Commercial Register of the Chamber of Commerce for the Haaglanden under number 27159557;

Royal Residentie Hypotheken B.V., incorporated under the laws of the Netherlands as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*), having its corporate seat in The Hague, the Netherlands and registered with the Commercial Register of the Chamber of Commerce for the Haaglanden under number 27159558;

Capitalum Hypotheken B.V., incorporated under the laws of the Netherlands as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*), having its corporate seat in The Hague, the Netherlands and registered with the Commercial Register of the Chamber of Commerce for the Haaglanden under number 27268783;

Huizen Hypotheken B.V., incorporated under the laws of the Netherlands as a private company with limited liability (*besloten vennootschap met beperkte*

aansprakelijkheid), having its corporate seat in The Hague, the Netherlands and registered with the Commercial Register of the Chamber of Commerce for the Haaglanden under number 27243228;

Nieuwegein Hypotheken B.V., incorporated under the laws of the Netherlands as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*), having its corporate seat in The Hague, the Netherlands and registered with the Commercial Register of the Chamber of Commerce for the Haaglanden under number 30108842;

Zwaluw Hypotheken B.V., incorporated under the laws of the Netherlands as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*), having its corporate seat in The Hague, the Netherlands and registered with the Commercial Register of the Chamber of Commerce for the Haaglanden under number 27243227;

Estate Hypotheken B.V., incorporated under the laws of the Netherlands as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*), having its corporate seat in The Hague, the Netherlands and registered with the Commercial Register of the Chamber of Commerce for the Haaglanden under number 27260432;

ATRIOS Hypotheekfonds B.V., incorporated under the laws of the Netherlands as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*), having its corporate seat in The Hague, the Netherlands and registered with the Commercial Register of the Chamber of Commerce for the Haaglanden under number 27263477;

Amstelstaete Hypotheken B.V., incorporated under the laws of the Netherlands as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*), having its corporate seat in The Hague, the Netherlands and registered with the Commercial Register of the Chamber of Commerce for the Haaglanden under number 27169418;

Quion I B.V., incorporated under the laws of the Netherlands as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*), having its corporate seat in The Hague, the Netherlands and registered with the Commercial Register of the Chamber of Commerce for the Haaglanden under number 27151794;

Quion III B.V., incorporated under the laws of the Netherlands as a private

company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*), having its corporate seat in The Hague, the Netherlands and registered with the Commercial Register of the Chamber of Commerce for the Haaglanden under number 27173364;

Quion 14 B.V., incorporated under the laws of the Netherlands as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*), having its corporate seat in The Hague, the Netherlands and registered with the Commercial Register of the Chamber of Commerce for the Haaglanden under number 33281382;

Quion 30 B.V., incorporated under the laws of the Netherlands as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*), having its corporate seat in The Hague, the Netherlands and registered with the Commercial Register of the Chamber of Commerce for the Haaglanden under number 27169414;

Nationale Hypotheek Maatschappij B.V., incorporated under the laws of the Netherlands as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*), having its corporate seat in The Hague, the Netherlands and registered with the Commercial Register of the Chamber of Commerce for the Haaglanden under number 27193063;

IKS Hypotheken B.V., incorporated under the laws of the Netherlands as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*), having its corporate seat in The Hague, the Netherlands and registered with the Commercial Register of the Chamber of Commerce for the Haaglanden under number 27158412,

(each such entity a "**Seller**" and collectively the "**Sellers**").

The entire issued share capital in each of the Sellers is held by B.V. NIBC Mortgage Backed Assets. The entire issued share capital in B.V. NIBC Mortgage Backed Assets is held by NIBC Bank N.V. The sole object of each of the Sellers is the origination of mortgage loans. Each of the Sellers has its registered office at Carnegieplein 4, 2517 KJ The Hague, the Netherlands.

Issuer

Administrator:

NIBC Bank N.V., incorporated under the laws of the Netherlands as a public company (*naamloze vennootschap*), having its corporate seat in The Hague, the Netherlands and registered with the Commercial Register of the Chamber

of Commerce for the Haaglanden under number 27032036 (the "**Issuer Administrator**").

MPT Provider: NIBC Bank N.V. (the "**MPT Provider**").

Sub-MPT Providers: Quion Hypotheekbemiddeling B.V., Quion Hypotheekbegeleiding B.V. and Quion Services B.V. (all three subsidiaries of Quion Groep B.V.) and Stater Nederland B.V. (each a "**Sub-MPT Provider**" and collectively the "**Sub-MPT Providers**").

Security

Trustee: Stichting Security Trustee Sound II, established under the laws of the Netherlands as a foundation (*stichting*), having its seat in Amsterdam, the Netherlands and registered with the Commercial Register of the Chamber of Commerce for Amsterdam under number 34282117 (the "**Security Trustee**").

Stichting

Sound Holding: Stichting Sound Holding, established under the laws of the Netherlands as a foundation (*stichting*), having its seat in Amsterdam, the Netherlands and registered with the Commercial Register of the Chamber of Commerce for Amsterdam under number 34231641.

Directors: ATC Management B.V., being the sole director of each of the Issuer and Stichting Sound Holding and Amsterdamsch Trustee's Kantoor B.V., being the sole director of the Security Trustee (each a "**Director**" and collectively the "**Directors**"). The Directors belong to the same group of companies.

Swap

Counterparty: ABN AMRO Bank N.V., London Branch (the "**Swap Counterparty**").

Floating Rate

GIC Provider: ING Bank N.V. (the "**Floating Rate GIC Provider**").

Liquidity Facility

Provider: NIBC Bank N.V. (the "**Liquidity Facility Provider**").

Liquidity Facility

Guarantor ABN AMRO Bank N.V. (the "**Liquidity Facility Guarantor**").

Paying Agent: NIBC Bank N.V. (the "**Paying Agent**").

Reference

Agent: NIBC Bank N.V. (the "**Reference Agent**").

Joint Lead Managers: NIBC Bank N.V. and ABN AMRO Bank N.V., London Branch (each a "**Joint Lead Manager**" and collectively the "**Joint Lead Managers**").

Clearing Institutions: Euroclear Bank S.A./N.V., as operator of the Euroclear System ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**") and together with Euroclear, the "**Clearing Institutions**").

Listing

Agent: NIBC Bank N.V. (the "**Listing Agent**").

Rating Agencies: Moody's Investors Service Limited and Fitch Ratings Ltd. (each a "**Rating Agency**" and collectively the "**Rating Agencies**").

Savings Mortgage

Participants: N.V. Nationaal Spaarfonds ("**NSF**"), AXA Leven N.V. ("**AXA**"), GENERALI Levensverzekering Maatschappij N.V. ("**GENERALI**"), Allianz Nederland Levensverzekering N.V. ("**Allianz**"), DBV Levensverzekeringsmaatschappij N.V. ("**DBV**"), Achmea Pensioen- en Levensverzekeringen N.V. ("**Achmea**"), Cordares Verzekeringsgroep N.V. ("**Cordares**") and REAAL Levensverzekeringen N.V. ("**REAAL**"), each with respect to the Portfolio Mortgage Loans which have attached a Savings Insurance Policy or Savings Investment Insurance Policy taken out with it (each a "**Savings Mortgage Participant**" and together the "**Savings Mortgage Participants**").

BKW Mortgage

Participant: Quion I B.V. (the "**BKW Mortgage Participant**").

THE NOTES

Notes: The € 732,800,000 Senior Class A Mortgage-Backed Notes 2007 due 2045 (the "**Senior Class A Notes**"), the € 11,600,000 Mezzanine Class B Mortgage-Backed Notes 2007 due 2045 (the "**Mezzanine Class B Notes**") and the € 5,600,000 Subordinated Class C Mortgage-Backed Notes 2007 due 2045 (the "**Subordinated Class C Notes**" and, together with the Senior Class A Notes and the Mezzanine Class B Notes, the "**Notes**") will be issued by the Issuer on 26 September 2007 (or such later date as may be agreed between the Issuer and the Joint Lead Managers) (the "**Closing Date**").

Issue Price:	The issue price of each Class of Notes will be 100 per cent.
Denomination:	The Notes will be issued in denominations of € 50,000.
Status and Ranking:	<p>The Notes of each Class (as defined in the Conditions) rank <i>pari passu</i> without any preference or priority among Notes of the same Class. In accordance with the Conditions and the Trust Deed (as defined below): (i) payments of principal and interest on the Mezzanine Class B Notes are subordinated to, <i>inter alia</i>, payments of principal and interest on the Senior Class A Notes, (ii) payments of principal and interest on the Subordinated Class C Notes are subordinated to, <i>inter alia</i>, payments of principal and interest on the Senior Class A Notes and the Mezzanine Class B Notes. See further <i>Terms and Conditions of the Notes</i> below. The obligations of the Issuer in respect of the Notes will rank behind the obligations of the Issuer in respect of certain items set forth in the applicable priority of payments. See further <i>Credit Structure</i> below.</p>
Interest:	<p>Interest on the Notes will accrue from (and including) the Closing Date by reference to successive interest periods (each a "Quarterly Interest Period") and will be payable quarterly in arrear in euro in respect of the Principal Amount Outstanding (as defined in the Conditions) on the 2nd day of March, June, September and December of each year or, if such day is not a Business Day (as defined below), the next succeeding Business Day, unless such Business Day falls in the next succeeding calendar month in which event the Business Day immediately preceding such 2nd day is the relevant Business Day (each such day being a "Quarterly Payment Date"). A "Business Day" means a day on which banks are open for business in Amsterdam and London, provided that such day is also a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer System ("TARGET System") or any successor thereto is operating credit or transfer instructions in respect of payments in euro. Each successive Quarterly Interest Period will commence on (and include) a Quarterly Payment Date and end on (but exclude) the next succeeding Quarterly Payment Date, except for the first Quarterly Interest Period which will commence on (and include) the Closing Date and end on (but exclude) the Quarterly Payment Date falling in March 2008. The interest will be calculated on the basis of the actual number of days elapsed in a Quarterly Interest Period divided by 360 days.</p> <p>Interest on the Notes for the first Quarterly Interest Period will accrue from (and include) the Closing Date at an annual rate equal to the linear interpolation between the Euro Interbank Offered Rate ("Euribor") for five-months deposits</p>

in Euros and the Euribor for six-months deposits in euros (determined in accordance with Condition 4) plus a margin per annum which will be 0.05 per cent. for the Senior Class A Notes, 0.45 per cent. for the Mezzanine Class B Notes and 12.00 per cent. for the Subordinated Class C Notes. Interest on the Notes for each successive Quarterly Interest Period up to (but excluding) the Quarterly Payment Date falling in September 2014 (the "**First Optional Redemption Date**") will accrue from the first Quarterly Payment Date at an annual rate equal to Euribor for three-months deposits in euro (determined in accordance with Condition 4) plus a margin per annum which will be 0.05 per cent. for the Senior Class A Notes, 0.45 per cent. for the Mezzanine Class B Notes and 12.00 per cent. for the Subordinated Class C Notes.

Interest Step up:

If on the First Optional Redemption Date the Notes of any Class have not been redeemed in full, the margin for each Class of Notes will increase and the interest applicable to each Class of Notes will then be equal to Euribor for three-months deposits in euro, payable by reference to Quarterly Interest Periods on each Quarterly Payment Date, plus a margin per annum which is 0.15 per cent. for the Senior Class A Notes and 0.90 per cent. for the Mezzanine Class B Notes. For the Subordinated Class C Notes such margin will remain at 12.00 per cent.

Final Maturity

Date:

Unless previously redeemed as provided below, the Issuer will redeem any remaining Notes outstanding on the Quarterly Payment Date falling in March 2045 at their respective Principal Amount, subject to and in accordance with the Conditions.

**Payment of
Principal on
the Notes:**

Prior to the delivery of an Enforcement Notice (as defined below), the Issuer shall on each Quarterly Payment Date apply the Notes Principal Available Amounts (as defined below) subject to the possible application thereof towards payment of the purchase price for the Replacement Receivables (if any) and/or up to and including the Quarterly Payment Date falling in September 2010 towards payment of the purchase price for the Substitute Mortgage Receivables (if any) (all as defined below), subject to and in accordance with the Conditions and the Principal Priority of Payments (as defined below), towards redemption, at their respective Principal Amount Outstanding, of (i) *firstly*, the Senior Class A Notes, until fully redeemed, (ii) *secondly*, the Mezzanine Class B Notes, until fully redeemed and (iii) *thirdly*, the Subordinated Class C Notes, until fully redeemed.

**Optional
Redemption
of the Notes:**

The Issuer will have the option to redeem all (but not only part of) the Notes on the First Optional Redemption Date and on each Quarterly Payment Date thereafter (each an "**Optional Redemption Date**") at their Principal Amount Outstanding, subject to and in accordance with the Conditions and after payment of the amounts to be paid in priority to such Notes.

**Redemption
following
clean-up call:**

On the Quarterly Payment Date following the exercise by the Sellers, acting jointly, of the Sellers Clean-up Call Option (as defined below), the Issuer shall redeem all (but not only part of) the Notes at their Principal Amount Outstanding, subject to and in accordance with the Conditions and after payment of the amounts to be paid in priority to such Notes.

**Redemption
following
regulatory call:**

On the Quarterly Payment Date following the exercise by the Sellers, acting jointly, of the Regulatory Call Option (as defined below), the Issuer shall redeem all (but not only part of) the Notes at their Principal Amount Outstanding, subject to and in accordance with the Conditions and after payment of the amounts to be paid in priority to the Notes.

**Redemption
for tax
reasons:**

In the event of certain tax changes affecting any Class of Notes, including in the event that the Issuer is or will be obliged to make any withholding or deduction from payments in respect of any Class of Notes, the Issuer (whilst not under any obligation to pay additional amounts in respect of any withholding or deduction) may (but is not obliged to) redeem all of the Notes, in whole but not in part, at their Principal Amount Outstanding, subject to and in accordance with the Conditions. No Class of Notes may be redeemed under such circumstances unless the other Classes of Notes (or such of them as are then outstanding) are also redeemed in full at the same time.

**Method of
Payment:**

For so long as the Notes are represented by a Global Note, payments of principal and interest will be made in euro to a common safekeeper for Euroclear and Clearstream, Luxembourg, for the credit of the respective

accounts of the Noteholders.

Withholding

tax:

All payments of, or in respect of, principal of and interest on the Notes will be made without withholding of, or deduction for, or on account of any present or future taxes, duties, assessments or charges of whatsoever nature imposed or levied by or on behalf of the Netherlands, any authority therein or thereof having power to tax unless the withholding or deduction of such taxes, duties, assessments or charges are required by law. In that event, the Issuer will make the required withholding or deduction of such taxes, duties, assessments or charges for the account of the Noteholders, as the case may be, and shall not be obliged to pay any additional amounts to such Noteholders.

Use of proceeds:

The Issuer will apply the net proceeds from the issue of the Notes towards payment of (part of) the Initial Purchase Price for the Mortgage Receivables (both as described below), provided that part of the Initial Purchase Price will be withheld by the Issuer and deposited into the Construction Deposit Account for payments relating to Construction Deposits (as defined below), purchased by the Issuer on the Closing Date pursuant to the provisions of an agreement (the "**Mortgage Receivables Purchase Agreement**") to be entered into on 24 September 2007 (the "**Signing Date**") and made between the Sellers, the Issuer and the Security Trustee. See further *Mortgage Receivables Purchase Agreement* below.

**Security for
the Notes:**

The Noteholders will benefit from the security created by the Sellers and the Issuer in favour of the Security Trustee pursuant to the trust deed entered into on the Signing Date between the Issuer, the Security Trustee and Stichting Sound Holding (the "**Trust Deed**") and the Pledge Agreements (as defined in *Description of Security* below) (together with the Trust Deed, the "**Security Documents**").

Under the Trust Deed, the Issuer will undertake to pay to the Security Trustee, under the same terms and conditions, an amount equal to the aggregate of all its undertakings, liabilities and obligations to the Joint Lead Managers as initial Noteholders, the Directors, the MPT Provider, the Issuer Administrator, the Paying Agent, the Reference Agent, the Savings Mortgage Participants, the BKW Mortgage Participant, the Liquidity Facility Provider, the Swap Counterparty, the Noteholders and the Sellers (the "**Security Beneficiaries**") pursuant to the relevant Transaction Documents, provided that every payment in respect of such Transaction Documents for the account of or made to the

Security Beneficiaries directly shall operate in satisfaction *pro tanto* of the corresponding covenant in favour of the Security Trustee (such a payment undertaking and the obligations and liabilities resulting from it being referred to as the "**Parallel Debt**").

The Notes will be secured indirectly, through the Security Trustee, by (i) a first ranking pledge granted by the Sellers to the Security Trustee over the Mortgage Receivables (including any parts thereof which are placed on Construction Deposits), including all rights ancillary thereto in respect of the Portfolio Mortgage Loans and the Beneficiary Rights (as defined below), and (ii) a first ranking pledge by the Issuer to the Security Trustee over the Issuer's rights under or in connection with the Mortgage Receivables Purchase Agreement, the Swap Agreement, the Servicing Agreement, the Floating Rate GIC, the Liquidity Facility Agreement, the Savings Mortgage Sub-Participation Agreements, the BKW Mortgage Sub-Participation Agreement, the Beneficiary Waiver Agreement and in respect of the GIC Accounts (as defined below).

The amounts payable by the Security Trustee to the Security Beneficiaries under the Trust Deed will be limited to the net amounts available for such purpose to the Security Trustee which, for the greater part, will consist of amounts recovered by the Security Trustee from the Mortgage Receivables. Payments to the Security Beneficiaries (other than the Savings Mortgage Participants and the BKW Mortgage Participant) will be made in accordance with the Post-Enforcement Priority of Payments (as defined in *Credit Structure* below). See for a more detailed description *Description of Security* below.

MORTGAGE RECEIVABLES AND PRINCIPAL CONTRACTS

Mortgage

Receivables:

Under the Mortgage Receivables Purchase Agreement, the Issuer will, on the Closing Date and, as the case may be, on any subsequent Quarterly Payment Date up to but excluding the First Optional Redemption Date, purchase and accept the assignment of any and all rights and claims (the "**Mortgage Receivables**", which will include, for the avoidance of doubt, (i) any parts thereof corresponding with amounts placed on Construction Deposits, any Replacement Receivables, any Substitute Mortgage Receivables, (ii) any Life Mortgage Receivables, Savings Mortgage Receivables, Switch Mortgage Receivables, Investment Mortgage Receivables and BKW Mortgage Receivables (all as defined below) forming part thereof, and (iii) unless the context requires otherwise, any Savings Parts assigned to the Issuer pursuant to a Savings Mortgage Sub-Participation Agreement (each as defined below),

of the Sellers against certain borrowers (the "**Borrowers**") under or in connection with certain selected mortgage loans (which may consist of one or more loan parts (*leningdelen*)) originated or acquired by the Sellers which mortgage loans have the benefit of a NHG Guarantee or a guarantee from a Dutch municipality and are secured by a right of mortgage (*hypothekerecht*) (each such right of mortgage a "**Mortgage Right**" and each such loan a "**Portfolio Mortgage Loan**") but exclude any Mortgage Receivables (or parts thereof) that have been re-purchased by the relevant Seller pursuant to the Mortgage Receivables Purchase Agreement).

Each of the Sellers has the benefit of Beneficiary Rights which entitles the Seller to receive final payment under the relevant Insurance Policies, which payment is to be applied towards redemption of the Mortgage Receivables. Under the Mortgage Receivables Purchase Agreement, the Sellers will assign such Beneficiary Rights to the Issuer and the Issuer will accept such assignment.

**Replacement
Receivables:**

Pursuant to the Mortgage Receivables Purchase Agreement, if any of the representations and warranties relating to the Portfolio Mortgage Loans and/or the Mortgage Receivables proves to have been untrue or incorrect, the relevant Seller shall be obliged, on the relevant Portfolio Payment Date, at such Seller's expense, to repurchase and accept re-assignment of any of the Mortgage Receivables sold by it to the Issuer (see further *Repurchase if Mortgage Receivables* below). The purchase price to be paid by a Seller in respect of each such Mortgage Receivable will be equal to the outstanding principal amount of such Mortgage Receivable together with interest accrued up to but excluding the date of repurchase and re-assignment (each such amount received by the Issuer during a Notes Calculation Period a "**Replacement Available Amount**" and collectively, the "**Replacement Available Amounts**"). From the Closing Date up to the Quarterly Payment Date immediately preceding the First Optional Redemption Date, the Issuer will on the Quarterly Payment Date immediately following the date of repurchase apply the Notes Principal Available Amounts up to the aggregate Replacement Available Amounts to purchase and accept assignment from the Seller any additional mortgage receivables ("**Replacement Receivables**") and the Beneficiary rights relating thereto, subject to the fulfilment of certain conditions and to the extent offered by the Seller. Such conditions include, *inter alia*, the requirement that any Replacement Receivables should meet the Mortgage Loan Criteria (as defined below) set forth in the Mortgage Receivables Purchase Agreement and that the purchase of such Replacement Receivables

does not adversely affect the then current rating of the Notes (other than the Subordinated Class C Notes) by the Rating Agencies (see *Mortgage Receivables Purchase Agreement*).

When the Issuer purchases and accepts assignment of a Replacement Receivable and the Beneficiary rights relating thereto, the Issuer will at the same time create a first right of pledge on such Replacement Receivable and the Beneficiary rights relating thereto in favour of the Security Trustee.

**Substitute
Mortgage
Receivables:**

The Mortgage Receivables Purchase Agreement provides that as from the Closing Date up to and including the Quarterly Payment Date falling in September 2010, the Issuer will on each Quarterly Payment Date apply the Notes Principal Available Amounts up to a maximum amount equal to the Notes Principal Available Amounts *less* the amounts applied towards payment of the purchase price for the Replacement Receivables (if any) to purchase any additional mortgage receivables from the Sellers ("**Substitute Mortgage Receivables**") and the Beneficiary Rights relating thereto, subject to the fulfilment of certain conditions and to the extent offered by the Sellers. Such conditions include, *inter alia*, the requirement that any Substitute Mortgage Receivables should meet the Mortgage Loan Criteria (as defined below) set forth in the Mortgage Receivables Purchase Agreement and that the purchase of such Substitute Mortgage Receivables does not adversely affect the then current rating of the Notes (other than the Subordinated Class C Notes) by the Rating Agencies (see *Mortgage Receivables Purchase Agreement*). For the avoidance of doubt, none of the Sellers will be obliged to make such offer.

When the Issuer purchases and accepts assignment of a Substitute Mortgage Receivable and any Beneficiary Rights relating thereto, the Issuer will at the same time create a first right of pledge on such Substitute Mortgage Receivable and relating Beneficiary Rights in favour of the Security Trustee.

**Portfolio Mortgage
Loans:**

The Mortgage Receivables to be sold by the Sellers pursuant to the Mortgage Receivables Purchase Agreement will result from mortgage loans which (i) have the benefit of a NHG Guarantee or a guarantee from a Dutch municipality and (ii) are secured by a first-ranking Mortgage or, in case of mortgage loans secured on the same Mortgaged Asset, first and sequentially lower ranking Mortgages over (i) real estate (*onroerende zaak*), (ii) an apartment right (*appartementsrecht*), or (iii) a long lease (*recht van erfpacht*) (collectively, the

"Mortgaged Assets") situated in the Netherlands and which meet the criteria for such mortgage loans set forth in the Mortgage Receivables Purchase Agreement (the **"Portfolio Mortgage Loans"**). The Portfolio Mortgage Loans, in whole or in part, will consist of (i) Linear Mortgage Loans (*lineaire hypotheeken*), (ii) Interest-only Mortgage Loans (*aflossingsvrije hypotheeken*), (iii) Annuity Mortgage Loans (*annuïteitenhypotheeken*), (iv) Life Mortgage Loans (*levenhypotheeken*), (v) Switch Mortgage Loans (*uvt-hypotheeken*), (vi) Savings Mortgage Loans (*spaarhypotheeken*) or (vii) Investment Mortgage Loans (*beleggingshypotheeken*) (all as defined below). See further *Description of Portfolio Mortgage Loans* below.

Each Portfolio Mortgage Loan shall further have the benefit of a risk insurance policy (i.e. an insurance policy which pays out upon the death of the insured) (a **"Risk Insurance Policy"**) taken out by the Borrower with an insurance company established in the Netherlands (each insurance company so selected and each of the Savings Mortgage Participants an **"Insurance Company"** and collectively the **"Insurance Companies"**) in the event and to the extent the relevant Portfolio Mortgage Loan exceeds 80 per cent. of the value of the property. In the case of Portfolio Mortgage Loans consisting of more than one loan part including a Life Mortgage Loan, Switch Mortgage Loan or Savings Mortgage Loan such Risk Insurance Policy will be included in the relevant Life Insurance Policy, Savings Investment Insurance Policy or Savings Insurance Policy (all as defined below).

NHG Guarantee: The Portfolio Mortgage Loans will either have the benefit of a guarantee under the 'Nationale Hypotheek Garantie' (each a **"NHG Guarantee"**) (see further under *NHG Guarantee Programme* below) or a guarantee granted by a Dutch municipality.

Linear Mortgage Loans:

A portion of the Portfolio Mortgage Loans or parts thereof will be in the form of linear mortgage loans (hereinafter **"Linear Mortgage Loans"**). Under a Linear Mortgage Loan the Borrower pays a fixed amount of principal each month towards redemption of the relevant mortgage loan (or relevant part thereof) until maturity. Interest is payable monthly and is calculated on the outstanding balance of the mortgage loan (or relevant part thereof).

Interest-only Mortgage Loans:

A portion of the Portfolio Mortgage Loans or parts thereof will be in the form of interest-only mortgage loans (hereinafter **"Interest-only Mortgage Loans"**). Under an Interest-only Mortgage Loan, the Borrower is not obliged to pay

principal towards redemption of the relevant mortgage loan (or relevant part thereof) until maturity. Interest is payable monthly and is calculated on the outstanding balance of the mortgage loan (or relevant part thereof).

Annuity Mortgage

Loans:

A portion of the Portfolio Mortgage Loans or parts thereof will be in the form of annuity mortgage loans (hereinafter "**Annuity Mortgage Loans**"). Under an Annuity Mortgage Loan, the Borrower pays a fixed monthly instalment, made up of an initially high and thereafter decreasing interest portion and an initially low and thereafter increasing principal portion, and calculated in such manner that the Annuity Mortgage Loan will be fully redeemed at maturity.

Life Mortgage

Loans:

A portion of the Portfolio Mortgage Loans or parts thereof will be in the form of life mortgage loans (hereinafter "**Life Mortgage Loans**"), which are offered in a traditional format or a format whereby the insurance premium can be invested in a variety of investment funds (see further under *Description of Portfolio Mortgage Loans* below). Life Mortgage Loans are benefiting from insurance policies combining a risk insurance and a capital insurance (i.e. insurance policies that pay out upon an agreed date, or, if earlier, upon the death of the insured) taken out by a Borrower with an Insurance Company in connection with a Life Mortgage Loan ("**Life Insurance Policies**"). Under a Life Mortgage Loan, no principal is paid until maturity but instead the Borrower pays a premium to the relevant Insurance Company on a monthly basis. The premiums paid by such Borrower are invested by the relevant Insurance Company in certain investment funds. It is the intention that a Life Mortgage Loan will be fully repaid by means of the proceeds of the relevant Life Insurance Policy. The Mortgage Receivables resulting from Life Mortgage Loans will hereinafter be referred to as "**Life Mortgage Receivables**". See for more detail *Risk Factors* and *Description of Portfolio Mortgage Loans*.

Switch Mortgage

Loans:

A portion of the Portfolio Mortgage Loans or parts thereof will be in the form of switch mortgage loans (hereinafter "**Switch Mortgage Loans**"). Under a Switch Mortgage Loan the Borrower does not pay principal prior to maturity of the mortgage loan, but instead takes out a combined risk and capital insurance policy (a "**Savings Investment Insurance Policy**") with the relevant Insurance Company whereby part of the premiums paid is invested in certain investment funds selected by the Borrower (each a "**Switch Investment Fund**") and/or deposited into an account held in the name of the relevant Insurance Company with the relevant Seller (each a "**Switch Savings Account**"). The Borrowers

have the possibility to switch (*omzetten*) their investments among the Switch Investment Funds and to and from the relevant Switch Savings Account. The parts the premiums (or part thereof) paid by the Borrowers under the Savings Investment Insurance Policies and deposited into a Switch Savings Account, are hereinafter referred to as "**Savings Investment Premiums**". It is the intention that the Switch Mortgage Loans will be fully or partially repaid by means of the proceeds of the Savings Investment Insurance Policies. The Mortgage Receivables resulting from Switch Mortgage Loans will hereinafter be referred to as "**Switch Mortgage Receivables**". See for more detail *Risk Factors* and *Description of Portfolio Mortgage Loans*.

Each of the relevant Insurance Companies will, as Savings Mortgage Participants, agree to use an amount equal to the Savings Investment Premiums (and the interest accrued on the Savings Participation) to acquire a Savings Participation (as defined in *Savings Mortgage Sub-Participation Agreement* below) in the Switch Mortgage Receivables.

**Savings
Mortgage
Loans:**

A portion of the Portfolio Mortgage Loans or parts thereof will be in the form of savings mortgage loans (hereinafter "**Savings Mortgage Loans**") which consist of mortgage loans entered into by any of the Sellers and the relevant Borrowers combined with a savings insurance policy (a "**Savings Insurance Policy**"). A Savings Insurance Policy consists of a combined risk and capital insurance policy taken out by a Borrower with an Insurance Company in connection with the relevant Savings Mortgage Loan. Under a Savings Mortgage Loan no principal is paid by the Borrower prior to the maturity of the loan. Instead, the Borrower pays a premium on a monthly basis, which consists of a risk element and a savings element (the "**Savings Premium**"). The Savings Premium is calculated in such a manner that, on an annuity basis, the proceeds of the Savings Insurance Policy due by the relevant Insurance Company to the relevant Borrower will be equal to the amount due by the Borrower to the Seller at maturity of the Savings Mortgage Loan. It is the intention that the Savings Mortgage Loans will be fully repaid by means of the proceeds of the Savings Investment Insurance Policies. The Mortgage Receivables resulting from Savings Mortgage Loans will hereinafter be referred to as "**Savings Mortgage Receivables**". See for more detail *Risk Factors* and *Description of the Portfolio Mortgage Loans*.

Each of the relevant Insurance Companies will, as Savings Mortgage Participants, agree to use the amount of the Savings Premiums (and the

interest accrued on the Savings Participation) scheduled to be received to acquire a Savings Participation in the relevant Savings Mortgage Receivables.

Investment

Mortgage Loan:

A portion of the Portfolio Mortgage Loans or parts thereof will be in the form of investment mortgage loans (hereinafter "**Investment Mortgage Loans**"), i.e. mortgage loans under which the Borrower does not pay principal prior to the maturity of the mortgage loan, but instead undertakes to invest, on an instalment basis or up front, defined amounts in certain investment funds. The amounts invested take the form of participations in the investment funds selected by the Borrower and are credited to an investment account in the name of the relevant Borrower (the "**Investment Account**"). It is the intention that an Investment Mortgage Loan will be fully repaid with the proceeds of the investments held in the relevant Investment Account. See for more detail *Risk Factors* and *Description of Portfolio Mortgage Loans*.

BKW Mortgage

Loans:

A portion of the Portfolio Mortgage Loans originated by Quion I B.V. will be in the form of mortgage loans originated in accordance with the so-called "affordable house"-concept (*Betaalbare Koopwoning* or "**BKW**"). By means of the BKW-concept, housing corporations (*woningcorporaties*) or municipalities can sell their property at market value to tenants (or other buyers in case of newly build houses) who have an income that is insufficient to pay the market value of a property according to the income criteria of *Stichting Waarborgfonds Eigen Woningen*. The mortgage loans originated in accordance with the BKW-concept consist of two parts: a loan part on which the Borrower pays interest at a regular rate (the "**Regular Interest Rate**") and a BKW loan part (each such latter part a "**BKW Mortgage Loan**") on which the Borrower only pays interest at a rate equal to 0.00, 0.40 or 0.50 per cent. per annum (the "**BKW Interest Rate**"). The regular loan part is determined in accordance with the terms and conditions of the NHG Guarantee (the "**NHG Conditions**") which focus on interest payments-to-income relations. The BKW Mortgage Loan will be equal to the difference between the market value of the relevant property and the regular loan part, with a maximum of 30 per cent. of the total Portfolio Mortgage Loan. The total Portfolio Mortgage Loan benefits from the NHG Guarantee. Every three (3) or five (5) years, the relevant Borrower has to submit proof of its income in order to determine whether the amount of the BKW Mortgage Loan needs to be adjusted (the "**BKW Re-Assessment**"). In case the income of the Borrower has increased and is sufficient to pay more interest in accordance with the NHG Conditions, the BKW Mortgage Loan is reduced and the regular loan part of the relevant Portfolio Mortgage Loan is

increased accordingly. See for more detail *Risk Factors* and *Description of the Portfolio Mortgage Loans* below.

In accordance with the agreements entered into with the relevant housing corporations and/or municipalities, any amount of principal received on a Portfolio Mortgage Loan comprising a BKW Mortgage Loan will first be applied towards redemption of the BKW Mortgage Loan. This includes any principal received upon foreclosure of the relevant Mortgaged Asset.

Quion I B.V. will, as BKW Mortgage Participant, agree to participate in the Mortgage Receivables resulting from each of the BKW Mortgage Loans (each a **"BKW Mortgage Receivable"**) by acquiring a BKW Participation (as defined in *BKW Mortgage Sub-Participation Agreement* below) in the relevant Portfolio Mortgage Loan in an amount equal to the principal amount outstanding under the BKW Mortgage Loan forming part of such Portfolio Mortgage Loan.

**Savings Mortgage
Sub-Participation
Agreements:**

The Issuer will enter into a sub-participation agreement with each of the Savings Mortgage Participants (each a **"Savings Mortgage Sub-Participation Agreement"**) under which each of the Savings Mortgage Participants will acquire participations in the relevant Savings Mortgage Receivables and in the Switch Mortgage Receivables, if and to the extent the Borrowers invest part of the premiums paid on the relevant Savings Investment Insurance Policy by making a deposit into the relevant Switch Savings Account (see further *Savings Mortgage Loans and Switch Mortgage Loans* under *Risk Factors* below). In the Mortgage Sub-Participation Agreement the relevant Savings Mortgage Participant will undertake either (i) to pay to the Issuer an amount equal to the sum of all amounts scheduled to be received as Savings Premiums on the relevant Savings Insurance Policies or as Savings Investment Premiums on the relevant Savings Investment Insurance Policies, plus the interest accrued on such amounts or (ii) to assign to the Issuer that part of each relevant Savings Mortgage Receivable or Switch Mortgage Receivable equal to the amount scheduled to be received as Savings Premium on the relevant Savings Insurance Policy or as Savings Investment Premium on the relevant Savings Investment Insurance Policy, plus the interest accrued on such amounts which has been assigned to the relevant Savings Mortgage Participant by the relevant Seller pursuant to a so-called transfer of parts agreement entered into between them (each a **"Transfer of Parts Agreement"**) (each a **"Savings Part"**). In return, the Savings Mortgage Participants are entitled to receive from the Issuer the Savings Participation

Redemption Available Amount and, in case the Savings Mortgage Participant has assigned the Savings Parts to the Issuer, the Participation Interest Amount (each as defined in the relevant Savings Mortgage Sub-Participation Agreement). See further *Savings Mortgage Sub-Participation Agreements* below. The amount of the Savings Participation with respect to a Savings Mortgage Receivable or a Switch Mortgage Receivable consists of the initial participation at the Closing Date (which is equal to the sum of all amounts scheduled to be received up to such date as Savings Premiums or Savings Investment Premiums and accrued interest, being, in case of the initial participations as at the Portfolio Cut-Off Date (as defined below), an aggregate amount of € 8,124,192), which will be increased on a monthly basis with an amount equal to (i) the Savings Premium or Savings Investment Premium scheduled to be received in that month in respect of the relevant Savings Insurance Policy or Savings Investment Insurance Policy and paid to the Issuer and a pro rata part, corresponding to the Savings Participation in the relevant Savings Mortgage Receivable or Switch Mortgage Receivable, of the interest received in respect of such Savings Mortgage Receivable or Switch Mortgage Receivable or (ii) as the case may be, the nominal value of the Savings Parts assigned to the Issuer by the Savings Mortgage Participant in that month. See further *Savings Mortgage Sub-Participation Agreements* below.

**BKW Mortgage
Sub-Participation
Agreement:**

The Issuer will enter into a sub-participation agreement with the BKW Mortgage Participant (the "**BKW Mortgage Sub-Participation Agreement**") under which the BKW Mortgage Participant will acquire participations in the BKW Mortgage Receivables. In the BKW Mortgage Sub-Participation Agreement the BKW Mortgage Participant will undertake to pay to the Issuer on the Closing Date with respect to each Portfolio Mortgage Loan comprising a BKW Mortgage Loan an amount equal to the principal amount outstanding under such BKW Mortgage Loan. In return, the BKW Mortgage Participant is entitled to receive from the Issuer the interest paid by the relevant Borrower with respect to the BKW Mortgage Loan and the BKW Participation Redemption Available Amount (as defined in *BKW Mortgage Sub-Participation Agreement* below). The aggregate amount of the BKW Participations at the Portfolio Cut-Off Date will be equal to € 52,461,698. See further *BKW Mortgage Sub-Participation Agreement* below.

**Construction
Deposits:**

Pursuant to the terms and conditions applicable to the Portfolio Mortgage

Loans (the "**Mortgage Conditions**"), in respect of certain Portfolio Mortgage Loans, the Borrower has the right to request that part of the Portfolio Mortgage Loan will be applied towards construction of, or improvements to, the relevant Mortgaged Asset. In that case the Borrower has placed part of the monies drawn down under the Portfolio Mortgage Loan on deposit with the relevant Seller, and the relevant Seller has committed to pay out such deposits to or on behalf of the Borrower in order to enable the Borrower to pay for such construction of, or improvements to, the relevant Mortgaged Asset, provided certain conditions are met. The aggregate amount of the deposits placed with the Sellers in connection with these so-called construction mortgages (*bouwhypothecken*) (each a "**Construction Deposit**", and collectively, the "**Construction Deposits**") as at the Portfolio Cut-Off Date is € 48,804,296.

Of the Initial Purchase Price an amount equal to the aggregate Construction Deposits will be deposited in the Construction Deposit Account (as defined below). On each twelfth Business Day of a calendar month in which a Portfolio Payment Date falls (each a "**Portfolio Calculation Date**"), the MPT Provider will notify the Issuer of all payments made out of the Construction Deposits to or on behalf of the Borrowers during the immediately preceding Portfolio Calculation Period, and the Issuer shall pay on the earlier of the next succeeding Portfolio Payment Date or as soon as possible after receipt of the confirmation that payment has been made to the Borrower, an equal amount from the Construction Deposit Account to the relevant Seller in consideration of the assignment and transfer of the relevant Mortgage Receivable to the extent the money drawn under the relevant Portfolio Mortgage Loan was placed on the Construction Deposit. Upon the occurrence of an Assignment Notification Event (as defined in Mortgage Receivable Purchase Agreement below), the Issuer shall be entitled to pay out of the Construction Deposit Account monies less than or equal to the Construction Deposits placed with the relevant Seller directly to or on behalf of the Borrowers.

Pursuant to the current version of NHG Conditions, a Construction Deposit has to be paid out after the building activities or renovation activities have been finalised. If the remaining Construction Deposit exceeds € 2,500, such Construction Deposit will be set-off against the Mortgage Receivable up to the amount of the Construction Deposit, in which case the Issuer shall have no further obligation towards the relevant Seller to pay the remaining part of the Initial Purchase Price, and consequently any remaining part of the Construction Deposit will be part of the Notes Principal Available Amounts on the next succeeding Quarterly Payment Date. Pursuant to the NHG Conditions, if the remaining Construction Deposit is less than € 2,500, the

relevant Seller has the right to pay out the remaining amount to the relevant Borrower and consequently the remaining part of the Initial Purchase Price will be paid to the relevant Seller.

Repurchase of Mortgage

Receivables:

In the Mortgage Receivables Purchase Agreement each of the Sellers has undertaken to repurchase and accept re-assignment of a Mortgage Receivable (excluding the Savings Parts, if any):

- (i) on the Portfolio Payment Date immediately following the expiration of the relevant remedy period (if any), if any of the representations and warranties given by a Seller in respect of a Portfolio Mortgage Loan, including the representation and warranty that the Portfolio Mortgage Loan or, as the case may be, the Mortgage Receivable resulting from such Portfolio Mortgage Loan meets certain mortgage loan criteria, are untrue or incorrect;
- (ii) on the Portfolio Payment Date immediately following the date on which a Seller agrees with a Borrower to grant a Further Advance under the relevant Portfolio Mortgage Loan, whereby a "**Further Advance**" will include: (a) a further advance made under a mortgage loan which will be secured by the same Mortgage as the loan previously disbursed under such mortgage loan (*verhoogde inschrijving*), (b) a further advance made under a mortgage loan which will be secured by a second or sequentially lower ranking Mortgage as the loan previously disbursed under such mortgage loan (*verhoging*) and (c) withdrawals of monies which were previously repaid to redeem the mortgage loan (*heropname*);
- (iii) on the Portfolio Payment Date immediately following the date on which a Seller agrees with a Borrower to amend the terms of the Portfolio Mortgage Loan and as a result thereof such Portfolio Mortgage Loan (or part thereof) no longer meets certain criteria set forth in the Mortgage Receivables Purchase Agreement and/or the Servicing Agreement (including, without limitation, the Mortgage Loan Criteria), unless such amendment is made as part of the enforcement procedures to be complied with upon a default by the Borrower under the relevant Portfolio Mortgage Loan, including, without limitation, a restructuring or renegotiation of the relevant Portfolio Mortgage Loan due to a deterioration of the credit quality of the Borrower of such Portfolio Mortgage Loan;
- (iv) on the Portfolio Payment Date immediately following the date on which a Seller agrees with a Borrower to convert (*omzetten*) a Savings

- (v) Mortgage Loan (in whole or in part) into any other mortgage loan type; on the Portfolio Payment Date immediately following the date on which the relevant Insurance Company agrees with a Borrower under the terms of a Switch Mortgage Loan to switch whole or part of the premiums deposited into the Switch Savings Account into an investment in one or more Switch Investment Funds;
- (vi) on the Portfolio Payment Date immediately following the date on which it appears that the Portfolio Mortgage Loan no longer has the benefit of a NHG Guarantee as a result of an action taken or omitted to be taken by a Seller or the MPT Provider, provided that the relevant Seller shall not be obliged to repurchase the relevant Mortgage Receivable, if following a claim made under such NHG Guarantee, *Stichting Waarborgfonds Eigen Woningen* does not pay the full amount of such Mortgage Receivable due to (a) the difference in the redemption structure of the relevant Portfolio Mortgage Loan and the redemption structure set forth in the NHG Conditions or (b) the higher than expected foreclosure costs which are outside the control of the MPT Provider or (c) the occurrence of any other events not due to misconduct by or negligence of the MPT Provider;
- (vii) on the Portfolio Payment Date immediately following the date on which it appears that a Seller, while it is entitled to make a claim under the NHG Guarantee relating to the relevant Portfolio Mortgage Loan, will not make such claim; and
- (viii) on the Portfolio Payment Date immediately following the date on which a BKW Re-Assessment has been executed in respect of a Portfolio Mortgage Loan originated in accordance with the BKW-concept and following such BKW Re-Assessment the BKW Mortgage Loan will be adjusted.

Furthermore, each of the relevant Sellers shall on each Portfolio Payment Date in respect of each Savings Mortgage Receivable or Switch Mortgage Receivable sold by it to the Issuer pursuant to the Mortgage Receivables Purchase Agreement which have attached to it a Savings Insurance Policy or Savings Investment Insurance Policy taken out with each of the relevant Insurance Companies, repurchase and accept re-assignment from the Issuer a part of such Savings Mortgage Receivable or Switch Mortgage Receivable (other than the relating Savings Parts assigned to the Issuer by the relevant Savings Mortgage Participant) having a nominal value equal to the sum of (i) the amount scheduled to be received as Savings Premium on the relevant Savings Insurance Policy or as Savings Investment Premium on the relevant Savings Investment Insurance Policy during the Portfolio Calculation Period

immediately preceding such Portfolio Payment Date, (ii) in respect of a Switch Mortgage Receivable only, an amount equal to the amount switched under the relevant Savings Investment Insurance Policy from investments in one or more Switch Investment Funds into investments being made in the form of a deposit into the relevant Switch Savings Account during the Portfolio Calculation Period immediately preceding such Portfolio Payment Date and (iii) the amount of interest scheduled to be received with respect to the immediately preceding Portfolio Calculation Period on the Savings Parts relating to such Savings Mortgage Receivable or Switch Mortgage Receivable assigned to the Issuer pursuant to the relevant Savings Mortgage Sub-Participation Agreement, against payment of a purchase price equal thereto.

Sellers Clean-up

Call Option:

The Sellers, acting jointly, have the option to repurchase and accept re-assignment of all (but not only part of) the Mortgage Receivables on any Quarterly Payment Date for which on the immediately preceding Notes Calculation Date the principal amount due on the Mortgage Receivables then outstanding is less than 10 per cent. of the principal amount of the Mortgage Receivables on the Closing Date (the "**Sellers Clean-up Call Option**").

The Issuer has undertaken in the Mortgage Receivables Purchase Agreement to sell and assign the Mortgage Receivables, excluding the Savings Parts, if any, to any of the Sellers, or any third party appointed by the Sellers at their sole discretion, in case the Sellers exercise the Sellers Clean-up Call Option. The purchase price will be calculated as described under *Sale of Mortgage Receivables* in *Credit Structure* below. The proceeds of such sale shall be applied by the Issuer towards redemption of the Notes, subject to and in accordance with the Conditions.

Regulatory

Call Option:

The Sellers, acting jointly, have the option to repurchase and accept re-assignment of all (but not only part of) the Mortgage Receivables, excluding the Savings Parts, if any, on any Quarterly Payment Date following the occurrence of a Regulatory Change (as defined in the Conditions) by giving not less than thirty (30) days nor more than sixty (60) days prior written notice thereof to the Noteholders and the Security Trustee (the "**Regulatory Call Option**").

The Issuer has undertaken in the Mortgage Receivables Purchase Agreement to sell and assign the Mortgage Receivables, excluding the Savings Parts, if any, to any of the Sellers, or any third party appointed by the Sellers at their

sole discretion, in case the Sellers exercise the Regulatory Call Option. The purchase price will be calculated as described under *Sale of Mortgage Receivables* in *Credit Structure* below. If the Sellers exercise the Regulatory Call Option, then the Issuer shall redeem the Notes by applying the proceeds of such sale towards redemption of the Notes, subject to and in accordance with the Conditions.

**Sale of Mortgage
Receivables:**

On any Optional Redemption Date the Issuer has the right to sell and assign all (but not only part of) the Mortgage Receivables, excluding the Savings Parts, if any, to any third party, provided that the Issuer will first make an offer to sell such Mortgage Receivables to the Sellers or any of them. The Issuer shall redeem the Notes by applying the proceeds of such sale towards redemption of the Notes, subject to and in accordance with the Conditions. The purchase price will be calculated as described under *Sale of Mortgage Receivables* in *Credit Structure* below.

**Servicing
Agreement:**

Under a servicing agreement to be entered into on the Signing Date between the Issuer, the MPT Provider and the Security Trustee (the "**Servicing Agreement**"), the MPT Provider will agree to provide administration and management services in relation to the Portfolio Mortgage Loans on a day-to-day basis, including, without limitation, the collection of payments of principal, interest and all other amounts in respect of the Portfolio Mortgage Loans and the implementation of arrears procedures including, if applicable, the enforcement of Mortgage Rights (see further *Mortgage Loan Underwriting and Servicing* and *Servicing Agreement and Issuer Administration Agreement* below). The MPT Provider has appointed Quion Hypotheekbemiddeling B.V., Quion Hypotheekbegeleiding B.V. and Quion Services B.V. (all three subsidiaries of Quion Groep B.V.) and Stater Nederland B.V. as its sub-mpt providers under the terms of the Servicing Agreement.

**Issuer
Administration
Agreement:**

Under an administration agreement to be entered into on the Signing Date between the Issuer, the Issuer Administrator and the Security Trustee (the "**Issuer Administration Agreement**"), the Issuer Administrator will agree to provide certain administration, calculation and cash management services for the Issuer on a day-to-day basis, including without limitation, all calculations to be made in respect of the Notes pursuant to the Conditions (see further *Servicing Agreement and Issuer Administration Agreement* below).

**Management
Agreements:**

The Issuer, Stichting Sound Holding and the Security Trustee will each enter into a management agreement (together the "**Management Agreements**") with the relevant Director in which the relevant Director will undertake to act as a director of the Issuer, Stichting Sound Holding and the Security Trustee, respectively, and to perform certain services in connection therewith.

Security Beneficiaries

Agreement:

Under a security beneficiaries agreement to be entered into on the Signing Date between the Issuer and each Security Beneficiary (excluding the Noteholders other than the initial Noteholders) (the "**Security Beneficiaries Agreement**") each Security Beneficiary agrees and confirms that the security provided pursuant to the provisions of the Security Documents shall, indirectly, through the Security Trustee, be for the exclusive benefit of the Security Beneficiaries (including for the avoidance of doubt, the Noteholders). Under the Security Beneficiaries Agreement each Security Beneficiary moreover agrees to be bound by the relevant terms and provisions of the Trust Deed including, but not limited to, the limited recourse and non-petition provisions contained therein.

CASH FLOW STRUCTURE

Transaction

Account:

The Issuer shall maintain with the Floating Rate GIC Provider an account (the "**Transaction Account**") to which, *inter alia*, all amounts of interest, prepayment penalties and principal received under the Mortgage Receivables will be transferred by the MPT Provider in accordance with the Servicing Agreement.

Construction

Deposit Account:

The Issuer will maintain with the Floating Rate GIC Provider an account into which at the Closing Date an amount equal to the aggregate Construction Deposits will be deposited (the "**Construction Deposit Account**"). The Construction Deposit Account will be debited for (i) payments to the Sellers upon Construction Deposits being paid out by such Sellers to or on behalf of the Borrowers and (ii) for transfer to the Transaction Account in case the Issuer has no obligation to pay any further part of the Initial Purchase Price (as described under *Construction Deposits* above).

Liquidity Facility**Agreement:**

On the Signing Date, the Issuer will enter into a 364-day term liquidity facility agreement with the Liquidity Facility Provider (the "**Liquidity Facility Agreement**") under which the Issuer will be entitled to make drawings if there are insufficient funds available to the Issuer as a result of a shortfall in the Notes Interest Available Amounts in order to meet items (a) up to and including (h) of the Interest Priority of Payments (as defined below), subject to certain conditions. See under *Credit Structure* below.

Floating Rate**GIC:**

The Issuer, the Floating Rate GIC Provider and the Security Trustee will enter into a guaranteed investment contract (the "**Floating Rate GIC**"), under which the Floating Rate GIC Provider will agree to pay a guaranteed rate of interest determined by reference to one month Euribor on the balance standing from time to time to the credit of the Transaction Account and the Construction Deposit Account (such accounts being collectively referred to as the "**GIC Accounts**").

Swap Agreement:

On the Signing Date, the Issuer, the Security Trustee and the Swap Counterparty will enter into a swap agreement (the "**Swap Agreement**") to hedge the risk between the rate of interest to be received by the Issuer on the Mortgage Receivables and the rate of interest payable by the Issuer on the Notes. See further under *Credit Structure* below.

OTHER**Listing:**

Application has been made to list the Notes (other than the Subordinated Class C Notes) on Eurolist by Euronext Amsterdam. Listing is expected to take place on or about 26 September 2007.

Rating:

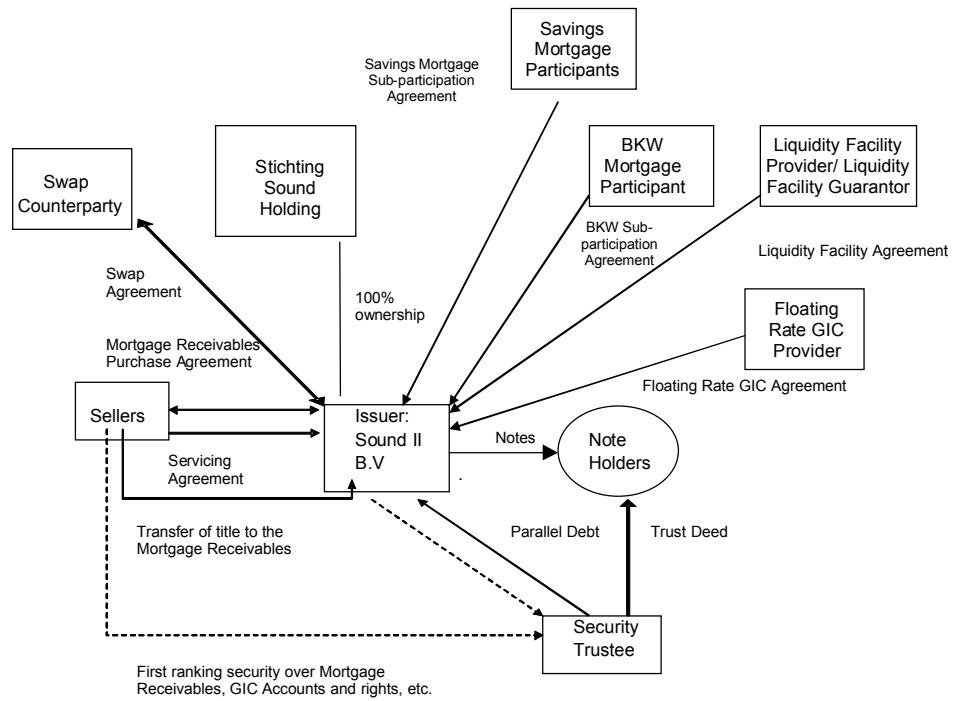
It is a condition precedent to issuance that, on issue, the Senior Class A Notes be assigned an 'Aaa' rating by Moody's and an 'AAA' rating by Fitch and the Mezzanine Class B Notes be assigned an 'A3' rating by Moody's and an 'AA' rating by Fitch. The Subordinated Class C Notes will not be assigned a rating.

Governing**Law:**

The Notes will be governed by and construed in accordance with the laws of the Netherlands.

Structure Diagram:

The transaction set out in this Offering Circular can be depicted as follows:



CREDIT STRUCTURE

The structure of the credit arrangements for the proposed issue of the Notes may be summarised as follows.

Use of Proceeds

The Issuer will use the net proceeds from the issue of the Notes to pay part of the Initial Purchase Price for the Mortgage Receivables purchased under the Mortgage Receivables Purchase Agreement. An amount of € 48,804,296 of the Initial Purchase Price will be withheld by the Issuer and deposited to the Construction Deposit Account to either pay for such parts of the Mortgage Receivables as correspond to the Construction Deposits, or, after an Assignment Notification Event has occurred, at its sole discretion, to make such payments to the Borrowers as correspond to their claims with respect to Construction Deposits (see *Construction Deposits and Payments in relation to Construction Deposits* above).

Mortgage Loan Interest Rates

The Portfolio Mortgage Loans pay interest on a floating rate basis or fixed rate basis, subject to a reset from time to time. On 1 August 2007 (the "**Portfolio Cut-Off Date**"), the weighted average interest rate of the Portfolio (as defined below) amounted to 4.2 per cent. Interest rates vary among individual Portfolio Mortgage Loans. The range of interest rates is described further in *Description of Portfolio Mortgage Loans* below.

Cash Collection Arrangements

All payments by the Borrowers of interest and scheduled principal under the Mortgage Receivables are due on the first day of each month, interest being payable in arrear. Until notification of assignment of the Mortgage Receivables has been made, all interest and principal payments made by Borrowers will be paid into any of the collection accounts maintained by the relevant Seller (together the "**Seller Collection Accounts**") with ABN AMRO Bank N.V. (the "**Seller Collection Accounts Provider**") and administrated by the MPT Provider. The balance on this account will not be pledged to any party, other than to the Seller Collection Accounts Provider, pursuant to the applicable general terms and conditions. The Seller Collection Accounts will also be used for the collection of monies paid in respect of mortgage loans other than the Portfolio Mortgage Loans and in respect of other monies belonging to the Sellers.

On the third Business Day following the last day of each calendar month (each a "**Portfolio Payment Date**"), each of the Sellers shall transfer (or procure that the MPT Provider or the relevant Sub-MPT Provider shall transfer on its behalf) all amounts of principal, interest, penalty interest and prepayment penalties received by it in respect of the Portfolio Mortgage Loans and paid to any of its Seller Collection Accounts during the immediately preceding Portfolio Calculation Period (being the period commencing on (and including) the first day of each calendar month and ending on (but excluding) the

first day of the next succeeding calendar month) to the Transaction Account.

Following an Assignment Notification Event in respect of a Seller as described under *Mortgage Receivables Purchase Agreement* below, the relevant Borrowers will be required to pay all amounts due by them under the relevant Portfolio Mortgage Loans directly to an account in the name of the Issuer.

If the rating of the short-term, unsecured and unguaranteed debt obligations of the Seller Collection Accounts Provider falls below Prime-1 by Moody's and/or NIBC Bank N.V. falls below F1 by Fitch, each of the Sellers will, to maintain the then current ratings assigned to the Notes (other than the Subordinated Class C Notes), (i) arrange within 30 calendar days of such event, that the amounts received with respect to the Mortgage Loans and paid to any of its Seller Collections Accounts are transferred to an account of the Issuer, within 2 Business Days of such receipts, or (ii) find any other solution acceptable to Fitch. If the rating of the short-term, unsecured and unguaranteed debt obligations of the Seller Collection Accounts Provider and/or NIBC Bank N.V. falls below F2 by Fitch, each of the Sellers will either: (i) ensure that payments to be made in respect of amounts received on the Seller Collection Accounts relating to the relevant Mortgage Receivables will be guaranteed by a party having at a F1 rating by Fitch; or (ii) within thirty (30) days of such downgrading or withdrawal transfer the relevant Seller Collection Accounts to a suitable alternative Seller Collection Accounts Provider having at least a F1 rating by Fitch, acceptable to the Rating Agency; or (iii) find another solution, acceptable to the Rating Agency, to maintain the then current ratings assigned to the Notes (other than the Subordinated Class C Notes).

GIC Accounts

Transaction Account

The Issuer will maintain with the Floating Rate GIC Provider the Transaction Account to which, *inter alia*, all amounts received (i) in respect of the Portfolio Mortgage Loans and (ii) from the Savings Mortgage Participants under the Savings Mortgage Sub-Participation Agreements will be paid. The Issuer Administrator will identify all amounts paid into the Transaction Account. Payments received by the Issuer on each Portfolio Payment Date in respect of the Portfolio Mortgage Loans will be identified as principal, interest or other revenue receipts.

Construction Deposit Account

The Issuer will maintain with the Floating Rate GIC Provider the Construction Deposit Account into which part of the Initial Purchase Price in an amount equal to the aggregate Construction Deposits will be deposited on the Closing Date. The Issuer will prior to an Assignment Notification Event pay from the Construction Deposit Account to the relevant Sellers amounts equal to the Construction Deposits paid out by such Sellers to the Borrowers in the preceding Portfolio Calculation Period to satisfy payment of part of the Initial Purchase Price. After the occurrence of an Assignment Notification Event, the Issuer shall only be obliged to draw from the Construction Deposit Account an amount equal to the Construction Deposits or part thereof which have been paid out to the relevant Borrowers pursuant to

the Mortgage Conditions, and pay such amount to the relevant Sellers if (i) legal title to the Mortgage Receivables corresponding to the Construction Deposits or part thereof has been acquired by the Issuer. Besides this, the Construction Deposit Account will be debited with the amount Borrowers have set-off against its Construction Deposits with the Mortgage Receivables relating thereto and as a result of which the Issuer has no further obligation to pay such part of the Initial Purchase Price. Such amounts will be transferred to the Transaction Account and applied towards redemption of the Notes on the immediately succeeding Quarterly Payment Date.

If, on the third Portfolio Calculation Date (such date being the third Business Day before a Portfolio Payment Date) after the occurrence of an Assignment Notification Event legal title to the Mortgage Receivables corresponding to the Construction Deposits has not been acquired by the Issuer, the Issuer shall on the immediately succeeding Quarterly Payment Date draw the balance standing to the credit of the Construction Deposit Account to form part of the Notes Principal Available Amounts on that Quarterly Payment Date.

Rating of the Floating Rate GIC Provider

If at any time (i) the short-term unsecured, unsubordinated and unguaranteed debt obligations of the Floating Rate GIC Provider are assigned a rating of less than Prime-1 by Moody's and/or F1 by Fitch, and/or such rating is withdrawn and (ii) the aggregate amount standing to the credit of the GIC Accounts held with the Floating Rate GIC Provider exceeds an amount equal to 20 per cent. of the Principal Amount Outstanding of the Notes at such time, the Issuer and/or the Issuer Administrator on its behalf will be required within thirty (30) days of any such event (i) to transfer the balance on all such GIC Accounts to an alternative bank with the required minimum ratings, (ii) to procure that a third party, having at least the required ratings, guarantees the obligations of the Floating Rate GIC Provider or (iii) find another solution acceptable to the Rating Agencies in order to maintain the then current ratings assigned to the Notes.

Priority of Payments in respect of interest (prior to Enforcement Notice)

Prior to the delivery of an Enforcement Notice by the Security Trustee, the sum of the following amounts, calculated as at each Notes Calculation Date as being received during the Notes Calculation Period (as defined in the Conditions) immediately preceding such Notes Calculation Date (items (i) up to and including (x) being hereafter referred to as the **"Notes Interest Available Amounts"**):

- (i) interest on the Mortgage Receivables, less, (i) with respect to each Savings Mortgage Receivable and each Switch Mortgage Receivable, an amount equal to the interest amount received multiplied by a fraction which is equal to the relevant Savings Participation divided by the outstanding principal amount of such Savings Mortgage Receivable or Switch Mortgage Receivable (the **"Savings Participation Fraction"**), (ii) with respect to each BKW Mortgage Receivable, an amount equal to the interest amount received up to a maximum of the interest scheduled to be received under the relevant BKW Mortgage Loan and (iii) -prior to the

occurrence of an Assignment Notification Event- an amount equal to the interest received on the part of the Mortgage Receivables corresponding to the Construction Deposits;

- (ii) interest credited to the GIC Accounts;
- (iii) prepayment penalties and penalty interest (*boeterente*) in respect of the Mortgage Receivables;
- (iv) Net Proceeds (as defined below) in respect of any Mortgage Receivables, to the extent such proceeds do not relate to principal, *less*, (i) with respect to each Savings Mortgage Receivable and each Switch Mortgage Receivable, an amount equal to the proceeds received multiplied by the Savings Participation Fraction and (ii) with respect to each BKW Mortgage Receivable, an amount equal to the proceeds received up to a maximum of the interest scheduled to be received under the relevant BKW Mortgage Loan;
- (v) amounts to be drawn under the Liquidity Facility (other than a Liquidity Facility Stand-by Drawing (as defined below)) on the immediately succeeding Quarterly Payment Date;
- (vi) amounts to be received from the Swap Counterparty under the Swap Agreement on the immediately succeeding Quarterly Payment Date excluding, for the avoidance of doubt, any collateral transferred to the Issuer pursuant to the Swap Agreement;
- (vii) amounts to be received from the Derivatives Counterparty under the Derivatives Agreement (both as defined below) on the immediately succeeding Quarterly Payment Date;
- (viii) amounts received in connection with a repurchase or sale of Mortgage Receivables (or any part thereof) pursuant to the Mortgage Receivables Purchase Agreement or the Trust Deed, as the case may be, or any other amounts received pursuant to the Mortgage Receivables Purchase Agreement to the extent such amounts do not relate to principal, *less*, (i) with respect to each Savings Mortgage Receivable and each Switch Mortgage Receivable (other than a Savings Mortgage Receivable or Switch Mortgage Receivable in respect of which Savings Parts have been assigned to the Issuer pursuant to a Savings Mortgage Sub-Participation Agreement), an amount equal to the amount received multiplied by the Savings Participation Fraction and (ii) with respect to each BKW Mortgage Receivable, an amount equal to the amount received up to a maximum of the interest scheduled to be received under the relevant BKW Mortgage Loan;
- (ix) amounts received as post-foreclosure proceeds on the Mortgage Receivables, to the extent such amounts are not due and payable to *Stichting Waarborgfonds Eigen Woningen* to satisfy its claim resulting from a payment made by it under the NHG Guarantees; and
- (x) any amounts standing to the credit of the GIC Accounts after all amounts of interest and principal due in respect of the Notes have been paid in full.

will, pursuant to the terms of the Trust Deed, be applied by the Issuer on the immediately succeeding Quarterly Payment Date as follows (in each case only if and to the extent that payments of a higher order of priority have been made in full) (the "**Interest Priority of Payments**"):

- (a) *First*, (i) in or towards satisfaction, pro rata, according to the respective amounts thereof, of fees or other remuneration due and payable to the Directors in connection with the Management Agreements and of the fees or other remuneration and indemnity payments (if any) due and payable to the Security Trustee and any costs, charges, liabilities and expenses incurred by the Security Trustee under or in connection with the relevant Transaction Documents (including the fees and expenses payable to any legal advisors, accountants and auditors appointed by the Security Trustee) and (ii) by retaining an amount equal to nominal Dutch Corporate Income Tax rate times 10% of the sum of the total amount due and payable by the Issuer to its Director, other operational cost pursuant to item (i) above and paid in capital of the Issuer, representing Dutch Corporate Income payable by the Issuer;
- (b) *Second*, in or towards satisfaction, pro rata, according to the respective amounts thereof, of (i) the fees and expenses due and payable to the Issuer Administrator under the Issuer Administration Agreement and (ii) the fees and expenses due and payable to the MPT Provider under the Servicing Agreement;
- (c) *Third*, in or towards satisfaction of any amounts due and payable to the Liquidity Facility Provider under the Liquidity Facility Agreement or, following a Liquidity Facility Stand-by Drawing, in or towards satisfaction of sums to be credited to the Liquidity Facility Stand-by Ledger, less, in the event a Liquidity Facility Stand-by Drawing is made, (i) an amount equal to the positive difference between (x) the interest due and payable to the Liquidity Facility Provider pursuant to the Liquidity Facility Agreement over that part of the balance standing to the credit of the Liquidity Facility Stand-by Ledger and (y) the interest received from the Floating Rate GIC Provider over the balance standing to the credit of the Transaction Account which equals the balance standing to the credit of the Liquidity Facility Stand-by Ledger and (ii) any gross-up amounts or additional amounts due under the Liquidity Facility and payable under (j) below (the amounts under (i) and (ii) referred to as the "**Subordinated Liquidity Facility Amount**");
- (d) *Fourth*, in or towards satisfaction, pro rata, according to the respective amounts thereof, of (i) the amounts due and payable (but not yet paid prior to the relevant Quarterly Payment Date) to third parties under obligations incurred in the Issuer's business (other than under the relevant Transaction Documents), including, without limitation, in or towards satisfaction of amounts or provisions for any payment of the Issuer's liability, if any, to tax, (ii) the fees and expenses due and payable to the Paying Agent, the Reference Agent, the common safekeeper and any other agent designated under any of the relevant Transaction Documents, (iii) the amounts due and payable to the Rating Agencies and (iv) the fees and expenses due and payable to any legal

advisors, accountants and auditors appointed by the Issuer;

- (e) *Fifth*, in or towards satisfaction, pro rata, in accordance with the respective amounts thereof, of amounts, if any, due and payable under the Swap Agreement and all amounts, if any, due and payable under the Derivatives Agreement, except for any Settlement Amount (as defined in the Swap Agreement and Derivatives Agreement respectively) payable under (f) below or any termination payment due or payable as a result of the occurrence of an Event of Default (as defined in the Swap Agreement) where the Swap Counterparty is the Defaulting Party or an Additional Termination Event (each as defined therein) relating to the credit rating of the Swap Counterparty (a "**Swap Counterparty Default Payment**"), payable under (i) below, or termination payment due or payable as a result of the occurrence of an Event of Default (as defined in the Derivatives Agreement) where the Derivatives Counterparty is the Defaulting Party or an Additional Termination Event (each as defined therein) relating to the credit rating of the Derivatives Counterparty (a "**Derivatives Counterparty Default Payment**"), payable under (i) below;
- (f) *Sixth*, in or towards satisfaction, pro rata, according to the respective amounts thereof, of the amounts of interest due or accrued due but unpaid in respect of the Senior Class A Notes, and any Settlement Amounts (as defined in the Derivatives Agreement and Swap Agreement), other than any Swap Counterparty Default Payment and/or Derivatives Counterparty Default Payment, payable under (i) below;
- (g) *Seventh*, in or towards satisfaction of the amounts of interest due or accrued due but unpaid in respect of the Mezzanine Class B Notes;
- (h) *Eighth*, in or towards satisfaction of the amounts of interest due or accrued due but unpaid in respect of the Subordinated Class C Notes;
- (i) *Ninth*, in or towards satisfaction, pro rata, according to the respective amounts thereof, of any Swap Counterparty Default Payment to the Swap Counterparty under the terms of the Swap Agreement and any Derivatives Counterparty Default Payment to the Derivatives Counterparty under the terms of the Derivatives Agreement;
- (j) *Tenth*, in or towards satisfaction, pro rata, according to the respective amounts thereof, of any Subordinated Liquidity Facility Amount and gross-up amounts or additional amounts, if any, due under the Issuer Administration Agreement and/or the Servicing Agreement; and
- (k) *Eleventh*, in or towards satisfaction of the Deferred Purchase Price to the Sellers pursuant to the Mortgage Receivables Purchase Agreement.

Any amount due and payable to third parties (other than pursuant to any of the Transaction

Documents) under obligations incurred in the Issuer's business and any amount due and payable to either the Savings Mortgage Participants under the Savings Mortgage Sub-Participation Agreements or the BKW Mortgage Participant under the BKW Mortgage Sub-Participation Agreement at a date which is not a Quarterly Payment Date may be made on such date by the Issuer from the Transaction Account to the extent that the funds available on the Transaction Account are sufficient to make such payment.

Priority of Payments in respect of principal (prior to Enforcement Notice)

Prior to the delivery of an Enforcement Notice by the Security Trustee, the sum of the following amounts, calculated as at each Notes Calculation Date as being received during the Notes Calculation Period (as defined in the Conditions) immediately preceding such Notes Calculation Date (items (i) up to and including (vii) being hereafter referred to as the "**Notes Principal Available Amounts**"):

- (i) repayment and prepayment in full of principal under the Mortgage Receivables, from any person, whether by set-off or otherwise, but, for the avoidance of doubt, excluding prepayment penalties, if any, *less*, (i) with respect to each Savings Mortgage Receivable and each Switch Mortgage Receivable, the Savings Participation in such Savings Mortgage Receivable or Switch Mortgage Receivable and (ii) with respect to each BKW Mortgage Receivable, an amount equal to the principal amount received up to a maximum of the principal amount outstanding under the relevant BKW Mortgage Loan;
- (ii) Net Proceeds in respect of any Mortgage Receivable, to the extent such proceeds relate to principal, *less*, (i) with respect to each Savings Mortgage Receivable and each Switch Mortgage Receivable, the Savings Participation in such Savings Mortgage Receivable or Switch Mortgage Receivable and (ii) with respect to each BKW Mortgage Receivable, an amount equal to the proceeds received up to a maximum of the principal amount outstanding under the relevant BKW Mortgage Loan;
- (iii) amounts received in connection with a repurchase or sale of Mortgage Receivables (or any part thereof) pursuant to the Mortgage Receivables Purchase Agreement or the Trust Deed, as the case may be, or any other amounts received pursuant to the Mortgage Receivables Purchase Agreement to the extent such amounts relate to principal, *less*, (i) with respect to each Savings Mortgage Receivable and each Switch Mortgage Receivable (other than a Savings Mortgage Receivable or Switch Mortgage Receivable in respect of which Savings Parts have been assigned to the Issuer pursuant to a Savings Mortgage Sub-Participation Agreement), the Savings Participation in such Savings Mortgage Receivable or Switch Mortgage Receivable and (ii) with respect to each BKW Mortgage Receivable, an amount equal to the amounts received up to a maximum of the principal amount outstanding under the relevant BKW Mortgage Loan;
- (iv) Participation Increase pursuant to each of the relevant Savings Mortgage Sub-Participation Agreements;

- (v) partial prepayment in respect of Mortgage Receivables, excluding prepayment penalties, if any;
- (vi) amounts no longer payable to any of the Sellers or the Borrowers which were standing to the credit of the Construction Deposit Account in accordance with the Mortgage Receivables Purchase Agreement; and
- (vii) any part of the Notes Principal Available Amounts calculated on the immediately preceding Notes Calculation Date which has not been applied towards satisfaction of the items set forth in the Principal Priority of Payments on the immediately preceding Quarterly Payment Date.

will, pursuant to the terms of the Trust Deed, be applied by the Issuer on the next succeeding Quarterly Payment Date as follows (and in each case only if and to the extent that payments or provisions of a higher priority have been made in full) (the "**Principal Priority of Payments**"):

- (a) *First*, in or towards satisfaction of the Initial Purchase Price of (i) up to and including the Quarterly Payment Date immediately preceding the First Optional Redemption Date, any Replacement Receivables up to the aggregate Replacement Available Amounts and (ii) until the Quarterly Payment Date falling in September 2010, any Substitute Mortgage Receivables, in accordance with the relevant provisions of the Mortgage Receivables Purchase Agreement;
- (b) *Second*, in or towards satisfaction of principal amounts due on the Senior Class A Notes, until fully redeemed in accordance with the Conditions;
- (c) *Third*, in or towards satisfaction of principal amounts due on the Mezzanine Class B Notes, until fully redeemed in accordance with the Conditions;
- (d) *Fourth*, in or towards satisfaction of principal amounts due on the Subordinated Class C Notes, until fully redeemed in accordance with the Conditions; and
- (e) *Fifth*, in or towards satisfaction of the Deferred Purchase Price to the Sellers pursuant to the Mortgage Receivables Purchase Agreement.

Priority of Payments upon Enforcement

Following delivery of an Enforcement Notice any amounts to be distributed by the Security Trustee under the Trust Deed will be paid to the Security Beneficiaries (other than the Savings Mortgage Participants and BKW Mortgage Participant) in the following order of priority (and in each case only if and to the extent payments of a higher priority have been made in full) (the "**Post-Enforcement Priority of Payments**"):

- (a) *First*, in or towards satisfaction, pro rata, according to the respective amounts thereof, of fees or other remuneration due and payable to the Directors in connection with the Management Agreements and of the fees or other remuneration and indemnity payments (if any) due and payable to the Security Trustee and any costs, charges, liabilities and expenses incurred by the Security Trustee under or in connection with the relevant Transaction Documents (including the fees and expenses payable to any legal advisors, accountants and auditors appointed by the Security Trustee);
- (b) *Second*, in or towards satisfaction, pro rata, according to the respective amounts thereof, of (i) the fees and expenses due and payable to the Issuer Administrator under the Issuer Administration Agreement, (ii) the fees and expenses due and payable to the MPT Provider under the Servicing Agreement, (iii) amounts due and payable to the Rating Agencies and (iv) the fees and expenses due and payable to the Paying Agent and the Reference Agent under the Paying Agency Agreement;
- (c) *Third*, in or towards satisfaction of any amounts (other than the Subordinated Liquidity Facility Amount, if any) due and payable to the Liquidity Facility Provider under the Liquidity Facility Agreement;
- (d) *Fourth*, in or towards satisfaction, pro rata, according to the respective amounts thereof, of all amounts, if any, due and payable to the Swap Counterparty under the Swap Agreement and all amounts, if any, due and payable under the Derivatives Agreement, except for any Settlement Amount (as defined in the Swap Agreement and Derivatives Agreement respectively) and excluding any Swap Counterparty Default Payment and/or Derivatives Counterparty Default Payment payable under (k) below;
- (e) *Fifth*, in or towards satisfaction, pro rata, according to the respective amounts thereof, of the amounts of interest due or accrued due but unpaid in respect of the Senior Class A Notes, and any Settlement Amounts (as defined in the Derivatives Agreement and the Swap Agreement), other than any Swap Counterparty Default Payment and/or Derivatives Counterparty Default Payment payable under (k) below;
- (f) *Sixth*, in or towards satisfaction of all amounts of principal and other amounts due but unpaid in respect of the Senior Class A Notes;
- (g) *Seventh*, in or towards satisfaction of all amounts of interest due or accrued but unpaid in respect of the Mezzanine Class B Notes;
- (h) *Eighth*, in or towards satisfaction of all amounts of principal and other amounts due but unpaid in respect of the Mezzanine Class B Notes;

- (i) *Ninth*, in or towards satisfaction of all amounts of interest due or accrued but unpaid in respect of the Subordinated Class C Notes;
- (j) *Tenth*, in or towards satisfaction of all amounts of principal and other amounts due but unpaid in respect of the Subordinated Class C Notes;
- (k) *Eleventh*, in or towards satisfaction, pro rata, according to the respective amounts thereof, of any Swap Counterparty Default Payment to the Swap Counterparty under the terms of the Swap Agreement and any Derivatives Counterparty Default Payment to the Derivatives Counterparty under the terms of the Derivatives Agreement;
- (l) *Twelfth*, in or towards satisfaction, pro rata, according to the respective amounts thereof, of any Subordinated Liquidity Facility Amount and gross-up amounts or additional amounts, if any, due under the Issuer Administration Agreement and/or the Servicing Agreement; and
- (m) *Thirteenth*, in or towards satisfaction of the Deferred Purchase Price to the Sellers pursuant to the Mortgage Receivables Purchase Agreement.

Liquidity Facility

On the Signing Date, the Issuer will enter into the Liquidity Facility Agreement with the Liquidity Facility Provider. On any Quarterly Payment Date (other than a Quarterly Payment Date if and to the extent that on such date the Notes are redeemed in full) the Issuer will be entitled to make drawings under the Liquidity Facility (as defined in the Master Definitions Agreement) up to the Liquidity Facility Maximum Amount (as defined below). The Liquidity Facility Agreement is for a term of 364 days. Payments to the Liquidity Facility Provider (other than the Subordinated Liquidity Facility Amount) will rank in priority higher than payments under the Notes. The commitment of the Liquidity Facility Provider is extendable at its discretion.

Any drawing under the Liquidity Facility by the Issuer shall only be made on a Quarterly Payment Date if and to the extent that, after the application of any Notes Interest Available Amounts and before any drawing under the Liquidity Facility (each a "**Liquidity Facility Drawing**"), there is a shortfall in the Notes Interest Available Amounts to meet items (a) up to and including (h) of the Interest Priority of Payments in full on that Quarterly Payment Date.

For these purposes "**Liquidity Facility Maximum Amount**" means, on each Notes Calculation Date, an amount equal to the greater of (i) 3.00 per cent. of the Principal Amount Outstanding of the Notes on such date and (ii) € 7,500,000.

If, *inter alia*, (i) the Liquidity Facility Provider fails to make, when due, any payment to the Issuer under the Liquidity Facility Agreement or (ii) the Liquidity Facility Provider is declared bankrupt (*failliet*), the Issuer shall promptly give notice thereof to the Liquidity Facility Guarantor. Pursuant to the Liquidity

Facility Agreement NIBC Bank N.V. in its capacity as Liquidity Facility Provider will, following such notice, automatically be replaced by the Liquidity Facility Guarantor. Upon such replacement (i) reference to the Liquidity Facility Provider in respect of the Liquidity Facility Provider Agreement shall be deemed to be a reference to the Liquidity Facility Guarantor, (ii) the Liquidity Facility Provider shall be released from its obligations under the Liquidity Facility Agreement towards the Issuer, (iii) the Liquidity Facility Guarantor shall have assumed all obligations of the Liquidity Facility Provider towards the Issuer under the Liquidity Facility Agreement and (iv) the Liquidity Facility Guarantor shall have acquired all rights of the Liquidity Facility Provider as against the Issuer under the Liquidity Facility Agreement.

If, at any time, the short-term unsecured, unsubordinated and unguaranteed debt obligations of the Liquidity Facility Guarantor are (i) assigned a credit rating of less than Prime-1 by Moody's and/or F1 by Fitch and/or such rating is withdrawn and (ii) within thirty (30) days of such downgrading or withdrawal the Liquidity Facility Guarantor is (a) not replaced by the Issuer with a suitable alternative liquidity facility guarantor, or (b) a third party having the required ratings has not guaranteed the obligations of the Liquidity Facility Guarantor, or (c) another solution acceptable to the Rating Agencies is not found, the Issuer will, unless the ratings of the Notes will not be adversely affected, be required forthwith to draw down the entire undrawn portion of the Liquidity Facility (a "**Liquidity Facility Stand-by Drawing**") and deposit such amount into the Transaction Account with a corresponding credit to a ledger to be known as the "**Liquidity Facility Stand-by Ledger**". Amounts so deposited into the Transaction Account may be utilised by the Issuer in the same manner as if the Liquidity Facility Stand-by Drawing had not been made. A Liquidity Facility Stand-by Drawing shall also be made if the Liquidity Facility is not renewed prior to the commitment termination date.

Allocation of Realised Losses

On each Quarterly Payment Date, the Principal Amount Outstanding of the Notes will be reduced with an amount equal to the aggregate Realised Losses, if any, calculated with respect to the Portfolio Mortgage Loans on the Notes Calculation Date immediately preceding such Quarterly Payment Date divided by the number of Notes outstanding on such Notes Calculation Date, provided that the amount of such reduction may never exceed the Principal Amount Outstanding of the relevant Note, in the following order: (i) *firstly*, the Subordinated Class C Notes, until reduced to zero, (ii) *secondly*, the Mezzanine Class B Notes, until reduced to zero and (iii) *thirdly*, the Senior Class A Notes, until reduced to zero.

"**Realised Losses**" means, on any Notes Calculation Date, the sum of (a) the aggregate outstanding principal amount of all Mortgage Receivables (less the Savings Participations and BKW Participations therein) on which any of the Sellers, the MPT Provider, the Issuer or the Security Trustee has foreclosed from the Closing Date up to and including such Notes Calculation Date *minus* the Net Proceeds in respect of such Mortgage Receivables (less the aggregate amount of any Savings Participations and BKW Participations therein) applied to reduce the outstanding principal amount of such Mortgage Receivables and (b) with respect to Mortgage Receivables (or any part thereof) sold by

the Issuer pursuant to the Mortgage Receivables Purchase Agreement or the Trust Deed, the amount of the aggregate outstanding principal amount of all such Mortgage Receivables (less the aggregate amount of any Savings Participations (other than the Savings Participations in Savings Mortgage Receivables or Switch Mortgage Receivables in respect of which Savings Parts have been assigned to the Issuer pursuant to a Savings Mortgage Sub-Participation Agreement) and BKW Participations therein) *minus* the purchase price received, or to be received on the relevant Quarterly Payment Date, in respect of such Mortgage Receivables to the extent relating to principal (less the aggregate amount of any Savings Participations (other than the Savings Participations in Savings Mortgage Receivables or Switch Mortgage Receivables in respect of which Savings Parts have been assigned to the Issuer pursuant to a Savings Mortgage Sub-Participation Agreement) and BKW Participations therein).

"Net Proceeds" shall, in relation to a Mortgage Receivable, mean (a) the proceeds of a foreclosure on the relevant Mortgage, (b) the proceeds of foreclosure on any other collateral securing the relevant Mortgage Receivable, (c) the proceeds, if any, of collection of any Insurance Policy or other insurance policies in connection with the relevant Mortgage Receivable, including but not limited to fire insurance, (d) the proceeds of any guarantees or sureties, including any NHG Guarantee or a guarantee granted by a municipality, and (e) the proceeds of foreclosure on any other assets of the relevant debtor, after deduction of foreclosure costs in respect of such Mortgage Receivable. The term "foreclosure" shall include any lawful manner of generating proceeds from collateral, whether by public auction, by private sale or otherwise.

Interest Rate Hedging

The Mortgage Loan Criteria (as defined under *Mortgage Receivables Purchase Agreement* below) require that all Portfolio Mortgage Loans bear a floating rate of interest or fixed rate of interest, subject to a reset from time to time. The interest rate payable by the Issuer with respect to the Notes is calculated as a margin over Euribor, which margin will increase after the First Optional Redemption Date. The Issuer will hedge this interest rate exposure by entering into the Swap Agreement with the Swap Counterparty. Under the Swap Agreement, the Issuer will agree to pay amounts equal to the interest scheduled to be received on the Mortgage Receivables (minus (i) with respect to each Savings Mortgage Receivable and each Switch Mortgage Receivable, an amount equal to the interest amount scheduled to be received multiplied by the relevant Savings Participation Fraction, (ii) with respect to each BKW Mortgage Receivable, an amount equal to the interest amount received up to a maximum of the interest scheduled to be received under the relevant BKW Mortgage Loan, (iii) an amount equal to the interest scheduled to be received on the part of the Mortgage Receivables corresponding to any Construction Deposits relating thereto and (iv) any Mortgage Receivables in respect of which the enforcement procedures have been fully and finally terminated) plus the interest credited to the GIC Accounts, prepayment penalties, penalty interest, if any, and the amounts referred to under item (x) of the Notes Interest Available Amounts *less* certain expenses as described under (a), (b), (c) and (d) of the Interest Priority of Payments. In return, the Swap Counterparty will agree to pay amounts equal to the scheduled interest due under each Class of Notes, calculated by reference to the floating rate of

interest applied to the Principal Amount Outstanding of the relevant Class of Notes on the first day of the relevant Quarterly Interest Period.

The Swap Agreement provides that, in the event that any payment by the Issuer to the Swap Counterparty is less than the amount which the Issuer would be required to pay to the Swap Counterparty, the corresponding payment obligation of the Swap Counterparty to the Issuer shall be reduced by an amount equal to such shortfall.

The Issuer may, after having received written confirmation of the Swap Counterparty that it will continue to comply with its obligations under the Swap Agreement (as amended and restated), enter into an additional derivatives agreement (the "**Derivatives Agreement**") with a party having the required ratings (the "**Derivatives Counterparty**") pursuant to which it will divert part of the risk hedged by the Swap Counterparty under the Swap Agreement to the Derivatives Counterparty.

Payments under the Swap Agreement will be netted.

The Swap Agreement will be documented under an ISDA Master Agreement. The Swap Agreement will be terminable by one party if (i) an applicable Event of Default or Termination Event (as defined therein) occurs in relation to the other party, (ii) it becomes unlawful for either party to perform its obligations under the Swap Agreement or (iii) an Enforcement Notice is served. Events of Default under the Swap Agreement in relation to the Issuer will be limited to (i) non-payment under the Swap Agreement and (ii) certain insolvency events.

Upon the early termination of the Swap Agreement, the Issuer or the Swap Counterparty may be liable to make a termination payment to the other party. The amount of any termination payment will be based on the market value of the Swap Agreement. The market value will be based on market quotations of the cost of entering into a transaction with the same terms and conditions and that would have the effect of preserving the respective full payment obligations of the parties (or based upon loss in the event that no market quotation can be obtained).

In the event that the Issuer is required to withhold or deduct an amount in respect of tax from payments due from it to the Swap Counterparty, the Issuer will not be required pursuant to the terms of the Swap Agreement to pay the Swap Counterparty such amounts as would otherwise have been required to ensure that the Swap Counterparty received the same amounts that it would have received had such withholding or deduction not been made.

In the event that the Swap Counterparty is required to withhold or deduct an amount in respect of tax from payments due from it to the Issuer, the Swap Counterparty will be required pursuant to the terms of the Swap Agreement to pay to the Issuer such additional amounts as are required to ensure that the Issuer receives the same amounts that it would have received had such withholding or deduction not been made.

In either event, the Swap Counterparty will at its own cost, if it is unable to transfer its rights and obligations under the Swap Agreement to another office, have the right to terminate the Swap Agreement. Upon such termination, the Issuer or the Swap Counterparty may be liable to make a termination payment to the other party.

If (i) the long-term unsecured, unsubordinated and unguaranteed debt obligations of the Swap Counterparty (or its successor) cease to be rated at least as high as A2 by Moody's or A by Fitch, or (ii) the short-term unsecured, unsubordinated and unguaranteed debt obligations of the Swap Counterparty (or its successor) cease to be rated at least as high as Prime-1 by Moody's or F1 by Fitch (such ratings together, the "**Swap Required Ratings**") or (iii) any such rating is withdrawn by Moody's or Fitch, the Swap Counterparty will be required to take certain remedial measures which may include the provision of collateral for its obligations under the Swap Agreement, arranging for its obligations under the Swap Agreement to be transferred to an entity with the Swap Required Ratings, procuring another entity with at least the Swap Required Ratings to become co-obligor or Swap Counterparty in respect of its obligations under the Swap Agreement, or the taking of such other action as it may agree with the Rating Agencies. A failure to take such steps, subject to certain conditions, will give the Issuer the right to terminate the Swap Agreement.

The Issuer, the Swap Counterparty and the Security Trustee have entered into a Credit Support Annex to the Swap Agreement on the basis of the standard ISDA documentation (the "**Credit Support Annex**"), which provides for requirements relating to the providing of collateral by the Swap Counterparty if the Swap Counterparty (or its successor) ceases to have at least the Swap Required Ratings.

Any collateral transferred by the Swap Counterparty in accordance with the provisions set out above which is in excess of its obligations to the Issuer under the Swap Agreement will be returned to such Swap Counterparty prior to the distribution of any amounts due to the Noteholders or the other Security Beneficiaries.

Sale of Mortgage Receivables

Under the terms of the Trust Deed, the Issuer will on each Optional Redemption Date have the right to sell and assign all (but not only part of) the Mortgage Receivables, excluding the Savings Parts, if any, to any third party, provided that the Issuer will first make an offer to sell such Mortgage Receivables, excluding the Savings Parts, if any, to the Sellers, provided that the Issuer shall apply the proceeds of such sale to redeem the Notes. Furthermore, under the terms of the Mortgage Receivables Purchase Agreement, the Issuer shall be obliged to sell and assign all (but not some) of the Mortgage Receivables, excluding the Savings Parts, if any, to the Sellers or any of them, if the Sellers exercise the Sellers Clean-up Call Option or the Regulatory Call Option. The Issuer shall be required to apply the proceeds of such sale, to the extent relating to principal, towards redemption of the Notes.

The purchase price of each Mortgage Receivable in the event of a sale as set forth above shall be at least equal to the outstanding principal amount, together with interest accrued due but unpaid with respect to such Mortgage Receivable up to the last day of the Portfolio Calculation Period immediately preceding the date of such sale, except that, with respect to Mortgage Receivables which are in arrears for a period exceeding 120 days or in respect of which an instruction has been given to the civil law notary to start foreclosure proceedings, the purchase price may be equal to:

- (i) in the event the foreclosure value of the relevant Mortgaged Asset included in the monthly mortgage report to be provided by the MPT Provider pursuant to the Servicing Agreement is not older than twelve (12) months is, the foreclosure value set forth in the Monthly Mortgage Report;
- (ii) in the event the foreclosure value of the relevant Mortgaged Asset included in the monthly mortgage report is older than twelve (12) months, the Indexed Foreclosure Value; or

if, higher,

- (iii) an amount equal to the outstanding principal amount of the relevant Mortgage Receivable together with accrued interest due but unpaid *multiplied by 95 per cent.*

unless the relevant amount under (i), (ii) or (iii) above exceeds the outstanding principal amount of the relevant Mortgage Receivable together with accrued interest due but unpaid, in which case the purchase price of the relevant Mortgage Receivables shall not exceed the outstanding principal amount of the relevant Mortgage Receivable together with accrued interest due but unpaid.

For these purposes "**Indexed Foreclosure Value**" means the foreclosure value of the relevant Mortgaged Asset as determined upon origination of the relevant Portfolio Mortgage Loan multiplied by the transaction price (*transactieprijs*) for such Mortgaged Asset as published by the Dutch Association of Real Estate Brokers and Immovable Property Experts (*Nederlands Vereniging van Makelaars in onroerende goederen en vastgoeddeskundigen* (NVM)) as at the date on which the purchase price is determined divided by the transaction price for such Mortgaged Asset which was applicable at the date of determination of the above mentioned foreclosure value.

OVERVIEW OF THE DUTCH RESIDENTIAL MORTGAGE MARKET¹

The Dutch Residential Mortgage Market

The Dutch housing and mortgage market is relatively stable and differs in many respects from other European Union housing markets.

Market Characteristics

Low level of owner occupancy

The Netherlands has a relatively low, but increasing owner occupancy ratio. Approximately 55% of all houses are owner-occupied, compared to 42% in 1982 and 29% in 1957. The average level of home ownership for all EU countries is around 60%. The efforts to increase the home ownership ratio include grants under the Home Ownership Promotion Act and guarantees through the Home Ownership Guaranteefund.

The Netherlands has a relatively high Mortgage-Debt-to-GDP ratio

Compared to other European countries, the Dutch market has a relatively high degree of mortgage indebtedness. The Dutch tax system gives an incentive to homeowners to maximise their mortgage loan, through tax deductibility of mortgage interest payments. Because lenders tend to take full advantage of the tax system, this leads to a relatively high Loan-to-income ratio in the Netherlands. Due to rising home-ownership, an increasing number of non-amortising mortgages and rising house prices, total mortgage debt accumulation increased strongly in the last 10 years. Total mortgage debt is EUR 535 billion (March 2007) in the Netherlands.

The Dutch market is characterised by relatively high Loan-to-Value ratios (LTV)

The National Mortgage Guarantee ("NHG"), a government related entity that guarantees mortgages that comply with certain criteria has had an additional upward effect on the average Loan-to-Value ratio. Typically the Loan-to-Value in the Netherlands for existing property is 125% of foreclosure value. For new construction, financial institutions are prepared to finance up to 110% of total costs of the house. Foreclosure Value is around 85% of the market value. By the end of the second quarter of 2007, the average new mortgage amounted to EUR 279,964, while the average house price was EUR 247,323.

The borrowing capacity of households increased

Dutch commercial banks determine the theoretical maximum borrowing capacity of a household by the percentage of the disposable household income that has to be paid on repayments and interest payments. The borrowing capacity of households used to be based on one household salary. Since the early 1990s, a second household salary is also being taken into account in part. This resulted in a substantial increase of the borrowing capacity of the households with double income.

¹ Source: NIBC Research based on numerous sources

Default losses have always been relatively low

Despite relatively high LTV ratio's, default losses have always been relatively low. Several causes for these low losses can be indicated:

The Netherlands has a well-developed credit culture, making it socially unacceptable not to service debt. In addition the National Credit Register ("BKR") registers negative credit events on all types of credit; the small size of the country enables people to change jobs without moving; conveyance fees and taxes are quite high (10% of total price) and limit mobility; mortgage lending is usually carried out by a bank's local branch, this local branch is likely to provide a full range of banking services to the customer, giving it extensive knowledge of the customer, which typically limits the likelihood of default; under Dutch law the lender is able to seize a portion of the borrower's earnings from his employer in case the borrower defaults.

The tax system operates as a disincentive for prepayment

Prepayments in the Netherlands are mainly driven by the downward trend in interest rates in the last decade. Due to the tax deductibility of mortgage interest payments, prepayments are not attractive in a stable interest rate environment. Prepayments will in that case lead to a loss of the tax advantage offered to borrowers. Moreover, prepayment penalties are severe, although the penalty is tax deductible to the borrower. Lending legislation in the Netherlands allows a borrower to prepay up to 10% - 20% a year of the original amount that has been borrowed without a prepayment penalty. Full prepayment without penalty is possible in case of moving and in cases of death. A borrower can also prepay his mortgage on an interest-reset date without incurring a penalty.

Market Players

Banks are the most dominant players on the Dutch mortgage market

The traditional mortgage lenders are either commercial banks, or specialised mortgage banks. Mortgage lenders can also be found among building societies, insurance companies and pension funds. Research of the Dutch Central Bank (DNB) indicates the Dutch mortgage market to be highly competitive. In the 1980's, commercial banks lost market share to other financial institutions, notably insurance companies. Only since the early nineties, market share of commercial banks is increasing again. Competition among issuers is based on product innovation, extension of distribution channels, cross-selling and price competition.

A special feature of the mortgage market is the role of intermediaries

In the last 10 years, many large and independent chains of mortgage intermediaries came into existence. Especially refinancing transactions seem to be stimulated by this market trend. Because of the increasing role of intermediaries, the traditional mortgage lenders have lost a part of their advisory role to clients.

Government Policy and Restrictions

Mortgage interest payments are tax deductible

In the Netherlands it used to be possible to deduct all mortgage interest payments from taxable income. However, the new Dutch tax system introduced in January 2001, limits tax deductibility for mortgage interest payments for the house that is being used as primary residence only. Moreover, it limits the period that interest payments can be deducted to thirty years. In 2004, the 'Bijleenregeling' or additional loan regulation has been introduced. This new rule is relevant for the case of moving home and only grants additional tax deductibility of mortgage interest payments for the mortgage amount equal to the additional expenditure on the new home. The Dutch government also levies a property tax, the so-called *Huurwaardeforfait*, on homeowners. This only partly offsets the tax advantage of the interest payment deductibility. Due to tax deductibility, a large portion of the mortgage loans does not amortise during the legal lifetime. In most cases, the bullet redemption is made by a life insurance policy, an investment policy or a savings insurance policy. The most common term of legal life is 30 years, which coincides with the maximum for tax deductibility. The government encourages this method of redemption by exempting from tax the capital sum received under the policy, up to a certain amount including annual indexing, provided the term of insurance is at least 20 years. In addition, the insurance policies are exempted from wealth tax.

NIBC BANK N.V.²

NIBC Bank N.V. (**'NIBC'**) was established in 1945 as Maatschappij tot Financiering van Nationaal Herstel by the Dutch government and a number of commercial banks and institutional investors to provide financing for the post-World War II economic recovery of The Netherlands. This entity was renamed De Nationale Investeringsbank (**DNIB**) in 1971 and was listed on the predecessor of the current Dutch stock exchange, Euronext Amsterdam, from 1986 to 1999. During this time DNIB focused on providing and participating in long-term loans and participating in private equity investments.

In 1999, two of Europe's largest pension funds, Algemeen Burgelijk Pensioenfonds (**ABP**) and Stichting Pensioenfonds voor the Gezondheid, Geestelijke en Maatschappelijke Belangen (**PGGM**), made a public offer for the shares of DNIB through a new joint venture named NIB Capital N.V. They acquired an 85% stake, leaving the Dutch State with a remaining interest of approximately 15%. NIB Capital N.V. acquired these remaining shares from the Dutch State in May 2004. The acquisition and change in brand name to "NIB Capital" in 1999 marked the beginning of its evolution from what was essentially a long-term lending bank to a merchant bank focused on Western Europe and providing integrated solutions. Following the acquisition, a new management team and experienced senior bankers were recruited who led the transition towards NIBC's current business model. During this period, NIBC also implemented the integrated business and client coverage models that it uses today. In December 2005, a consortium of international financial institutions and investors organized by J.C. Flowers & Co. and ultimately controlled by New NIB Ltd., a company incorporated under the laws of Ireland (New NIB Ltd.) (collectively, the Consortium) purchased all of the outstanding equity interests of NIB Capital N.V. In connection with this acquisition, NIBC Holding N.V. was formed and NIB Capital N.V. became its wholly-owned subsidiary. Subsequently, NIBC changed its name from "NIB Capital" to "NIBC".

Following the acquisition by the Consortium, which resulted in a rating downgrade reflecting the removal of parental support by ABP and PGGM, NIBC has focused on strengthening its business model under the new rating and ownership. NIBC believes the transition that has taken place since the acquisition by the Consortium now puts it in a position to take advantage of prevailing market conditions and grow its business.

In 2006, NIBC disposed of its majority equity interests in two investment management related businesses. The first sale, completed in February 2006, was a disposal of its 56% equity interest in Harcourt Investment Consulting (Harcourt), a Swiss based hedge fund manager, on which NIBC generated a one off net profit of €35 million. In June 2006, NIBC completed the sale of its 60% equity interest in NIBC Wealth Management (Wealth Management), a provider of wealth management services for high net worth individuals, to the partners of Wealth Management that held the remaining

² Source: NIBC Bank N.V. (information relating to the year 2007 unaudited)

equity interests. The disposal of its interest in Wealth Management did not have a material impact on its net profit for 2006. In August 2006, NIBC reached an agreement to sell NIBC Bank (NA) N.V., its subsidiary based in Curaçao in The Netherlands Antilles. The transaction closed November 2006. As with the sale of Wealth Management, this transaction had no material impact on its net profit for 2006. On 15 August 2007, NIBC made public that Kaupthing Bank hf. and the consortium of shareholders of NIBC Holding N.V. have entered into an agreement to purchase the entire share capital of NIBC Holding N.V. The deal is subject to the approval of the relevant regulatory authorities. These approvals are expected in the fourth quarter of 2007.

On 6 March 2007, a legal merger became effective between NIBC Holding N.V. as surviving entity and its wholly-owned subsidiary NIBC N.V. as disappearing entity. Consequently, NIBC N.V. has ceased to exist, and NIBC Holding N.V. holds directly all the outstanding share capital of NIBC Bank N.V.

NIBC Bank N.V., is a Netherlands public limited liability company incorporated on 31st October, 1945, with statutory seat in The Hague, The Netherlands and is registered at the Chamber of Commerce of The Hague under number 27032036. Its registered address is Carnegieplein 4, 2517 KJ, The Hague, The Netherlands.

NIBC Bank N.V. is in compliance with the applicable corporate governance regulations of The Netherlands, its state of incorporation.

Business Overview

Historically, NIBC's major business activities have been lending, corporate and institutional finance and equity investments. In recent years, NIBC has decreased its involvement in lending for its own account and increased its role of acting as an intermediary between corporate borrowers and investors such as pension funds, insurance companies, banks and asset managers.

NIBC is a merchant bank focused on the mid-cap segment in Western Europe with a global distribution network. NIBC's business model is aimed at offering innovative corporate finance, risk management and investment solutions to corporate clients, financial institutions, institutional investors, financial sponsors and family offices. NIBC has offices in The Hague, London, Brussels, Frankfurt, New York and Singapore.

NIBC has identified several opportunities in order to further develop its range of product/market combinations and the industry segments it serves. Specific focus will be placed on the expansion in Germany, further development of the financial institutions franchise, expansion of commercial real estate finance and increasing alternative investment management activities. These initiatives will be underpinned by ongoing investments in human capital and IT infrastructure.

NIBC's strategy is based on its intermediary role in asset origination and distribution:

Regional Origination. A large part of NIBC's specialised product/market combinations is aimed at the origination of assets, such as leveraged loans, residential mortgages, and private equity investments. In sourcing these assets, NIBC seeks to serve the broad financing needs of its clients in Western Europe, who are issuers of credit fixed income products and private equity.

Global Distribution. NIBC strives to distribute a large part of the assets originated to institutional investor clients, using its global distribution network. The products distributed meet the demand of these investor clients for investments in alternative asset classes. The combination of regional origination and global distribution allows NIBC to serve as an intermediary between issuer and investor clients for credit fixed income and to a lesser extent for private equity products. In this intermediary role, NIBC can use the knowledge and expertise gained through serving investor clients to improve and tailor the products offered to issuers, and vice versa.

The strategy is executed through the integrated business model, which embodies the way in which NIBC operates, bringing specialised expertise and knowledge to targeted clients and segments. The model is built around four pillars.

Multi-Product Client Franchises. NIBC focuses on providing lending, credit fixed income and other financial products and services to mid-cap clients in specific industry segments, and investment products to institutional investor clients on a global basis. The industry segments NIBC focuses on are those in which it has built up specialised expertise over the years. Dedicated client coverage teams maintain long-term relationships and professional dialogue with clients, and identify bank-wide opportunities for them.

Product/Market Combinations. NIBC offers integrated solutions to clients based on its focused product/market combinations. The range of products offered is based on NIBC's talent in assessing and managing credit fixed income risk and products, while focusing on certain geographic markets and industry segments for each of the products. As such, NIBC offers innovative corporate finance, risk management and investment solutions based on a combination of strategic advice and capital structuring know-how.

Investment Management of Alternative Asset Classes. NIBC has built a core skill of assessing and managing credit fixed income and private equity, infrastructure and real estate risk. Through its investment management franchise, NIBC offers its institutional investor clients the opportunity to benefit from this expertise.

Global Distribution Network. NIBC's global distribution network consists of various channels through which it provides its global investor client-base with specialised products drawn from the issuer clients in NIBC's home markets.

The Issuer consists of six integrated SBUs. The primary product and service offerings of each of the SBUs are:

- **Corporate Finance.** The Corporate Finance SBU focuses on originating, structuring and executing mergers and acquisitions, advisory, capital markets financing and risk management solutions for the Issuer's clients.
- **Real Estate Markets.** The Real Estate Markets SBU focuses on origination, portfolio management and securitisation of residential mortgages and commercial real estate financing as well as securitisation of other asset classes.
- **Financial Markets.** The Financial Markets SBU focuses on the global distribution and market making of the Issuer's securitised debt and derivative products to the international capital markets. The SBU is also responsible for the trading of credit fixed income and for the derivative products and out corporate treasury function.
- **Principal Investments.** The Principal Investments SBU is responsible for all private equity and mezzanine investments the Issuer makes.
- **Investment Management.** The Investment Management SBU focuses on the Issuer's asset management and investor services activities for securitisations and funds in both credit fixed income and private equity mezzanine, infrastructure and real estate investments.
- **Corporate Centre.** The Corporate Centre SBU comprises the Issuer's support services.

Supervisory Board of NIBC

J.H.M. Lindenbergh	Chairman
J.C. Flowers	Vice-Chairman
C.H. van Dalen	
W.M. van den Goorbergh	
N.W. Hoek	
J.R. Inciarte	
A. de Jong	
D.B. Marron	
D. Rümker	
R.S. Sinha	

Managing Board

M. Enthoven	Chairman
J.B.J. Stegmann	Vice-Chairman, Chief Risk Officer
C. van Dijkhuizen	Chief Financial Officer
J.L. van Nieuwenhuizen	Member

Mortgage Activities

Against a background of institutional investors increasingly looking for direct financing relationships with individual companies, for direct purchases of assets and for increased yield, NIBC Bank N.V. is increasingly acting as originator and arranger of structured transactions. It has played a leading role in the development of securitisation in the Netherlands. Since the early 1990s, NIBC Bank N.V. has acquired portfolios of residential mortgages from several Dutch insurance companies and other mortgage lenders, assuming the underlying credit risk with respect to the borrower. Management of these portfolios is either retained by the institution concerned or subcontracted to specialised third parties. Initially, NIBC Bank N.V. carried these portfolios exclusively on its own balance sheet. Parts of the portfolios were progressively passed on to institutional investors as they acquired interests in them. At the end of 1997, NIBC Bank N.V. successfully structured and placed the first pass-through residential mortgage-backed certificates in the Dutch financial market, the Dutch MBS 97-I and Dutch MBS 97-II transactions. Since then, NIBC Bank N.V. has successfully structured and placed 14 Dutch MBS issuances and a number of other securitisation transactions backed by residential mortgages as well as other asset classes. NIBC Bank N.V. acts as arranger and (joint-) lead manager and performs the functions of paying agent and issuer administrator in these transactions.

NIBC Holding N.V.: Key Financials 2004 – 2006

(In millions of Euros unless indicated otherwise)	2006	2005	2004*
Ratings (NIBC Bank N.V.)	A3/A/A-	A3/A/A-	Aa3/AA-/A+
Profit after tax from continuing operations	253	234	186
Net profit attributable to parent shareholders	288	158	179
Return on net asset value	19%	17%	17%
Tier-1 ratio NIBC Bank N.V.	12.30%	12.10%	10.50%
Total assets	32,636	32,194	29,147
Number of FTEs	715	612	666

* Excluding IAS 32/39, figures relate to NIBC N.V.

The information in this heading is provided for by NIBC.

DESCRIPTION OF PORTFOLIO MORTGAGE LOANS

The Mortgage Receivables to be sold and assigned to the Issuer on the Closing Date include any and all rights (whether actual or contingent) of the Seller against any Borrower under or in connection with any mortgage loans selected by agreement between the Seller and the Issuer. Payment for such sale shall occur on the Closing Date.

The Portfolio Mortgage Loans (or in case of Portfolio Mortgage Loans consisting of more than one loan part, the aggregate of such loan parts) have the benefit of a NHG Guarantee and are secured by a first-ranking, or as the case may be a first and sequentially lower ranking mortgage right, evidenced by notarial mortgage deeds (*notariële akten van hypotheekstelling*) entered into by the Seller and the Borrowers. The mortgage rights secure the relevant Portfolio Mortgage Loan and are vested over property situated in the Netherlands. The Portfolio Mortgage Loans and the mortgage rights securing the liabilities arising therefrom are governed by Dutch law.

The Portfolio

The Portfolio Mortgage Loans have been selected according to the criteria list set forth in the Mortgage Receivables Purchase Agreement (including, without limitation, the criteria of the WEW) and are selected in accordance with such agreement, on or before the Closing Date. All of the loans forming part of the mortgage loan portfolio were originated or acquired by the Sellers between 1 September 1980 and 30 June 2007. The information set out below in relation to the Portfolio may not necessarily correspond to that of the Portfolio Mortgage Loans actually sold on the Closing Date. After the Closing Date, the portfolio of Portfolio Mortgage Loans will change from time to time as a result of repayment, prepayment, further advances, replacements and repurchase of Mortgage Receivables.

For a description of the representations and warranties given by the Sellers reference is made to *Mortgage Receivables Purchase Agreement* below.

The numerical information set out below relates to a pool of mortgage loans (the "**Portfolio**") as of 1 August 2007 (the "**Portfolio Cut-Off Date**") and has been extracted without material adjustment from the databases relating to the mortgage loans originated by the Sellers held at the MPT Provider or the Sub-MPT Providers, as the case may be. In each table the weighted average coupon ("**WAC**") and the weighted average remaining fixed rate term in years ("**WAM**") are specified. All amounts mentioned in this section and in the tables below are expressed in euro.

Key characteristics of the mortgage loan portfolio as of: 1 August 2007

Key characteristics of the mortgage pool as of:	01 August 2007
Principal amount (€)	810,585,891
Value of savings deposits (€)	8,124,192
Principal amount of BKW parts (€)	52,461,698
 Outstanding principal balance (€)	 750,000,000
 Number of loans (borrowers)	 4,895
Number of loans (parts)	10,953
Average principal balance (borrower) (€)	153,218
Average principal balance (parts) (€)	68,474
Weighted average current interest rate (WAC)	4.22%
Weighted average remaining fixed rate term in years (WAM)	10.4
 Construction accounts (€)	 48,804,296
Weighted average seasoning in months	20.6

Sellers

The distribution of mortgage loans by seller is specified in Table A.

Table A – Sellers

Seller	Balance (€)	%	# Parts	%	Average part (€)	WAC	WAM
Royal Residentie Hypotheken B.V.	6,670,052	0.9%	120	1.1%	55,584	5.6%	10.3
Hypinvest B.V.	69,745,428	9.3%	868	7.9%	80,352	4.1%	10.5
Seyst Hypotheken B.V.	54,502,637	7.3%	684	6.2%	79,682	4.1%	10.0
Amstelstaete Hypotheken B.V.	15,150,276	2.0%	205	1.9%	73,904	4.2%	12.9
Nieuwegein Hypotheken B.V.	534,558	0.1%	11	0.1%	48,596	5.6%	5.4
Zwaluw Hypotheken B.V.	146,774	0.0%	3	0.0%	48,925	5.9%	1.6
Capitalum B.V.	56,837,529	7.6%	674	6.2%	84,329	3.9%	9.9
Estate B.V.	51,345,549	6.8%	623	5.7%	82,417	4.2%	11.8
Atrios B.V.	17,308,183	2.3%	214	2.0%	80,879	3.8%	10.9
QUION 1 B.V.	171,657,268	22.9%	3,991	36.4%	43,011	4.6%	7.4
QUION 3 B.V.	677,973	0.1%	11	0.1%	61,634	5.4%	4.7
QUION 14 B.V.	154,260	0.0%	3	0.0%	51,420	4.2%	18.0
QUION 30 B.V.	164,141,951	21.9%	2,080	19.0%	78,914	4.2%	13.4
NHM B.V.	1,632,940	0.2%	21	0.2%	77,759	3.8%	14.1
IKS Hypotheken B.V.	111,241,337	14.8%	1,112	10.2%	100,037	3.9%	9.9
Huizen Hypotheken B.V.	28,253,286	3.8%	333	3.0%	84,845	4.2%	10.6
Total	750,000,000	100%	10,953	100%	68,474	4.2%	10.4

Types of mortgages

A breakdown of the mortgage loan portfolio by different types of mortgages is given in Table B.

Table B – Types of mortgages

Redemption type	Balance (€)	%	# Parts	%	Average part (€)	WAC	WAM
Annuity	10,203,314	1.4%	139	1.3%	73,405	4.4%	9.9
Investment	14,802,882	2.0%	156	1.4%	94,890	4.1%	10.5
Interest Only	304,205,534	40.6%	6,392	58.4%	47,592	4.2%	11.0
Life	176,399,354	23.5%	1,770	16.2%	99,661	4.0%	10.6
Linear	517,261	0.1%	7	0.1%	73,894	4.3%	9.7
Savings	177,449,273	23.7%	1,774	16.2%	100,028	4.5%	9.4
Unit Linked	6,856,810	0.9%	72	0.7%	95,233	4.0%	9.5
Universal Life	59,565,573	7.9%	643	5.9%	92,637	4.1%	10.1
Total	750,000,000	100%	10,953	100%	68,474	4.2%	10.4

Property type

In Table C a breakdown of the mortgage loan portfolio by property type is presented.

Table C – Property type

Property type	Balance (€)	%	# Mortgages	%	Average mortgage (€)	WAC	WAM
Condominium	66,625,978	8.9%	452	9.2%	147,403	4.1%	9.1
Farm house	326,500	0.0%	2	0.0%	163,250	4.4%	19.2
Single family house	683,047,522	91.1%	4,441	90.7%	153,805	4.2%	10.5
Total	750,000,000	100%	4,895	100%	153,218	4.2%	10.4

Geographical distribution

The geographical distribution of mortgage loans in de portfolio (the outstanding balance and number of mortgage loans by region) is given in Table D.

Table D – Region (Province)

Geographical distribution	Balance (€)	%	# Mortgages	%	Average mortgage (€)	WAC	WAM
Drenthe	25,360,520	3.4%	163	3.3%	155,586	4.1%	10.8
Flevoland	15,356,225	2.0%	100	2.0%	153,562	4.0%	10.4
Friesland	24,561,593	3.3%	168	3.4%	146,200	4.1%	11.1
Gelderland	58,930,520	7.9%	362	7.4%	162,791	4.1%	11.5
Groningen	26,585,129	3.5%	183	3.7%	145,274	4.1%	10.7
Limburg	41,764,659	5.6%	258	5.3%	161,879	4.2%	14.4
Noord-Brabant	82,407,432	11.0%	496	10.1%	166,144	4.2%	12.5
Noord-Holland	227,536,755	30.3%	1,570	32.1%	144,928	4.4%	8.5
Overijssel	44,993,912	6.0%	290	5.9%	155,151	4.1%	11.3
Utrecht	38,519,001	5.1%	227	4.6%	169,687	4.1%	10.9
Zeeland	11,327,058	1.5%	87	1.8%	130,196	4.2%	10.2
Zuid-Holland	152,657,196	20.4%	991	20.2%	154,044	4.2%	10.0
Total	750,000,000	100%	4,895	100%	153,218	4.2%	10.4

Loan to original foreclosure value

The breakdown of mortgage loans (by outstanding principal and number of loans) by the loan to original foreclosure value (i.e. the foreclosure value as per the original date of origination) is specified in Table E. The weighted average loan to original foreclosure value is 104.21%.

Table E – Loan to foreclosure value

LTFV	Balance (€)	%	# Mortgages	%	Average mortgage (€)	WAC	WAM
Gemeentegarantie	836,845	0.1%	12	0.2%	69,737	5.4%	7.4
NHG	749,163,155	99.9%	4,883	99.8%	153,423	4.2%	10.4
0% - 50%	41,909,431	5.6%	409	8.4%	102,468	4.2%	13.8
50% - 55%	16,964,665	2.3%	141	2.9%	120,317	4.1%	13.6
55% - 60%	12,337,618	1.6%	99	2.0%	124,622	4.2%	14.1
60% - 65%	12,130,087	1.6%	89	1.8%	136,293	4.2%	14.4
65% - 70%	12,931,079	1.7%	90	1.8%	143,679	4.3%	14.4
70% - 75%	13,120,096	1.7%	89	1.8%	147,417	4.3%	13.0
75% - 80%	18,103,513	2.4%	117	2.4%	154,731	4.2%	13.3
80% - 85%	20,381,562	2.7%	135	2.8%	150,975	4.3%	13.5
85% - 90%	22,352,622	3.0%	139	2.8%	160,810	4.2%	13.2
90% - 95%	21,884,739	2.9%	140	2.9%	156,320	4.2%	11.4
95% - 100%	31,338,399	4.2%	197	4.0%	159,078	4.2%	11.6
100% - 105%	37,996,587	5.1%	250	5.1%	151,986	4.3%	10.6
105% - 110%	67,025,919	8.9%	436	8.9%	153,729	4.3%	8.8
110% - 115%	63,675,150	8.5%	401	8.2%	158,791	4.5%	8.5
115% - 120%	138,691,356	18.5%	895	18.3%	154,962	4.3%	9.0
120% - 125%	132,381,090	17.7%	756	15.4%	175,107	4.0%	9.5
125% - 130%	56,264,099	7.5%	326	6.7%	172,589	4.0%	10.2
130% - 135%	14,700,131	2.0%	89	1.8%	165,170	4.1%	9.7
135% - 140%	10,876,895	1.5%	66	1.3%	164,801	4.2%	6.7
140% - 145%	4,934,963	0.7%	31	0.6%	159,192	4.0%	7.9
145% - >	-	0.0%	-	0.0%	-	-	-
Total	750,000,000	100%	4,895	100%	153,218	4.2%	10.4

Size of outstanding mortgage loans

The distribution of mortgage loans by size of outstanding principal balance in the mortgage pool is specified in Table F.

Table F – Size of outstanding mortgage loans

Mortgage loans	Balance (€)	%	# Mortgages	%	Average mortgage (€)	WAC	WAM
< 50,000	1,306,006	0.2%	33	0.7%	39,576	4.7%	12.6
50,000 - 75,000	10,128,211	1.4%	154	3.1%	65,768	4.6%	10.4
75,000 - 100,000	35,149,436	4.7%	392	8.0%	89,667	4.3%	10.9
100,000 - 125,000	84,812,465	11.3%	745	15.2%	113,842	4.3%	10.0
125,000 - 150,000	163,871,971	21.8%	1,191	24.3%	137,592	4.2%	9.2
150,000 - 175,000	143,720,281	19.2%	887	18.1%	162,030	4.3%	9.7
175,000 - 200,000	122,441,661	16.3%	653	13.3%	187,506	4.1%	10.5
200,000 - 225,000	97,007,262	12.9%	457	9.3%	212,270	4.1%	11.6
225,000 - 250,000	82,741,043	11.0%	349	7.1%	237,080	4.1%	11.9
250,000 - 275,000	8,821,664	1.2%	34	0.7%	259,461	4.5%	15.2
275,000 - >	-	0.0%	-	0.0%	-	-	-
Total	750,000,000	100%	4,895	100%	153,218	4.2%	10.4

Interest rate group (%)

The breakdown of the loans in the pool by different interest rate ranges is given in Table G.

Table G – Range of interest rate

Interest rate group	Balance (€)	%	# Parts	%	Average part (€)	WAC	WAM
< 2.00%	-	0.0%	1,183	10.8%	-	-	-
2.00% - 2.50%	-	0.0%	-	0.0%	-	-	-
2.50% - 3.00%	3,458,658	0.5%	35	0.3%	98,819	2.9%	3.0
3.00% - 3.50%	87,892,620	11.7%	1,045	9.5%	84,108	3.3%	5.1
3.50% - 4.00%	197,455,505	26.3%	2,473	22.6%	79,845	3.8%	9.0
4.00% - 4.50%	251,866,121	33.6%	3,154	28.8%	79,856	4.3%	12.1
4.50% - 5.00%	163,849,228	21.8%	2,260	20.6%	72,500	4.7%	13.1
5.00% - 5.50%	21,765,248	2.9%	358	3.3%	60,797	5.3%	10.7
5.50% - 6.00%	17,526,836	2.3%	325	3.0%	53,929	5.8%	5.9
6.00% - 6.50%	4,372,096	0.6%	87	0.8%	50,254	6.3%	6.3
6.50% - 7.00%	768,480	0.1%	13	0.1%	59,114	6.8%	9.7
7.00% - 7.50%	993,403	0.1%	19	0.2%	52,284	7.3%	4.3
7.50% - 8.00%	51,806	0.0%	1	0.0%	51,806	7.9%	0.7
8.00% - >	-	0.0%	-	0.0%	-	-	-
Total	750,000,000	100%	10,953	100%	68,474	4.2%	10.4

Origination year

A breakdown of the year of origination of the principal outstanding and number of loans is given in Table H.

Table H - Origination Date

Origination date	Balance (€)	%	# Parts	%	Average part (€)	WAC	WAM
< 31 Dec 1979	-	0.0%	-	0.0%	-	-	-
01 Jan 1980 - 31 Dec 1984	24,177	0.0%	1	0.0%	24,177	7.3%	3.1
01 Jan 1985 - 31 Dec 1989	31,840	0.0%	1	0.0%	31,840	6.9%	5.0
01 Jan 1990 - 31 Dec 1990	-	0.0%	-	0.0%	-	-	-
01 Jan 1991 - 31 Dec 1991	-	0.0%	-	0.0%	-	-	-
01 Jan 1992 - 31 Dec 1992	-	0.0%	-	0.0%	-	-	-
01 Jan 1993 - 31 Dec 1993	-	0.0%	-	0.0%	-	-	-
01 Jan 1994 - 31 Dec 1994	105,183	0.0%	4	0.0%	26,296	5.0%	11.3
01 Jan 1995 - 31 Dec 1995	687,009	0.1%	11	0.1%	62,455	5.5%	10.3
01 Jan 1996 - 31 Dec 1996	3,406,534	0.5%	74	0.7%	46,034	5.5%	5.8
01 Jan 1997 - 31 Dec 1997	1,078,870	0.1%	19	0.2%	56,783	5.6%	6.3
01 Jan 1998 - 31 Dec 1998	607,999	0.1%	12	0.1%	50,667	6.3%	5.9
01 Jan 1999 - 31 Dec 1999	8,921,882	1.2%	154	1.4%	57,934	5.5%	10.8
01 Jan 2000 - 31 Dec 2000	2,833,792	0.4%	89	0.8%	31,840	6.0%	5.0
01 Jan 2001 - 31 Dec 2001	12,755,419	1.7%	331	3.0%	38,536	5.6%	4.3
01 Jan 2002 - 31 Dec 2002	11,842,878	1.6%	323	2.9%	36,665	5.2%	4.6
01 Jan 2003 - 31 Dec 2003	26,307,411	3.5%	561	5.1%	46,894	4.5%	4.4
01 Jan 2004 - 31 Dec 2004	26,186,224	3.5%	405	3.7%	64,657	4.4%	6.4
01 Jan 2005 - 31 Dec 2005	226,402,559	30.2%	2,989	27.3%	75,745	3.8%	10.0
01 Jan 2006 - 31 Dec 2006	302,211,952	40.3%	4,298	39.2%	70,315	4.1%	10.5
01 Jan 2007 - 30 Sep 2007	126,596,270	16.9%	1,681	15.3%	75,310	4.6%	14.4
01 Oct 2007 - >	-	0.0%	-	0.0%	-	-	-
Total	750,000,000	100%	10,953	100%	68,474	4.2%	10.4

Interest Fixed Rate Term

The Interest Rate Fixed Term of mortgage loans in de portfolio (the outstanding balance and number of mortgage loans) is given in Table I.

Table I – Distribution of Interest Rate Fixed Term

Interest rate group	Balance (€)	%	# Parts	%	Average part (€)	WAC	WAM
< 2.00%	-	0.0%	1,183	10.8%	-	-	-
2.00% - 2.50%	-	0.0%	-	0.0%	-	-	-
2.50% - 3.00%	3,458,658	0.5%	35	0.3%	98,819	2.9%	3.0
3.00% - 3.50%	87,892,620	11.7%	1,045	9.5%	84,108	3.3%	5.1
3.50% - 4.00%	197,455,505	26.3%	2,473	22.6%	79,845	3.8%	9.0
4.00% - 4.50%	251,866,121	33.6%	3,154	28.8%	79,856	4.3%	12.1
4.50% - 5.00%	163,849,228	21.8%	2,260	20.6%	72,500	4.7%	13.1
5.00% - 5.50%	21,765,248	2.9%	358	3.3%	60,797	5.3%	10.7
5.50% - 6.00%	17,526,836	2.3%	325	3.0%	53,929	5.8%	5.9
6.00% - 6.50%	4,372,096	0.6%	87	0.8%	50,254	6.3%	6.3
6.50% - 7.00%	768,480	0.1%	13	0.1%	59,114	6.8%	9.7
7.00% - 7.50%	993,403	0.1%	19	0.2%	52,284	7.3%	4.3
7.50% - 8.00%	51,806	0.0%	1	0.0%	51,806	7.9%	0.7
8.00% - >	-	0.0%	-	0.0%	-	-	-
Total	750,000,000	100%	10,953	100%	68,474	4.2%	10.4

Interest reset dates

Table J shows a breakdown of the loan portfolio by interest reset date.

Table J – Interest reset dates

Interest reset dates	Balance (€)	%	# Parts	%	Average part (€)	WAC	WAM
< 31 Aug 2007	9,793,250	1.3%	156	1.4%	62,777	4.7%	(0.0)
01 Sep 2007 - 31 Dec 2007	1,827,157	0.2%	34	0.3%	53,740	4.4%	0.2
01 Jan 2008 - 31 Dec 2008	14,271,430	1.9%	315	2.9%	45,306	4.3%	0.9
01 Jan 2009 - 31 Dec 2009	7,125,282	1.0%	134	1.2%	53,174	4.2%	1.9
01 Jan 2010 - 31 Dec 2010	22,362,732	3.0%	416	3.8%	53,757	3.9%	3.1
01 Jan 2011 - 31 Dec 2011	101,027,490	13.5%	1,541	14.1%	65,560	3.9%	4.0
01 Jan 2012 - 31 Dec 2012	73,344,246	9.8%	1,041	9.5%	70,456	4.1%	4.8
01 Jan 2013 - 31 Dec 2013	30,289,790	4.0%	514	4.7%	58,930	4.5%	5.8
01 Jan 2014 - 31 Dec 2014	11,001,095	1.5%	183	1.7%	60,115	4.8%	6.8
01 Jan 2015 - 31 Dec 2015	48,471,243	6.5%	675	6.2%	71,809	3.8%	8.2
01 Jan 2016 - 31 Dec 2016	107,989,253	14.4%	1,650	15.1%	65,448	4.1%	8.8
01 Jan 2017 - 31 Dec 2017	54,155,661	7.2%	756	6.9%	71,634	4.6%	9.7
01 Jan 2018 - 31 Dec 2018	4,547,265	0.6%	64	0.6%	71,051	4.8%	11.0
01 Jan 2019 - 31 Dec 2019	11,760,691	1.6%	184	1.7%	63,917	5.2%	11.8
01 Jan 2020 - 31 Dec 2020	27,080,503	3.6%	392	3.6%	69,083	4.1%	13.2
01 Jan 2021 - 31 Dec 2021	28,754,117	3.8%	497	4.5%	57,855	4.4%	13.8
01 Jan 2022 - 31 Dec 2022	15,032,209	2.0%	271	2.5%	55,469	4.8%	14.7
01 Jan 2023 - 31 Dec 2023	752,305	0.1%	11	0.1%	68,391	5.1%	16.0
01 Jan 2024 - 31 Dec 2024	1,863,032	0.2%	23	0.2%	81,001	5.0%	17.0
01 Jan 2025 - 31 Dec 2025	58,636,334	7.8%	718	6.6%	81,666	4.1%	18.2
01 Jan 2026 - 31 Dec 2026	65,720,244	8.8%	742	6.8%	88,572	4.3%	18.7
01 Jan 2027 - 31 Dec 2027	20,513,001	2.7%	244	2.2%	84,070	4.7%	19.7
01 Jan 2028 - 31 Dec 2028	-	0.0%	-	0.0%	-	-	-
01 Jan 2029 - 31 Dec 2029	10,698	0.0%	1	0.0%	10,698	4.3%	21.7
01 Jan 2030 - 31 Dec 2030	68,713	0.0%	1	0.0%	68,713	4.3%	22.7
01 Jan 2031 - 31 Dec 2031	1,023,864	0.1%	16	0.1%	63,992	4.4%	24.0
01 Jan 2032 - 31 Dec 2032	15,371,693	2.0%	187	1.7%	82,202	4.6%	24.8
01 Jan 2033 - 31 Dec 2033	-	0.0%	-	0.0%	-	-	-
01 Jan 2034 - 31 Dec 2034	69,950	0.0%	1	0.0%	69,950	5.3%	26.7
01 Jan 2035 - 31 Dec 2035	693,492	0.1%	7	0.1%	99,070	4.3%	28.1
01 Jan 2036 - 31 Dec 2036	7,225,392	1.0%	82	0.7%	88,115	4.6%	28.9
01 Jan 2037 - 31 Aug 2037	9,217,868	1.2%	97	0.9%	95,030	4.9%	29.8
01 Sep 2037 - >	-	0.0%	-	0.0%	-	-	-
Total	750,000,000	100%	10,953	100%	68,474	4.2%	10.4

Legal maturity date

A breakdown of the legal maturity date of the principal outstanding and number of loans is given in Table K.

Table K – Legal maturity date

Legal maturity	Balance (€)	%	# Parts	%	Average part (€)	WAC	WAM
< 31 Aug 2007	10,000	0.0%	1	0.0%	10,000	3.6%	0.2
01 Sep 2007 - 31 Dec 2011	376,980	0.1%	7	0.1%	53,854	4.1%	3.6
01 Jan 2012 - 31 Dec 2016	384,603	0.1%	9	0.1%	42,734	4.4%	4.8
01 Jan 2017 - 31 Dec 2021	2,148,641	0.3%	36	0.3%	59,684	4.8%	9.6
01 Jan 2022 - 31 Dec 2026	11,892,946	1.6%	202	1.8%	58,876	4.9%	10.5
01 Jan 2027 - 31 Dec 2031	47,183,723	6.3%	813	7.4%	58,037	4.9%	9.2
01 Jan 2032 - 31 Dec 2036	560,431,010	74.7%	8,083	73.8%	69,335	4.1%	9.6
01 Jan 2037 - 31 Dec 2041	127,572,098	17.0%	1,802	16.5%	70,795	4.6%	14.3
01 Jan 2042 - >	-	0.0%	-	0.0%	-	-	-
Total	750,000,000	100%	10,953	100%	68,474	4.2%	10.4

Arrears

A breakdown of the arrears period of the principal outstanding and number of loans is given in Table L.

Table L – Arrears period

Months in arrears	Balance (€)	%	# Mortgages	%	Average mortgage (€)	WAC	WAM
<= 0	740,637,013	98.8%	4,836	98.8%	153,151	4.2%	10.5
0.00 - 1.00	6,889,535	0.919%	43	0.9%	160,222	4.1%	6.2
1.00 - 2.00	2,051,226	0.273%	12	0.2%	170,935	3.9%	4.2
2.00 - 3.00	422,226	0.1%	4	0.1%	105,556	3.8%	3.5
3.00 - >	-	0.0%	-	0.0%	-	-	-
Total	750,000,000	100%	4,895	100%	153,218	4.2%	10.4

NHG GUARANTEE PROGRAMME

NHG Guarantee

In 1960, the Netherlands government introduced the 'municipal government participation scheme', an open ended scheme in which both the Dutch State and the municipalities guaranteed, according to a set of defined criteria, residential mortgage loans made by authorized lenders to eligible borrowers to purchase a primary family residence. The municipalities and the Dutch State shared the risk on a 50/50 basis. If a municipality was unable to meet its obligations under the municipality guarantee, the Dutch State would make an interest free loan to the municipality to cover its obligations. The aim was to promote house ownership among the lower income groups.

Since 1 January 1995 'Stichting Waarborgfonds Eigen Woningen' (the "**WEW**"), a central privatised entity, is responsible for the administration and granting of the NHG Guarantee, under a set of uniform rules. The NHG Guarantee covers the outstanding principal, accrued unpaid interest and disposal costs. Irrespective of scheduled repayments or prepayments made on the mortgage loans, the NHG Guarantee reduces on a monthly basis by an amount which is equal to the monthly payments of principal as if the mortgage loan were being repaid on a thirty year annuity basis. Information on the WEW and the NHG Guarantee can be found on www.nhg.nl.

Financing of the WEW

The WEW finances itself, *inter alia*, by a one-off charge to the borrower of 0.40 per cent. (as of 1 January 2007) of the principal amount of the mortgage loan. Besides this, the NHG scheme provides for liquidity support to the WEW from the Dutch State and the participating municipalities. Should the WEW not be able to meet its obligations under guarantees issued, the Dutch State will provide subordinated interest free loans to the WEW of up to 50 per cent. of the difference between the WEW's own funds and a pre-determined average loss level. Municipalities participating in the NHG scheme will provide subordinated interest free loans to the WEW of the other 50 per cent. of the difference. Both the "keep well" agreement (*achtervangovereenkomst*) between the Dutch State and the WEW and the keep well agreements between the municipalities and the WEW contain general 'keep well' undertakings of the Dutch State and the municipalities to enable the WEW at all times (including in the event of bankruptcy (*faillissement*), suspension of payments (*surseance van betaling*) or liquidation (*ontbinding*) of the WEW) to meet its obligations under guarantees issued.

The NHG Conditions

Under the NHG scheme, the lender is responsible for ensuring that the guarantee application meets the NHG Conditions. If the application qualifies, various reports are produced that are used in the processing of the application, including the form that will eventually be signed by the relevant lender and forwarded to the WEW to register the mortgage and establish the guarantee. The WEW has, however, no obligation to pay any loss (in whole or in part) incurred by a lender after a private or a forced sale of the mortgaged property if such lender has not complied with the NHG Conditions, which

were applicable at the date of origination of the mortgage loan, unless such non-payment is unreasonable towards the lender.

The specific terms and conditions for the granting of the NHG Guarantees, such as eligible income, purchasing or building costs etc., are set forth in published documents that will be subject to change from time to time.

The NHG scheme has specific rules for the level of credit risk that will be accepted. The credit worthiness of the applicant must be verified with the National Credit Register (*Bureau Krediet Registratie*) ("**BKR**"), a central credit agency used by all financial institutions in the Netherlands. All financial commitments over the past five years that prospective borrowers have entered into with financial institutions are recorded in this register.

To qualify for an NHG Guarantee various conditions relating to valuation of the property must be met. In addition, the mortgage loan must be secured by a first ranking mortgage right (or a second ranking mortgage right in case of a further advance). Furthermore, the borrower is required to take out insurance in respect of the mortgaged property against risk of fire, flood and other accidental damage for the full restitution value thereof. The borrower is also required to create a right of pledge in favour of the lender on the rights of the relevant borrower against the insurance company under the relevant life insurance policy connected to the mortgage loan or to create a right of pledge in favour of the lender on the proceeds of the investment funds. The terms and conditions also require a risk insurance policy which pays out upon the death of the borrower/insured for the period that the amount of the mortgage loan exceeds 80 per cent. of the value of the property.

The mortgage conditions applicable to each mortgage loan should include certain provisions, among which the provision that any proceeds of foreclosure on the mortgage right and the right of pledge on the life insurance policy or the investment funds shall be applied firstly towards repayment of the mortgage loan guaranteed under the NHG scheme.

Furthermore, according to the NHG Conditions interest-only mortgage loans are allowed, provided that the interest-only part does not exceed 50 per cent. of the value of the property.

An NHG Guarantee can be issued up to a maximum of euro 265,000 (as of 1 January 2007).

Claiming under the NHG Guarantees

When a borrower is in arrears with payments under the mortgage loan for a period of four (4) months, the Seller within thirty (30) days informs the WEW in writing of the outstanding payments, including the guarantee number, borrower's name and address, information about the underlying security, the date of start of late payments and the total of outstanding payments. The WEW may approach the lender and/or the borrower to attempt to solve the problem and make the borrower aware of the consequences. If an agreement cannot be reached, the WEW reviews the situation with the lender to

endeavour to generate the highest possible proceeds from the property. The situation is reviewed to see whether a private sale of the property, rather than a public auction, would generate proceeds sufficient to cover the outstanding mortgage loan. Permission of the WEW is required in case of a private sale. A forced sale of the mortgaged property is only allowed in case the borrower is in arrears with payments under the mortgage loan for a period of seven (7) or more monthly instalments, unless the WEW has agreed that the forced sale may take place for other reasons or within a period of seven (7) months.

Within three (3) months of the private or forced sale of the property, the lender must make a formal request to the WEW for payment, using standard forms, which request must include all of the necessary documents relating to the original loan and the NHG Guarantee. After receipt of the claim and all the supporting details, WEW must make payment within two (2) months. If the payment is late, provided the request is valid, WEW must pay interest for the late payment period.

In the event that a borrower fails to meet its obligation to repay the mortgage loan and no payment or no full payment is made to the lender under the NHG Guarantee by the WEW because of the lender's culpable negligence, the lender must act vis-à-vis the borrower as if the WEW were still guaranteeing the repayment of the mortgage loan during the remainder of the term of the mortgage loan. In addition, the lender is not entitled to recover any amounts due under the mortgage loan from the borrower in such case. This is only different if the borrower did not act in good faith with respect to his inability to repay the mortgage loan and has failed to render his full cooperation in trying to have the mortgage loan repaid to the lender to the extent possible.

Additional loans

Furthermore, the NHG Conditions contain provisions pursuant to which a borrower who is or threatens to be in arrears with payments under the existing mortgage loan may have the right to request the WEW for a second guarantee to be granted by it in respect of an additional mortgage loan to be granted by the relevant lender. The monies drawn down under the additional loan have to be placed on deposit with the relevant lender and may, up to a maximum period of two (2) years, be used for, inter alia, payment of the amounts which are due and payable but unpaid under the existing mortgage loan, interest due and payable under the existing mortgage loan, interest due and payable under the additional mortgage loan and the costs made with respect to the granting of the additional mortgage loan. The relevant borrower needs to meet certain conditions, including, inter alia, the fact that the financial difficulties are caused by a divorce, unemployment, disability or death of the partner.

MORTGAGE LOAN UNDERWRITING AND PROCESSING ACTIVITIES

The Portfolio Mortgage Loans involved are originated or acquired by HyplInvest B.V., Seyst Hypotheken B.V., Royal Residentie Hypotheken B.V., Capitalum Hypotheken B.V., Huizen Hypotheken B.V., Nieuwegein Hypotheken B.V., Zwaluw Hypotheken B.V., Estate Hypotheken B.V., ATRIOS Hypotheekfonds B.V., Amstelstaete Hypotheken B.V., Quion I B.V., Quion III B.V., Quion 14 B.V., Quion 30 B.V., Nationale Hypotheek Maatschappij B.V. and IKS Hypotheken B.V. (the "**Sellers**", all 100% subsidiaries of NIBC). With the exception of the Portfolio Mortgage Loans in Amstelstaete Hypotheken B.V., which are originated by Zwitserleven.

All mortgage loans are administered and serviced by NIBC Bank N.V. in its capacity as MPT Provider. The MPT Provider will provide mortgage payment transactions and other services to and on behalf of the Issuer on a day-to-day basis in relation to the mortgage loans. The duties of the MPT Provider include the collection of payments of principal, interest and other amounts in respect of the mortgage loans and the implementation of arrears procedures including the enforcement of the Mortgages.

In accordance with the Servicing Agreement, the MPT Provider will appoint Stater Nederland B.V. as its sub-agent to carry out (part of) the activities described above for all mortgage loans originated by HyplInvest B.V., Seyst Hypotheken B.V., Royal Residentie Hypotheken B.V., Capitalum Hypotheken B.V., Huizen Hypotheken B.V., Nieuwegein Hypotheken B.V., Zwaluw Hypotheken B.V., Estate Hypotheken B.V., ATRIOS Hypotheekfonds B.V. and Amstelstaete Hypotheken B.V. (together the "**Sellers A**") and will appoint Quion Hypotheekbemiddeling B.V., Quion Hypotheekbegeleiding B.V. and Quion Services B.V. (each a 100% subsidiary of Quion Groep B.V.) as its sub-agents to carry out (part of) the activities described above for all mortgage loans originated by Quion I B.V., Quion III B.V., Quion 14 B.V., Quion 30 B.V., Nationale Hypotheek Maatschappij B.V. and IKS Hypotheken B.V. (together the "**Sellers B**").

Mortgage Loans originated by Sellers A

Underwriting rules

The underwriting rules for mortgage loans are set by the Sellers and typically include the following:

- credit bureau information;
- amount of debt that can be advanced against the borrower's monthly income and definition of income for the purposes of this calculation as well as minimum income level;
- time that the borrower has been in his/her current job;
- loan-to-value limitations;
- loan purpose, property type;
- foreclosure and market valuations;
- occupation details (i.e. owner-occupied, rental);
- age of borrower and status of borrower.

In order to qualify for a NHG Guarantee, the underwriting rules comply with all requirements set by WEW (for more information see *NHG Guarantee Programme*)

In partnership with HNC software Inc., Stater has introduced an automated lending decision management system ('Capstone'), which system is used by the Sellers in the origination of the mortgage loans. Capstone provides rule bases and risk models to regulate the underwriting process. In addition, it acts to accelerate the processing time of decisions on a loan application. It includes the ability to tailor rules to the lender's risk and reward expectations and business policies, by means of a credit scoring model. Capstone is also used to incorporate underwriting criteria set by WEW.

Origination process

The NIBC subsidiaries indicated as Sellers A originate and distribute via partnerships. The origination process is outsourced to business partners that operate within a mandate given by NIBC. Loan application forms are submitted electronically to these business partners, by mail or fax by an intermediary, such as a mortgage adviser, insurance agent or real estate broker. The information on the loan application is entered into the international Stater Mortgage System ('iSHS'). iSHS automatically collects credit information about the applicant from *Bureau Krediet Registratie* ('BKR'). BKR provides positive and negative credit information on all borrowers with credit histories at financial institutions in the Netherlands. Stater, or the respective business partner reviews loan applications, which have been submitted by the intermediary. The actual loan acceptance and the final check of the loan files take place at Stater, or by the business partner, depending on the mandate.

After the application data have been entered into iSHS, the application is evaluated by Capstone, the automated underwriting system that is part of iSHS. This system also contains a fraud detection system. Each application is automatically evaluated upon the underwriting criteria set by the Sellers in accordance with the terms and conditions of WEW. In case of violation of the underwriting criteria Capstone generates a STOPrule. In those cases a loan proposal cannot be sent to the client. In the general origination procedures the underwriter will contact NIBC, who will decide whether or not the STOP-rule may be overruled and will inform Stater in writing. For mortgages to be eligible for an NHG Guarantee however, no STOP-rule can be overruled. In the event the application is rejected, the applicant is informed in writing through the intermediary.

If the loan is in compliance with the underwriting criteria, Stater or the business partner can offer the applicant a loan proposal. The proposal is sent out through the intermediary. Once the proposal is accepted by the applicant, the underwriter collects the signed proposal, together with all other required loan documents, which will be reviewed (evidence of income, the sales contract, appraisal report, insurance application if applicable, etc.). Once the file is completed and approved, final acceptance takes place by a second underwriter. After completing the loan file and final acceptance thereof, the loan is reported to WEW in order to be registered for an NHG Guarantee. Subsequently, the loan file is sent to Stater and scanned onto HYARCHIS, (mortgage archive system), which is connected to iSHS. The loan file is then available online to NIBC. Stater stores the original paperfile at a separate storage

facility. In addition, after the final acceptance of the loan, information for the notary is automatically generated and sent out to the notary. Based on this information the notary can create the mortgage deed. Each mortgage loan is secured by a first priority mortgage in the form of a notarial deed. The borrower is required to take out a bricks and mortar insurance in respect of the mortgaged property for the full restitution value thereof. The notary on origination formally checks this requirement. All the original deeds are stored by the notary and are registered with the central registry (the Kadaster).

Processing activities

The processing activities at Stater are separated into three (3) key activities, carried out by the following departments:

- Deeds and Payments: this department is responsible for all procedures involved in passing the notary deeds, the management of outgoing payments, the deduction of payments from construction deposits, and the settlement of redemptions.
- Loans and Policies: this department deals with loan modifications and provides information to customers on their loans.
- Arrears Management: this department is responsible for collections and appropriation, arrears management, default management, foreclosures and handling remaining debts.

The high degree of system automation allows each employee to process and service multiple accounts. All documents are scanned and made accessible through workflow management.

Collections

All monthly/quarterly payments of principal and interest on the Mortgage Loans are collected from borrowers by direct debit. The sub-agent is mandated by each lender to draw the payments from the borrower's bank account directly into the respective lender's bank account. The payments are automatically collected on the day before the last business day of each month. Payment information is monitored daily.

Arrears management

Introduction

Presently NIBC has outsourced the servicing of mortgage loans to Stater and Quion. For Quion that includes the arrears and foreclosure management, but since April 2006, the Stater part of the arrears and foreclosure management is managed by NIBC. NIBC ran a project to further improve the arrears and foreclosure management. This plan resulted in NIBC handling the largest part of the arrears and foreclosure management in house. For this purpose NIBC has established a separate Business Unit

called "Vredezicht Incasso Maatschappij" (VIM), with a team of professional credit managers. The main goal is to enhance efficiency and create one standardized process for arrears longer than 30 days. Moreover, NIBC targets to increase the in-house expertise on arrears management. This expertise will also be used to enhance the origination process and the underwriting criteria to prevent arrears and losses. The main purposes of this process are to:

- Modify the arrears management of the different sub-servicers to produce one standardised process;
- Focus on results as opposed to following a predetermined process/script;
- Achieve arrears management based on risk profiles;
- Promote direct telephonic contact with the borrower within the second month of the arrears;
- Early assessment of borrower's position and manage arrears made-to-measure;
- Produce increased flexibility, which may result in:
 - Shorter timelines;
 - Shorter decision lines;
 - More adequate payment arrangements;
 - Encouragement of borrowers to cooperate in normal sales procedures, thus reducing public auction situations.

The project is executed in close cooperation with the sub-servicers. The process does not imply any change in the cash flows between Sub MPT Providers and NIBC, nor between the Sub MPT Providers and the Sellers.

NIBC has very successfully insourced the arrears and foreclosure management of the mortgage loans serviced by Stater and will start in 2008 to insource the arrears and foreclosure management of the mortgage loans serviced by Quion as well. In the meantime, the existing service level agreements with Quion have been further accentuated.

Timelines

The plan has been implemented in phases, starting with the Stater mortgage loans (non-NHG) as from April 2006. Loans already in the arrears and foreclosure process of Stater will not be transferred, to manage a gradual transition.

Planned milestones

Apr 2006 – Start of implementation first phase (going live, Stater mortgage loans)

Apr 2006 – Arrears Management of all NIBC mortgage loans is handled by "Vredezicht Incasso Maatschappij"

Sep 2006 – End of implementation first phase, start implementation second phase (Quion mortgage loans)

Feb 2007 – End of implementation second phase, start implementation third phase (Stater NHG mortgage loans)

STATER SERVICING

Actions Stater during first 30 days:

Every day iSHS detects and keeps track of arrears. The first day after the first missing payment, a notification letter is sent out to the borrower. If the borrower does not pay or respond within the time set out in the notification letter, a first reminder letter is sent out 10 days after the despatch of the notification letter. A second reminder letter, of which the content is more severe, is sent out 20 days after the despatch of the notification letter. This second reminder letter also notifies the borrower that if the borrower does not pay or respond within the time set out this letter, the claim will be transferred to VIM. Reminder letters are automatically generated by iSHS and sent out to borrowers by Stater.

Days	Action by Stater
1	Arrears are noticed and reported. Notification letter sent to the borrower
10	1st reminder letter sent to the borrower.
20	2nd reminder letter sent to the borrower. Borrower notified that measures for collecting the outstanding payment will be taken, including the engagement of a bailiff, and specifying the penalty interest charged.

Actions VIM as from day 30:

The mortgage clients in arrears will be processed according to three different profiles. The profiles are risk based depending on LTFV. The following profiles have been defined:

- A < 70% LTFV No loss is expected in case of forced sale
- B 70 - 100% LTFV No or small loss is expected in case of forced sale
- C > 100% LTFV Loss is expected in case of forced sale

Depending on the risk profile several actions will be taken. The bailiff is no part of this process. VIM instead tries to contact the borrower itself by summons and phone calls within the second month of arrears. In this way VIM is able to collect detailed information regarding the borrowers current job status, actual income, property and monthly expenditure in order to attach earnings, to distress properties, or to settle a payment arrangement.

A credit check is carried out at BKR, the outcome of which indicates whether the borrower is experiencing difficulties in making other payments on consumer loans or other debt instruments. After four consecutive months of delinquency, BKR is notified.

If it is not possible to levy an attachment on the borrower's salary due to insufficient actual income, NIBC sends the borrower a power of attorney. A signed power of attorney allows NIBC to start a private sale on behalf of the borrower. In general, the proceeds from a private sale of the mortgaged property fully cover NIBC's claims.

VIM works in accordance with the Code of Conduct of Mortgage Loans (*'Gedragscode Hypothecaire Financieringen'*) with regard to a solution to a delinquent borrower's payment problems can be reached. The borrower can present a proposal to VIM at any point for repaying the arrears balance. VIM will then assess the borrower's proposal and a counter-proposal can be made. The borrower can also propose to sell the property at any stage through a private sale. VIM may accept this if (a) revenues from the private sale are expected to cover the outstanding debt in full, or (b) it is estimated that the costs of the foreclosure process will result in a lower recovery value than a private sale of the property by the borrower.

Default management

NIBC has the right publicly to sell (auction) the mortgaged property if the borrower fails to fulfil its obligations. NIBC has, as a first ranking mortgagee, an 'executorial title', which means that it does not have to obtain permission from court prior to foreclosure on the mortgaged property. If the proceeds from the sale (auction) of the mortgaged property do not fully cover NIBC's claims, NIBC may sell any pledged associated life insurance or investment deposit. However, Dutch law requires that, before a lender may foreclose on a borrower's mortgaged property, the borrower must be notified in writing that it is in default and it must also be given reasonable time to comply with the lender's claims.

In respect of NHG Mortgage Receivables, if NIBC wants to sell the mortgaged property it is required to ask permission from WEW in accordance with the terms and conditions of the NHG Guarantee programme and to notify the parties directly involved, including the borrower as well as the person owning the asset (in the event that these are not the same party). The notification should include the amount outstanding and the expenses incurred to date, as well as the name of the civil law notary responsible for the foreclosure sale.

Foreclosures

In the case of a borrower's bankruptcy, NIBC may foreclose on the borrower's mortgaged property regardless of the bankruptcy. Nevertheless, the execution must take place within a reasonable time; otherwise the bankruptcy trustee may take over the execution measures. If this occurs, NIBC will be obliged to contribute to the bankruptcy costs.

Upon request from NIBC, VIM's arrears department will calculate the best method of maximising the sale value of the mortgaged property. Based on the outcome of this calculation, NIBC may decide that the property should be sold either in a private sale or by public auction. When the notification of foreclosure is made by NIBC, VIM's arrears department gives formal instructions to the civil notary about the location of the property. The date of the sale will be selected by the civil law notary within, in principle, three (3) weeks of this instruction and the sale will take place about six (6) weeks after the decision to foreclose.

In respect of NHG Mortgage Receivables, in the event that the proceeds from the sale are insufficient to cover the mortgage loan, the foreclosure costs and the interest on arrears of the remaining amount can be claimed at WEW in accordance with the terms and conditions of the NHG Guarantee programme.

In general, it takes VIM's arrears department approximately two (2) months to foreclose on a property once the decision to foreclose has been made. Throughout the foreclosure process, VIM's arrears department works in accordance with the terms and conditions of the NHG Guarantee programme, the instructions of NIBC, guidelines set down by Dutch law, the Code of Conduct of Mortgage Loans and the BKR.

With respect to Mortgage Loans originated by Sellers B

Underwriting rules

Quion has two different operating models: the Generic Funding Model and specific funding models. In the Generic Funding Model, the underwriting criteria are set by Quion in consultation with the Sellers. In specific funding models, the underwriting rules for mortgage loans are set by the Sellers. Overall, the underwriting rules typically include the following:

- credit bureau information;
- amount of debt that can be advanced against the borrower's monthly income and definition of income for the purposes of this calculation as well as minimum income level;
- length of time that the borrower has been in his/her current job;
- loan-to-value limitations;

- loan purpose, property type;
- foreclosure and market valuations; and
- age of borrower and status of borrower.

Mortgage Loans originated by Quion I B.V., Quion III B.V., Quion 14 B.V. and Quion 30 B.V. are originated under the Generic Funding Model. Mortgage Loans originated by Nationale Hypotheek Maatschappij B.V. and IKS Hypotheken B.V. are originated under specific funding model. For all NHG Mortgage Receivables originated by Sellers B that will be sold and assigned to the Issuer, however, the underwriting rules comply with all requirements set down by WEW in order to qualify for an NHG Guarantee (for more information see NHG Guarantee Programme).

Origination process

The origination process is started when a borrower opts for one of the Quion mortgage products advised by an intermediary. The intermediary has all borrower brochures available, as well as an extensive manual outlining the mortgage lending criteria and conditions and application forms. Quion provides the intermediaries with an IT application enabling the intermediary to make all necessary calculations, check the mortgage loan criteria and send the application electronically to Quion. An application can also be faxed.

As soon as Quion receives the application, the origination department enters the loan specifics in the mortgage origination system ('HYPOS'). HYPOS automatically rechecks the underwriting criteria from BKR. Quion does a fraud check based on a score of fraud indicators and also checks the SFH system. If HYPOS gives a 'stop' advice (i.e. if at least one of the criteria mentioned is not satisfied) the application will be declined unless individual assessment by a staff member of the origination team results in a request to the lender to accept the application. In the event that the assessor concludes that the criteria are not met, the application will be rejected.

If the loan complies with all underwriting conditions, Quion will submit an offer to the intermediary. This offer is valid for three (3) weeks. The borrower must accept, sign and return the offer, together with the required documentation, to Quion within that period, after which the offer will be valid for three (3) months. Another maximum extension of three (3) months after the initial offer is possible if the borrower pays a fee of 0.25 per cent. per month.

When all documents have been received and finally approved by the origination department, the mortgage processing department will file all relevant documents with the administration. At the same time notification is sent to the intermediary, who then informs the borrower. As soon as this has been done, everything is recorded in the administration system ('HYPAS'), after which Quion will inform the civil law notary. Subsequently the civil law notary will fax the date of foreclosure to Quion. Quion then transfers the money from the account of the lender to the civil law notary who temporarily places the

money in a separate account. The civil law notary is responsible for the execution of the mortgage deed, after which all relevant documents are sent to Quion.

Processing activities

Collections

Quion is authorised by each lender, who has been authorised by the borrower, to draw the monthly payments from the borrower's bank account through direct debit directly into the respective lender's bank account. The computer system of Quion automatically collects the payments on the day before the last business day of each month. Payments information is monitored daily by the mortgage servicing department of Quion.

IT

The central backup system generates a daily automatic back up of HYPOS, HYPAS and the central file servers. In the afternoon a backup is made of all the changes until 17.00 Amsterdam time, while at night a complete backup is generated. The backup tapes are circulated to different internal and external secure locations. Furthermore, weekly, monthly and annual backup tapes are also stored with Escrow Europe. An emergency plan is in place that enables all the applications to run at a location in Utrecht in the Getronics Business Continuity Centre ('GBC'). In case of a calamity event, Quion will relocate approximately 10 key staff members to the GBC. In this way all servicing and administration activities can be fully operational at the GBC within four (4) business days. This procedure is tested annually. Quion has established a software depot foundation ('stichting') to guarantee servicer continuity. In case Quion ceases to exist the lenders have the right to continue to use the IT systems and data files. Also the right to access the software source code is granted to the lenders in case of a discontinuation of Quion. All mortgage loan information is stored and operated using HYPAS.

Arrears and Foreclosure Management

Arrears and foreclosure management within Quion can be divided into two (2) activities: 'automated arrears management' and 'active arrears and foreclosure management'. The first is part of the servicing process and is fully automated, the second activity is performed by the arrears and foreclosure management department.

As soon as a mortgage loan is delinquent, the HYPAS system will automatically administer this in an arrears list for reporting purposes and subsequently HYPAS will generate letters to urge the borrower to pay. As soon as a delinquency exceeds sixty (60) days, the mortgage loan is transferred to the arrears and foreclosure management department for active arrears management. This department is dedicated to minimising losses and has nine (9) specialists with substantial experience in arrears management. Primarily, the goal of active arrears management is to make a payment arrangement

with the borrower. Only if such an arrangement is not possible or not properly fulfilled, will the loan be called after the consent of all relevant parties has been obtained. The arrears and foreclosure management department evaluates its experiences on a monthly basis and feeds back its findings to the origination department. These experiences are used to improve the credit risk awareness in the origination department.

Automated arrears management

The monthly collections are done by means of direct debiting of the borrower's accounts. Arrears are therefore directly noticeable and are automatically reported by HYPAS. If a borrower does not pay the amount due within 14 days, the automated arrears management generates the first dunning letter. If the borrower is still delinquent after 30 days, the file is transferred to active arrears management by the arrears and foreclosure management department. Within these 30 days, two dunning letters are sent in accordance with the following table:

Table 1 Dunning letters in the automated arrears management

Days	Action by Quion
1	Arrears are noticed and reported.
15	1st dunning letter with a friendly tone. Borrower is granted seven days to pay the arrears.
30	2nd dunning letter reminding the borrower. Furthermore Quion serves notice upon the borrower.
	Borrower is granted seven days to pay the arrears.

ii. Active arrears management

After the borrower has been transferred to the arrears and foreclosure management department, the main goal will be to minimise the losses of the lender. First the department will try to make a payment arrangement. If the arrangement is not respected or cannot be made, the loan will be called in. In respect of NHG Mortgage Receivables, foreclosure will only take place if the lender and WEW have given written permission.

Table 2 Active arrears management

45	Several attempts to contact the debtor to arrange a payment.
56	3rd letter in which the debtor is asked to contact Quion. A debtor information check will take place.
75	4th letter warning the borrower that the loan will be called in and that the borrower will be registered at the BKR. In addition to the fine, 'legal interest' is charged. Borrower is granted seven days to pay.
	Last chance for the borrower before the loan is called in and the BKR registration is made.
90	No reaction → the handling of the amount in arrear will be given to the bailiff. They will summon the borrower to pay the amount in arrear. If there is no reaction the bailiff will give notice to the borrower that the lender will exercise its mortgage right.
120	The handling of the amount in arrear will be given back to Quion. They will ask the lender (and/or NHG) permission for starting up the auction after checking the file.

iii. Foreclosure management

If there is a failure to comply with the agreed payment schemes, or if it is evident that there is no prospect of the premium arrears being paid in the near future, the mortgage loan will be declared immediately due. Public sale is arranged only if there is no prospect of any acceptable resolution. Apart from public sale as a result of arrears of payments on mortgages, such a sale may also result from attachment or bankruptcy of the borrowers. In the case of attachment or bankruptcy, an auction is ordered immediately. In respect of NHG Mortgage Receivables, the lender and WEW have to provide written permission before the arrears and foreclosure management department can begin the actual sale of the collateral. When the lender and WEW grant permission, Quion will instruct a civil law notary to organise an auction to sell the collateral.

General

Throughout the entire process Quion works in accordance with the terms and conditions of the NHG Guarantee program, and in consultation with and upon the instructions of the lender. Quion furthermore works in accordance with the '*Gedragscode Hypothecaire Financieringen*' (Code of Conduct of Mortgage Lenders), the BKR and Dutch law.

According to the plans to further improve arrears management, as mentioned in the introduction of the chapter 'arrears management' (mortgage loans originated by Sellers A), the arrears management of the mortgage loans originated by Sellers B will also be handled by VIM approximately as from the first quarter 2007.

THE SUB-MPT PROVIDERS

Stater Nederland B.V.

Stater Nederland B.V. ("**Stater**") is the leading service provider for the Dutch mortgage market. In fulfilling this role, Stater focuses on support for mortgage funders in the sale, handling and financing of mortgage portfolios.

After starting life as part of Bouwfonds Hypotheken, Stater started its activities in January 1997 as an independent service provider in the mortgage market. Stater has since grown to become an international force in the market with circa 1,000 employees.

Stater Nederland B.V. is a 100 per cent subsidiary of Stater N.V., of which the shares are held for 100 per cent by ABN AMRO Bank N.V.

Stater provides activities consisting of mortgage payment transactions and ancillary activities with regard to a total of more than EUR 140 billion and approximately 1 million mortgage loans. In the Netherlands, Stater has a market share of about 30 per cent.

The activities are provided in a completely automated and paperless electronic format. Stater has pioneered the use of technology through its e-transactions concept for owners of residential mortgage loan portfolios and features capabilities to enhance, accelerate and facilitate securitisation transactions.

Stater provides an origination system that includes automated underwriting, allowing loan funders to specify underwriting criteria for each loan pool. A credit-scoring model and a fraud detection system form part of automated underwriting.

In November 2006, Stater Nederland was awarded high marks by rating agency Fitch Ratings for the quality of its services. On a scale of 1 to 5 (1 the highest), Stater received a 2 for its role as 'primary servicer' and a 3+ for that of 'special servicer'. This is an excellent result, especially since this is the first time Stater has been rated.

Stater Nederland B.V. is also SAS 70 Type II compliant.

For Stater's customers, a high rating will positively influence credit enhancement for securitizations.

The high score on both ratings boosts Stater's image on the international market and provides a stimulus for further quality improvement.

The head office is located at De Brand 40- 3823 LL Amersfoort, the Netherlands.

Quion Groep B.V.

Quion Groep B.V. ("**Quion**"), whose registered office is in Rotterdam, is an independent mortgage servicer which offers a full range of mortgage servicing activities to financial institutions. Its activities range from origination and monthly collections, to arrears and foreclosure management of the mortgage loan portfolios. Quion has ratings from Moody's Services Limited and Fitch Ratings Limited for both its primary and special services.

In 1993, Quion (then named Hypotrust) was founded to meet the demand by financial institutions for an efficient way to invest directly in the Dutch mortgage market. In Quion's generic funding model, a group of different mortgage lenders offers identical mortgage products under standardised conditions. The mortgage lenders compete with each other on the interest rate offered to the borrower. Quion matches the borrower with a mortgage lender offering the lowest interest rate, and acts as a mediator. The mortgage loans are distributed through a network of over 1,750 independent intermediaries and insurance companies.

Quion's IT systems and software are developed in-house and are easily adapted to new products and to clients' wishes. Quion identifies specific mortgage pools based on underwriting criteria and provides detailed portfolio data for investor reporting in securitisation transactions. To ensure servicer continuity, Quion has set up a mechanism to safeguard its software, giving the mortgage lenders the ability to obtain software licences with respect to the software systems used by Quion (see further *Mortgage Loan Underwriting and Processing Activities*) including data in the event that Quion discontinues its operations. Quion employs a special fraud team and has developed a fraud policy based on its extensive experience in the mortgage industry. Quion's pro-active approach to delinquencies minimises losses caused by delinquencies and fraud.

Quion presently services 123,000 mortgages, a portfolio of approximately EUR 20.5 billion. Over the last three years the serviced portfolio has grown more than 170 percent.

The information under this heading has been provided for by Quion.

MORTGAGE RECEIVABLES PURCHASE AGREEMENT

Under the Mortgage Receivables Purchase Agreement the Issuer will purchase and accept from the Sellers the assignment of the Mortgage Receivables and the Beneficiary Rights relating thereto by means of a registered deed of assignment as a result of which legal title to the Mortgage Receivables and the Beneficiary Rights relating thereto is transferred to the Issuer. The assignment of the Mortgage Receivables and the Beneficiary Rights relating thereto from the Sellers to the Issuer will not be notified to the Borrowers and the relevant Insurance Companies, except in special events as further described hereunder (the "**Assignment Notification Events**"). Until such notification, the Borrowers will only be entitled to validly pay (*bevrijdend betalen*) to the Sellers. The Issuer will be entitled to all proceeds in respect of the Mortgage Receivables following the Closing Date, and to all amounts of principal in respect of the Portfolio Mortgage Loans, which were received by the Sellers between the Portfolio Cut-Off Date and the Closing Date.

Purchase Price

The purchase price for the Mortgage Receivables will consist of (i) an initial purchase price (the "**Initial Purchase Price**"), which in respect of the Mortgage Receivables purchased on the Closing Date will be equal to € 810,585,891 and (ii) a deferred purchase price (the "**Deferred Purchase Price**"). The Initial Purchase Price for the Mortgage Receivables purchased on the Closing Date will be paid by the Issuer by applying (i) the net proceeds received from the issue of the Notes and (ii) the amounts received as consideration for the Savings Participations and the BKW Participations granted to the Savings Mortgage Participants and the BKW Mortgage Participant, respectively. A part of the Initial Purchase Price equal to the aggregate Construction Deposits will be withheld by the Issuer and will be deposited in the Construction Deposit Account.

The Deferred Purchase Price for the Mortgage Receivables purchased by the Issuer pursuant to the Mortgage Receivables Purchase Agreement will be equal to the sum of all Deferred Purchase Price Instalments and each such instalment (each a "**Deferred Purchase Price Instalment**") on any Quarterly Payment Date will be equal to (i) any amount remaining after all payments as set forth in the Interest Priority of Payments under (a) up to and including (j); (ii) any amount remaining after all payments set forth in the Principal Priority of Payments under (a) up to and including (d); and (iii), after an Enforcement Notice, the amount remaining after payments as set forth in the Post-Enforcement Priority of Payments under (a) up to and including (l) have been made on such date (see *Credit Structure* above).

The net proceeds of the Notes will be applied by the Issuer to pay part of the Initial Purchase Price (see under *Use of Proceeds* below). The sale and purchase of the Mortgage Receivables is conditional upon, *inter alia*, the issue of the Notes. Hence, the Sellers can be deemed to have an interest in the issue of the Notes.

Representations and warranties

Each of the Sellers will represent and warrant on the Closing Date with respect to the relevant Portfolio Mortgage Loans or the Mortgage Receivables resulting from such Portfolio Mortgage Loans that, *inter alia*:

- (a) the Mortgage Receivables are validly existing;
- (b) it has full right and title (*beschikkingsbevoegdheid*) to the Mortgage Receivables and no restrictions on the sale and transfer of the Mortgage Receivables are in effect and the Mortgage Receivables are capable of being transferred;
- (c) it has power to sell and assign the Mortgage Receivables;
- (d) the Mortgage Receivables are free and clear of any rights of pledge or other similar rights (*beperkte rechten*), encumbrances and attachments (*beslagen*) and no option rights have been granted in favour of any third party with regard to the Mortgage Receivables, other than pursuant to the Transaction Documents;
- (e) each Mortgage Receivable is (i) secured by a first-ranking Mortgage Right (*eerste recht van hypotheek*) or, in the case of Portfolio Mortgage Loans secured on the same Mortgaged Asset, first and sequentially lower ranking Mortgage Rights over real estate (*onroerende zaak*), an apartment right (*appartementsrecht*), or a long lease (*erfpacht*) situated in the Netherlands and (ii) governed by Dutch law;
- (f) all conditions applicable to the NHG Guarantee or the guarantee from the relevant Dutch municipality, as the case may be, were at the time of origination of the Portfolio Mortgage Loan complied with and the Portfolio Mortgage Loan has been granted in accordance with all requirements and procedures of *Stichting Waarborgfonds Eigen Woningen* or the relevant Dutch municipality;
- (g) it is not aware of any reason why any claim made in accordance with the requirements pertaining thereto under any NHG Guarantee or guarantee from a Dutch municipality, as the case may be, in respect of any Portfolio Mortgage Loan should not be met in full and in a timely manner;
- (h) upon creation of each Mortgage Right securing the relevant Portfolio Mortgage Loan, it was granted the power under and pursuant to the mortgage deed to unilaterally terminate such Mortgage Right in whole or in part and such power to terminate has not been revoked, terminated or amended;
- (i) each Mortgaged Asset was valued by an independent qualified valuer or surveyor when the

application for the relevant Portfolio Mortgage Loan was made and no such valuations were older than twelve (12) months on the date of such mortgage application by the relevant Borrower;

- (j) each Mortgage Receivable, and each Mortgage and Borrower Pledge, if any, securing such receivable, constitutes legal, valid, binding and enforceable obligations of the Borrower subject, as to enforceability, to any applicable bankruptcy laws or similar laws affecting the rights of creditors generally;
- (k) each Portfolio Mortgage Loan was originated by any of the Sellers or acquired by any of the Sellers prior to the Portfolio Cut-Off Date;
- (l) all Mortgage Rights and rights of pledge granted to secure the Mortgage Receivables (i) constitute valid Mortgage Rights (*hypotheekrechten*) and rights of pledge (*pandrechten*), respectively, on the assets which are the subject of such Mortgage Rights and rights of pledge and, to the extent relating to the Mortgage Rights, have been entered into the appropriate public register (*Dienst van het Kadaster en de Openbare Registers*), (ii) have first priority, or are first and sequentially lower ranking mortgage rights and (iii) were vested for a principal sum which is at least equal to the principal sum of the Portfolio Mortgage Loan when originated, increased with an amount in respect of interest, penalties and costs, up to an amount equal to 50 per cent. of such principal sum, therefore in total up to a maximum amount equal to 150 per cent. of at least the principal amount upon origination of the relevant Mortgage Receivables;
- (m) the particulars of each Portfolio Mortgage Loan (or part thereof) as set out in Schedule 3 to the Mortgage Receivables Purchase Agreement and Schedule 1 to the Deed of Assignment (as defined in the Master Definitions Agreement) are complete, true and accurate in all material respects;
- (n) each of the Portfolio Mortgage Loans meets the Mortgage Loan Criteria;
- (o) each of the Portfolio Mortgage Loans has been granted in accordance with all applicable legal requirements prevailing at the time of origination in all material respects and meets in all material respects the Code of Conduct on Mortgage Loans (*Gedragscode Hypothecaire Financieringen*) and the Seller's underwriting policy and procedures prevailing at that time and is subject to terms and conditions customary in the Dutch mortgage market at the time of origination and does not materially differ from the terms and conditions applied by a prudent lender of Dutch residential mortgage loans;
- (p) each of the Savings Mortgage Receivables has the benefit of a Savings Insurance Policy and either (i) the Seller has been validly appointed as beneficiary (*begunstigde*) under such Savings Insurance Policies, upon the terms of the relevant Savings Mortgage Loans and the relevant

Savings Insurance Policies, which appointment has been notified to the relevant Insurance Company, or (ii) the relevant Insurance Company is irrevocably authorised to apply the insurance proceeds in satisfaction of the relevant Savings Mortgage Receivable;

- (q) each of the Life Mortgage Receivables has the benefit of a Life Insurance Policy and either (i) the Seller has been validly appointed as beneficiary (*begunstigde*) under such Life Insurance Policy, upon the terms of the Life Mortgage Loans and the relevant Life Insurance Policy, which appointment has been notified to the relevant Insurance Company or (ii) the relevant Insurance Company is irrevocably authorised to apply the insurance proceeds in satisfaction of the relevant Life Mortgage Receivable;
- (r) each of the Switch Mortgage Receivables has the benefit of a Savings Investment Insurance Policy and either (i) the Seller has been validly appointed as beneficiary (*begunstigde*) under such Savings Investment Insurance Policy, upon the terms of the Switch Mortgage Loans and the relevant Savings Investment Insurance Policy, which appointment has been notified to the relevant Insurance Company or (ii) the relevant Insurance Company is irrevocably authorised to apply the insurance proceeds in satisfaction of the relevant Switch Mortgage Receivable;
- (s) with respect to each of the Mortgage Receivables resulting from an Investment Mortgage Loan, a valid pledge agreement has been entered into by the Seller and the relevant Borrower with respect to the relevant Investment Accounts and the right of pledge is valid and has been notified to the entity at which the Investment Accounts are held;
- (t) with respect to 56.9 per cent. of the Life Mortgage Loans as at the Portfolio Cut-Off Date each Life Mortgage Loan, except that it is a condition precedent for granting a Life Mortgage Loan that an insurance policy is entered into (i) there is no connection from a legal view, between the relevant Life Mortgage Loan and any Insurance Policy, other than the right of pledge securing the Mortgage Receivable and the Beneficiary Rights (ii) the Life Mortgage Loan and the relevant Insurance Policy were not marketed as one product and (iii) the Borrower was free to choose the relevant Insurance Company;
- (u) the notarial mortgage deeds (*minuten*) relating to the Mortgages are kept by a civil law notary in the Netherlands, while the loan files, which include authentic copies of the notarial mortgage deeds, are kept by the MPT Provider on behalf of the relevant Seller;
- (v) to the best of its knowledge, the Borrowers are not in any material breach of any provision of the relevant Portfolio Mortgage Loans (other than arrears for not more than three (3) months);
- (w) each Portfolio Mortgage Loan constitutes the entire loan granted to the relevant Borrower that is secured by the same Mortgage or by first and sequentially lower ranking mortgage rights on the same Mortgaged Asset and not merely one or more loan parts (*leningdelen*);

- (x) with respect to each Mortgage Receivable resulting from a Life Mortgage Loan, Switch Mortgage Loan or, as the case may be, Savings Mortgage Loan to which an Insurance Policy is connected, a valid pledge agreement has been entered into by the Seller and the relevant Borrower and the right of pledge is valid and has been notified to the relevant Insurance Company; and
- (y) the Mortgage Conditions provide that each of the assets on which a Mortgage has been vested to secure the Mortgage Receivable should, at the time of origination of the Portfolio Mortgage Loan, have the benefit of buildings insurance (*opstalverzekering*) satisfactory for the full reinstatement value (*herbouwwaarde*).

Mandatory Repurchase

If at any time after the Closing Date any of the representations and warranties relating to the Portfolio Mortgage Loans and/or the Mortgage Receivables proves to have been untrue or incorrect, the relevant Seller shall within fourteen (14) days of receipt of written notice thereof from the Issuer remedy the matter giving rise thereto and if such matter is not capable of remedy or is not remedied within the said period of fourteen (14) days, the relevant Seller shall on the next succeeding Portfolio Payment Date, at the Seller's expense, repurchase and accept assignment of the relevant Mortgage Receivable (excluding the Savings Parts, if any) for a price equal to the outstanding principal amount of such Mortgage Receivable together with interest and reasonable costs relating thereto (including any costs incurred by the Issuer in effecting and completing such purchase and assignment) accrued up to but excluding the date of repurchase and re-assignment of the Mortgage Receivable.

If a Seller agrees with a Borrower to make a Further Advance prior to the occurrence of an Assignment Notification Event, such Seller shall repurchase and accept re-assignment of the Mortgage Receivable (excluding the Savings Parts, if any) resulting from the Portfolio Mortgage Loan in respect of which a Further Advance has been granted on the immediately succeeding Portfolio Payment Date.

Each of the Sellers shall also undertake to repurchase and accept re-assignment of a Mortgage Receivable (excluding the Savings Parts, if any) on the Portfolio Payment Date immediately following the date on which it agrees with a Borrower to amend the terms of the relevant Portfolio Mortgage Loan in the event that such amendment is not in accordance with the conditions set out in the Mortgage Receivables Purchase Agreement and/or the Servicing Agreement, which include the condition that such amendment does not adversely affect the position of the Issuer or the Security Trustee and that after such amendment the relevant mortgage loan continues to meet each of the Mortgage Loan Criteria (as set out below) and the representations and warranties contained in the Mortgage Receivables Purchase Agreement (as set out above). However, a Seller shall not be required to repurchase such Portfolio Mortgage Loan if the relevant amendment is made as part of the enforcement procedures to be complied with upon a default by the Borrower under the relevant Portfolio Mortgage Loan or is otherwise made as part of a restructuring or renegotiation of the relevant

Portfolio Mortgage Loan due to a deterioration of the credit quality of the Borrower of such Portfolio Mortgage Loan.

Furthermore, a Seller shall on the Portfolio Payment Date immediately following the date on which it agrees with a Borrower to convert (*omzetten*) a Savings Mortgage Loan (in whole or in part) into any other mortgage loan type and/or a Borrower agrees with the relevant Insurance Company under the terms of a Switch Mortgage Loan to switch, whole or part of the premiums invested into the Switch Savings Account into an investment in one or more Switch Investment Funds, repurchase and accept re-assignment of the relevant Mortgage Receivables (excluding the Savings Parts, if any).

Finally, a Seller shall repurchase and accept re-assignment of the relevant Mortgage Receivables (excluding the Savings Parts, if any) on the Portfolio Payment Date immediately following the date on which it appears that (i) a Portfolio Mortgage Loan no longer has the benefit of a NHG Guarantee as a result of an action taken or omitted to be taken by the MPT Provider, provided that the relevant Seller shall not be obliged to repurchase the relevant Mortgage Receivable, if following a claim made under such NHG Guarantee, *Stichting Waarborgfonds Eigen Woningen* does not pay the full amount of such Mortgage Receivable due to (a) the difference in the redemption structure of the relevant Portfolio Mortgage Loan and the redemption structure set forth in the NHG Conditions or (b) the higher than expected foreclosure costs which are outside the control of the MPT Provider or (c) the occurrence of any other events not due to gross misconduct by or negligence of the MPT Provider and/or (ii) a Seller, while it is entitled to make a claim under the NHG Guarantee relating to the relevant Portfolio Mortgage Loan, will not make such claim, and/or (iii) a BKW Re-Assessment has been executed in respect of a Portfolio Mortgage Loan originated in accordance with the BKW-concept and following such BKW Re-Assessment the BKW Mortgage Loan will be adjusted.

In addition to the above, each of the relevant Sellers shall on each Portfolio Payment Date in respect of each Savings Mortgage Receivable or Switch Mortgage Receivable sold by it to the Issuer which have attached to it a Savings Insurance Policy or Savings Investment Insurance Policy taken out with each of the relevant Insurance Companies, repurchase and accept re-assignment from the Issuer a part of such Savings Mortgage Receivable or Switch Mortgage Receivable (other than the relating Savings Parts assigned to the Issuer by the relevant Savings Mortgage Participant) having a nominal value equal to the sum of (i) the amount scheduled to be received as Savings Premium on the relevant Savings Insurance Policy or as Savings Investment Premium on the relevant Savings Investment Insurance Policy during the Portfolio Calculation Period immediately preceding such Portfolio Payment Date, (ii) in respect of a Switch Mortgage Receivable only, an amount equal to the amount switched under the relevant Savings Investment Insurance Policy from investments in one or more Switch Investment Funds into investments being made in the form of a deposit into the relevant Switch Savings Account during the Portfolio Calculation Period immediately preceding such Portfolio Payment Date and (iii) the amount of interest scheduled to be received with respect to the immediately preceding Portfolio Calculation Period on the Savings Parts relating to such Savings Mortgage Receivable or Switch Mortgage Receivable assigned to the Issuer pursuant to the relevant Savings

Mortgage Sub-Participation Agreement, against payment of a purchase price equal thereto.

Sellers Clean-up Call Option

On each Quarterly Payment Date, the Sellers, acting jointly, may, but are not obliged to, repurchase and accept re-assignment of all (but not only part of) the Mortgage Receivables (excluding the Savings Parts, if any) if on the Notes Calculation Date immediately preceding such Quarterly Payment Date the aggregate principal amount due on the Mortgage Receivables then outstanding is less than 10 per cent. of the principal amount outstanding of the Mortgage Receivables on the Closing Date (the "**Sellers Clean-up Call Option**").

The Issuer has undertaken in the Mortgage Receivables Purchase Agreement to sell and assign the Mortgage Receivables (excluding the Savings Parts, if any) to any of the Sellers, or any third party appointed by the Sellers at their sole discretion, in case the Sellers exercise the Sellers Clean-up Call Option. The proceeds of such sale shall be applied by the Issuer towards redemption of the Notes, subject to and in accordance with the Conditions.

Regulatory Call Option

The Sellers, acting jointly, have the option (the "**Regulatory Call Option**") to repurchase and accept re-assignment of all (but not only part of) the Mortgage Receivables (excluding the Savings Parts, if any) on each Quarterly Payment Date following the occurrence of a change in the Basle Capital Accord promulgated by the Basle Committee on Banking Supervision (the "**Basle Accord**") or in the international, European or Dutch regulations, rules and instructions (which includes the solvency regulation on securitization of the Dutch Central Bank) (the "**Bank Regulations**") applicable to NIBC (including any change in the Bank Regulations enacted for purposes of implementing a change to the Basle Accord) or a change in the manner in which the Basle Accord or such Bank Regulations are interpreted or applied by the Basle Committee on Banking Supervision or by any relevant competent international, European or national body (including any relevant international, European or Dutch Central Bank or other competent regulatory or supervisory authority) which, in the opinion of NIBC, has the effect of adversely affecting the rate of return on capital of NIBC or increasing the costs or reducing the benefit to NIBC with respect to the transaction contemplated by the Transaction Documents.

The Issuer has undertaken in the Mortgage Receivables Purchase Agreement to sell and assign the Mortgage Receivables (excluding the Savings Parts, if any) to any of the Sellers, or any third party appointed by the Sellers at their sole discretion, in case the Sellers exercise the Regulatory Call Option. If the Sellers exercise the Regulatory Call Option, then the Issuer shall redeem the Notes by applying the proceeds of such sale towards redemption of the Notes.

Mortgage Loan Criteria

Each of the Portfolio Mortgage Loans will meet the following criteria (the "**Mortgage Loan Criteria**"):

- (a) the Portfolio Mortgage Loan includes one or more of the following loan types:

- (i) a Life Mortgage Loan (*levenhypotheek*);
 - (ii) a Savings Mortgage Loan (*spaarhypotheek*);
 - (iii) a Switch Mortgage Loan (*uvl-hypotheek*);
 - (iv) an Investment Mortgage Loan (*beleggingshypotheek*);
 - (v) an Annuity Mortgage Loan (*annuïteiten hypotheek*);
 - (vi) an Interest-only Mortgage Loan (*aflossingsvrije hypotheek*); or
 - (vii) a Linear Mortgage Loan (*lineaire hypotheek*);
- (b) the Borrower was, at the time of origination, a resident of the Netherlands and not employed by any of the Sellers;
 - (c) the Portfolio Mortgage Loan is secured by a first ranking Mortgage Right or, in the case of Portfolio Mortgage Loans secured on the same Mortgaged Asset, first and sequentially lower ranking rights of mortgage over (i) real estate (*onroerende zaak*), (ii) an apartment right (*appartementsrecht*) or (iii) a long lease (*erfpacht*), in each case situated in the Netherlands;
 - (d) at least one (1) interest payment has been made in respect of the Portfolio Mortgage Loan prior to the Closing Date or, in the case of Replacement Receivables or Substitute Mortgage Receivables purchased after the Closing Date, the relevant Quarterly Payment Date;
 - (e) the Portfolio Mortgage Loan or part thereof does not qualify as a bridge loan (*overbruggingshypotheek*);
 - (f) the Portfolio Mortgage Loan is fully disbursed other than the amounts placed under a Construction Deposit;
 - (g) pursuant to the applicable Mortgage Conditions, (i) the Mortgaged Asset may not be the subject of residential letting at the time of origination, (ii) the Mortgaged Asset is for residential use and has to be occupied by the relevant Borrower at and after the time of origination and (iii) no consent for residential letting of the Mortgaged Asset has been given by the Seller;
 - (h) the interest rate on the Portfolio Mortgage Loan (or, if the Portfolio Mortgage Loan consists of more than one loan part, on each loan part) is a floating rate or fixed rate, subject to an interest reset from time to time whereby the interest rate will be fixed for a specific period between 1 to

30 years;

- (i) interest payments on the Portfolio Mortgage Loan are scheduled to be made periodically by means of direct debit;
- (j) on the Portfolio Cut-Off Date no amounts due under any of the Mortgage Receivables were unpaid for more than three (3) months and none of the Mortgaged Assets has been foreclosed;
- (k) the Portfolio Mortgage Loan has the benefit of an NHG Guarantee and such NHG Guarantee (i) is granted for the full amount of the relevant Portfolio Mortgage Loan at the time of origination and (ii) constitutes legal, valid and binding obligations of *Stichting Waarborgfonds Eigen Woningen*, enforceable in accordance with its terms; and
- (l) the Portfolio Mortgage Loan will not have a legal maturity beyond March 2043.

The same criteria will apply to the selection of Replacement Receivables and Substitute Mortgage Receivables, unless agreed otherwise with the Rating Agencies.

Assignment Notification Events

If:

- (a) a Seller fails to pay on the due date any amount then due and payable by it under the Mortgage Receivables Purchase Agreement or under any of the other Transaction Documents to which it is a party and such failure, if capable of being remedied, is not remedied within ten (10) Business Days after notice thereof; or
- (b) a Seller fails in any material respect to duly perform or comply with any of its obligations under the Mortgage Receivables Purchase Agreement or under any of the other Transaction Documents to which it is a party and such failure, if capable of being remedied, is not remedied within ten (10) Business Days after notice thereof; or
- (c) any representation, warranty or statement made or deemed to be made by a Seller in the Mortgage Receivables Purchase Agreement, other than the representations and warranties made in relation to the Portfolio Mortgage Loans and the Mortgage Receivables or under any of the Transaction Documents to which such Seller is a party or in any notice or other document, certificate or statement delivered by it pursuant thereto proves to have been, and continues to be after the expiration of any applicable grace period, untrue or incorrect in any material respect; or
- (d) a Seller has taken any corporate action or any steps have been taken or legal proceedings have been instituted or threatened against it for its dissolution (*ontbinding*) and liquidation (*vereffening*) or legal demerger (*juridische splitsing*) involving a substantial part of its assets; or

- (e) a Seller applies for or is granted a suspension of payments (*surseance van betaling*), a Seller applies for its bankruptcy or is declared bankrupt (*failliet verklaard*) or any steps have been taken for the appointment of a receiver or a similar officer of it or of any or all of its assets; or
- (f) at any time it becomes unlawful for a Seller to perform all or a material part of its obligations under the Transaction Documents in such a manner that this would have a material adverse effect on its ability to perform such obligations;
- (g) the indirect shareholding interest of NIBC in any of the Sellers falls at any time below 51 per cent., which will not have an adverse impact to the then current ratings assigned to the Notes;
- (h) the long-term senior unsecured, unsubordinated and unguaranteed debt obligations of NIBC are assigned a rating of less than Ba1 by Moody's or BBB+ by Fitch or any such rating is withdrawn,

then, unless (i) in the event of the occurrence of an Assignment Notification Event referred to under (a), such failure, if capable of being remedied is so remedied to the satisfaction of the Issuer and the Security Trustee within a period of ten (10) Business Days, or (ii) in the event of the occurrence of an Assignment Notification Event referred to under (g), the Issuer and the Security Trustee having informed the Rating Agencies thereof, the relevant Seller in the event of the occurrence of an Assignment Notification Event referred to under (a) up to and including (g), or, each of the Sellers, in the event of the occurrence of an Assignment Notification Event referred to under (h), undertakes to (A) forthwith, unless the Security Trustee instructs otherwise, terminate (*opzeggen*), or waive, as the case may be, each of the Mortgages and Borrower Pledges granted by the Borrowers to the effect that such Mortgage and Borrower Pledge no longer secures other debts than the Mortgage Receivables purchased by the Issuer pursuant to the Mortgage Receivables Purchase Agreement, (B) forthwith notify the relevant Borrower, the relevant Insurance Companies and any other related party indicated by the Issuer and/or the Security Trustee of the assignment of the Mortgage Receivables and the Beneficiary Rights relating thereto, all this substantially in accordance with the form of the relevant notification letter attached to the Mortgage Receivables Purchase Agreement, and (C) make the appropriate entries in the relevant mortgage register with regard to the assignment of the relevant Mortgage Receivables. The Issuer or the Security Trustee, on behalf of the Issuer, shall be entitled to effect such termination, waiver, notification and entry itself for which each of the Sellers, to the extent required, will grant an irrevocable power of attorney to the Issuer and the Security Trustee in the Mortgage Receivables Purchase Agreement.

Purchase of Replacement Receivables and Substitute Mortgage Receivables

Replacement Receivables

The Mortgage Receivables Purchase Agreement provides that, as from the Closing Date up to the Quarterly Payment Date immediately preceding the First Optional Redemption Date, the Issuer shall

on each Quarterly Payment Date, subject to the Principal Priority of Payments, apply the Notes Principal Available Amounts up to the aggregate Replacement Available Amounts to purchase and accept assignment of any Replacement Receivables and the Beneficiary Rights relating thereto from the Sellers, if and to the extent offered by them. The Initial Purchase Price payable by the Issuer in respect of the purchase and assignment of any Replacement Receivables shall be equal to the aggregate principal amount outstanding of such Replacement Receivables at the date of completion of the sale and purchase thereof on the relevant Quarterly Payment Date together with the interest accrued up to but excluding such date. In case of the purchase of any Replacement Receivables having attached a Construction Deposit to it, part of the Initial Purchase Price equal to such Construction Deposit will be credited to the Construction Deposit Account.

The purchase by the Issuer of any Replacement Receivables will be subject to a number of conditions, which include that at the relevant date of completion of the sale and purchase of such Replacement Receivables:

- (a) each of the Sellers will represent and warrant to the Issuer and the Security Trustee the matters set out in the clauses providing for the representations and warranties relating to the Portfolio Mortgage Loans, the Mortgage Receivables and the Seller in the Mortgage Receivables Purchase Agreement with respect to the Replacement Receivables sold and relating to the relevant Seller;
- (b) no Assignment Notification Event has occurred and is continuing;
- (c) the purchase price payable in respect of the Replacement Receivables does not exceed the aggregate Replacement Available Amounts; and
- (d) the Portfolio Mortgage Loan to which the Replacement Receivable relates meets the Mortgage Loan Criteria.

When the Issuer purchases and accepts assignment of the relevant Replacement Receivable and relating Beneficiary Rights, the Issuer will at the same time create a first right of pledge on such Replacement Receivable and relating Beneficiary Rights in favour of the Security Trustee.

Substitute Mortgage Receivables

The Mortgage Receivables Purchase Agreement provides that as from the Closing Date up to and including the Quarterly Payment Date falling in September 2010, subject to the Principal Priority of Payments, the Issuer shall use the Notes Principal Available Amounts less any amount used for the payment of any Replacement Receivables to purchase and accept assignment of any Substitute Mortgage Receivables and the Beneficiary Rights relating thereto from any of the Sellers if and to the extent offered by them. For the avoidance of doubt, none of the Sellers is obliged to make such offer. The Initial Purchase Price payable by the Issuer in respect of the purchase and assignment of any

Substitute Mortgage Receivables shall be equal to the aggregate principal amount outstanding of such Substitute Mortgage Receivables at the date of completion of the sale and purchase thereof on the relevant Quarterly Payment Date together with the interest accrued up to but excluding such date. In case of the purchase of any Substitute Mortgage Receivables having attached a Construction Deposit to it, part of the Initial Purchase Price equal to such Construction Deposit will be credited to the Construction Deposit Account.

The Issuer shall only purchase any Substitute Mortgage Receivables if sufficient funds are available for payment of the purchase price and each such Substitute Mortgage Receivable complies with certain conditions, including, *inter alia*, the conditions that at the relevant date of completion of the sale and purchase of the Substitute Mortgage Receivable:

- (a) the relevant Seller will represent and warrant to the Issuer and the Security Trustee the matters set out in the clauses providing for the representations and warranties relating to the Portfolio Mortgage Loans, the Mortgage Receivables and each of the Sellers in the Mortgage Receivables Purchase Agreement with respect to the Substitute Mortgage Receivables sold and relating to such Seller;
- (b) no Assignment Notification Event has occurred and is continuing;
- (c) the relevant Portfolio Mortgage Loan meets the Mortgage Loan Criteria;
- (d) the purchase price payable in respect of the Substitute Mortgage Receivables does not exceed the Substitution Available Amount; and
- (e) each of the Substitution Criteria (as described below) are met.

When the Issuer purchases and accepts assignment of the relevant Substitute Mortgage Receivable and any Beneficiary Rights relating thereto, the Issuer will at the same time create a right of pledge on such Substitute Mortgage Receivable and relating Beneficiary Rights (if any) in favour of the Security Trustee.

Substitution Criteria

Each of the following criteria (collectively the "**Substitution Criteria**") applies in respect of an intended purchase of Substitute Mortgage Receivables:

- (i) as a result of the purchase of the relevant Substitute Mortgage Receivables, the weighted average loan to foreclosure value ("**LTFV**") of the Portfolio Mortgage Loans as at the relevant purchase date does not exceed 110 per cent., provided that the Issuer and the Sellers may agree to a higher percentage, if it will not have an adverse impact to the then current ratings assigned to the Notes;
- (ii) the aggregate principal amount outstanding under the Portfolio Mortgage Loans which are in arrears for more than sixty (60) days does not exceed 2 per cent. of the aggregate principal amount outstanding under all Portfolio Mortgage Loans at the relevant purchase date;
- (iii) the aggregate outstanding principal amount of the Substitute Mortgage Receivables (including the relevant Substitute Mortgage Receivables) purchased by the Issuer may not exceed 20 per cent. per annum, commencing with the Closing Date, of the aggregate principal amount outstanding under all Portfolio Mortgage Loans at the relevant purchase date;
- (iv) the aggregate of the Realised Losses incurred as from the Closing Date up to the relevant purchase date for the relevant Substitute Mortgage Receivables does not exceed 0.20 per cent. of the initial aggregate outstanding principal amount of the Portfolio Mortgage Loans at the Closing Date;
- (v) the aggregate principal amount outstanding of all Interest-only Mortgage Loans as a percentage of the total amount outstanding of all Portfolio Mortgage Loans does not exceed 50 per cent.;
- (vi) all amounts drawn under the Liquidity Facility and payable under item (c) of the Interest Priority of Payments will be fully repaid on the relevant purchase date of the Substitute Mortgage Receivable;
- (vii) there has been no failure by the relevant Seller to repurchase any Mortgage Receivable which it is required to repurchase pursuant to the Mortgage Receivables Purchase Agreement;
- (viii) the purchase of the relevant Substitute Mortgage Receivables does not adversely affect the then current ratings of the Notes by the Rating Agencies.;

- (ix) the aggregate principal amount outstanding of Portfolio Mortgage Loans with a Construction Deposit will not exceed 25 per cent. of the aggregate principal amount outstanding under all Portfolio Mortgage Loans; and
- (x) in case the relevant Substitute Mortgage Receivables result from a Life Mortgage Loan, except that it is a condition precedent for granting a Life Mortgage Loan that an insurance policy is entered into, (i) there is no connection, whether from a legal or a commercial point of view, between the relevant Life Mortgage Loan and any Insurance Policy, other than the right of pledge securing the Mortgage Receivable and the Beneficiary Rights (ii) the Life Mortgage Loan and the relevant Insurance Policy were not marketed as one product and (iii) the Borrower was free to choose the relevant Insurance Company.

SERVICING AGREEMENT AND ISSUER ADMINISTRATION AGREEMENT

Servicing Agreement

In the Servicing Agreement the MPT Provider will agree to provide management services to the Issuer on a day-to-day basis in relation to the Portfolio Mortgage Loans and the Mortgage Receivables resulting from such Portfolio Mortgage Loans, including, without limitation, the collection of payments of principal, interest and other amounts in respect of the Mortgage Receivables, all administrative actions in relation thereto and the implementation of arrears procedures including the enforcement of Mortgage Rights (see further *Mortgage Loan Underwriting and Servicing* above). The MPT Provider will be obliged to manage the Portfolio Mortgage Loans and the Mortgage Receivables with the same level of skill, care and diligence as mortgage loans in its own or, as the case may be, the Seller's portfolio.

The MPT Provider which holds a license under the Act on the Financial Supervision (*Wet op het financieel toezicht*) has, in accordance with the terms of the Servicing Agreement, appoint Quion Hypotheekbemiddeling B.V. (in relation to Quion I B.V., Quion III B.V., Quion 14 B.V., Quion 30 B.V.), Quion Hypotheekbegeleiding B.V. together with Quion Services B.V. (in relation to Nationale Hypotheek Maatschappij B.V. and IKS Hypotheken B.V.) and Stater Nederland B.V. (in relation to HypInvest B.V., Seyst Hypotheken B.V., Royal Residentie Hypotheken B.V., Capitalum Hypotheken B.V., Huizen Hypotheken B.V., Nieuwegein Hypotheken B.V., Zwaluw Hypotheken B.V., Estate Hypotheken B.V., ATRIOS Hypotheken B.V., Amstelstaete Hypotheken B.V.) as its sub-agent to carry out (part of) the activities described above. The Issuer and the Security Trustee have consented to the appointment of Quion Hypotheekbemiddeling B.V., Quion Hypotheekbegeleiding B.V., Quion Services B.V. and Stater Nederland B.V. as sub-agents.

The Servicing Agreement may be terminated by the Issuer and the Security Trustee, acting jointly, upon the occurrence of certain termination events, including but not limited to, a failure by the MPT Provider to comply with its obligations (unless remedied within the applicable grace period), dissolution or liquidation of the MPT Provider or the MPT Provider being declared bankrupt or granted a suspension of payments or if the MPT Provider no longer holds a license under the Act on the Financial Supervision (*Wet op het financieel toezicht*). In addition the Servicing Agreement may be terminated by the MPT Provider upon the expiry of not less than six (6) months' notice, subject to written approval of the Issuer and the Security Trustee, which approval may not be unreasonably withheld and provided that there will be no adverse impact on the then current rating assigned to the Notes (other than the Subordinated Class C Notes). A termination of the Servicing Agreement by either the Issuer and the Security Trustee or the MPT Provider will only become effective if a substitute mpt-provider is appointed.

Upon the occurrence of a termination event as set forth above, the Security Trustee and the Issuer shall use their best efforts to appoint a substitute mpt-provider and such substitute mpt-provider shall enter into an agreement with the Issuer and the Security Trustee substantially on the terms of the Servicing Agreement, provided that such substitute mpt provider shall have the benefit of a servicing

fee at a level to be then determined. Any such substitute mpt provider must have experience of handling mortgage loans and mortgages of residential property in the Netherlands and hold a licence under the Act on the Financial Supervision (*Wet op het financieel toezicht*). The Issuer shall, promptly following the execution of such agreement, pledge its interest in such agreement in favour of the Security Trustee on the terms of the Issuer Rights Pledge Agreement, *mutatis mutandis*, to the satisfaction of the Security Trustee.

The MPT Provider does not have any liability whatsoever to the Noteholders in respect of any failure by the Issuer to pay any amounts due under the Notes. The Notes will be solely the obligations and responsibilities of the Issuer and not of any other entity or person involved in the transaction, including, without limitation, the MPT Provider, except for certain limited obligations of the Security Trustee under the Trust Deed.

Issuer Administration Agreement

The Issuer Administrator will in the Issuer Administration Agreement agree to provide certain administration, calculation and cash management services to the Issuer in accordance with the relevant Transaction Documents, including, *inter alia*, (a) the application of amounts received by the Issuer to the GIC Accounts and the production of quarterly reports in relation thereto, (b) procuring that all drawings (if any) to be made by the Issuer under the Liquidity Facility, (c) procuring that all payments to be made by the Issuer under the Swap Agreement and any of the other Transaction Documents are made, (d) procuring that all payments to be made by the Issuer under the Notes are made in accordance with the Paying Agency Agreement and the Conditions, (e) the maintaining of all required ledgers in connection with the above, (f) all administrative actions in relation thereto, and (g) procuring that all calculations to be made pursuant to the Conditions under the Notes are made. The Issuer Administrator will also provide the Swap Counterparty with all information necessary in order to enable it to perform its roles as calculation agent under the Swap Agreement.

The Issuer Administration Agreement may be terminated by the Issuer and the Security Trustee, acting jointly, upon the occurrence of certain termination events, including but not limited to, a failure by the Issuer Administrator to comply with its obligations (unless remedied within the applicable grace period), dissolution or liquidation of the Issuer Administrator or the Issuer Administrator being declared bankrupt or granted a suspension of payments. In addition the Issuer Administration Agreement may be terminated by the Issuer Administrator upon the expiry of not less than six (6) months' notice, subject to written approval of the Issuer and the Security Trustee, which approval may not be unreasonably withheld and provided that there will be no adverse impact on the then current rating assigned to the Notes (other than the Subordinated Class C Notes). A termination of the Issuer Administration Agreement by either the Issuer and the Security Trustee or the Issuer Administrator will only become effective if a substitute administrator is appointed.

Upon the occurrence of a termination event as set forth above, the Security Trustee and the Issuer shall use their best efforts to appoint a substitute issuer administrator and such substitute issuer

administrator will enter into an agreement with the Issuer and the Security Trustee substantially on the terms of the Issuer Administration Agreement, provided that such substitute issuer administrator shall have the benefit of an administration fee at a level to be then determined. The Issuer shall, promptly following the execution of such agreement, pledge its interest in such agreement in favour of the Security Trustee on the terms of the Issuer Rights Pledge Agreement, *mutatis mutandis*, to the satisfaction of the Security Trustee.

SAVINGS MORTGAGE SUB-PARTICIPATION AGREEMENTS

Under each of the Savings Mortgage Sub-Participation Agreements the Issuer will grant to the relevant Savings Mortgage Participant a Savings Participation in the relevant Savings Mortgage Receivables and/or Switch Mortgage Receivables, as the case may be.

Savings Participation

In each Savings Mortgage Sub-Participation Agreement the relevant Savings Mortgage Participant undertakes, subject to the terms and conditions of the relevant Savings Mortgage Sub-Participation Agreement, either

to pay to the Issuer:

- (a) at the Closing Date or, in the case of the purchase and assignment of Replacement Receivables and/or Substitute Mortgage Receivables to which a Savings Insurance Policy or Savings Investment Insurance Policy taken out with such Savings Mortgage Participant is connected, at the relevant Quarterly Payment Date, an amount equal to the sum of the amounts scheduled to be received up to and including 30 July 2007 or, as the case may be, the last day of the calendar month immediately preceding the relevant Quarterly Payment Date, by the Savings Mortgage Participant from the relevant Borrowers as Savings Premiums or Savings Investment Premiums and accrued interest thereon under the respective Savings Mortgage Loans and Switch Mortgage Loans, respectively (the "**Initial Savings Participations - 1**");
- (b) on each Portfolio Payment Date an amount equal to the amounts switched under the Savings Investment Insurance Policies from investments in one or more Switch Investment Funds into investments being made in the form of a deposit into the relevant Switch Savings Account during the Portfolio Calculation Period immediately preceding such Portfolio Payment Date (the "**Switched Savings Participation**"); and
- (c) on each Portfolio Payment Date an amount equal to the amount scheduled to be received by the Savings Mortgage Participant during the Portfolio Calculation Period immediately preceding such Portfolio Payment Date, as Savings Premium in respect of the relevant Savings Insurance Policies or as Savings Investment Premium in respect of the relevant Savings Investment Insurance Policies, or

to assign to the Issuer:

- (a) at the Closing Date or, in the case of purchase and assignment of Substitute Mortgage Receivables to which a Savings Insurance Policy or Savings Investment Insurance Policy taken out with such Savings Mortgage Participant is connected, at the relevant Quarterly Payment Date, all Savings Parts relating to the relevant Savings Mortgage Receivables and Switch

Mortgage Receivables which have been assigned to the Savings Mortgage Participant by the relevant Seller up to and including 30 July 2007 or, as the case may be, the last day of the calendar month immediately preceding the relevant Quarterly Payment Date (the "**Initial Savings Participations - 2**"); and

- (b) on each Portfolio Payment Date, the Savings Part relating to each Savings Mortgage Receivable and Switch Mortgage Receivable assigned to the Savings Mortgage Participant by the relevant Seller pursuant to the relevant Transfer or Parts Agreement on or prior to such Portfolio Payment Date with respect to the Portfolio Calculation Period immediately succeeding such Portfolio Payment Date (including, without limitation, the parts of each Switch Mortgage Receivable equal to the amounts switched under the Savings Investment Insurance Policies from investments in one or more Switch Investment Funds into investments being made in the form of a deposit into the relevant Switch Savings Account during the Portfolio Calculation Period immediately preceding such Portfolio Payment Date),

provided that in respect of each Savings Mortgage Receivable and Switch Mortgage Receivable no amounts will be paid or parts will be assigned to the extent that as a result thereof the Savings Participation in such Savings Mortgage Receivable or Switch Mortgage Receivable would exceed the outstanding principal amount of such Savings Mortgage Receivable or Switch Mortgage Receivable at such time (the "**Maximum Savings Participation Amount**").

As a consequence of such payments or assignments, as the case may be, the Savings Mortgage Participant will acquire a savings mortgage participation (the "**Savings Participation**") in each of the relevant Savings Mortgage Receivables and/or Switch Mortgage Receivables, which is equal to either (i) the Initial Savings Participation - 1 and the Initial Savings Participation - 2 (collectively, the "**Initial Savings Participations**") in respect of such Mortgage Receivable plus, in case of a Switch Mortgage Receivable, any Switched Savings Participation, increased with the Participation Increases (as defined in the relevant Savings Mortgage Sub-Participation Agreement) calculated with respect to each Portfolio Calculation Period as from the Closing Date or (ii) an amount equal to the nominal value of the relevant Initial Savings Participation, increased with the nominal value of all Savings Parts assigned by the Savings Mortgage Participant to the Issuer with respect to such Savings Mortgage Receivable and Switch Mortgage Receivable as from the Closing Date.

In consideration for the undertaking of the Savings Mortgage Participant described above, the Issuer will undertake to pay to the relevant Savings Mortgage Participant on each Portfolio Payment Date an amount equal to the Savings Participation in the relevant Savings Mortgage Receivables and Switch Mortgage Receivables in respect of which amounts have been received during the immediately preceding Portfolio Calculation Period (i) by means of repayment and prepayment under such Mortgage Receivables from any person, whether by set-off or otherwise, but, for the avoidance of doubt, excluding prepayment penalties, if any, and, furthermore, excluding amounts paid as partial prepayments on such Mortgage Receivables, (ii) in connection with a repurchase or sale of the

relevant Mortgage Receivables pursuant to the Mortgage Receivables Purchase Agreement or the Trust Deed and any other amounts received pursuant to the Mortgage Receivables Purchase Agreement, to the extent such amounts relate to principal, unless such repurchase or sale relates to Savings Mortgage Receivables or Switch Mortgage Receivables in respect of which Savings Parts have been assigned to the Issuer and (iii) as Net Proceeds on the relevant Mortgage Receivables to the extent such amounts relate to principal (the "**Savings Participation Redemption Available Amount**").

Reduction of Participation

If:

- (i) a Borrower invokes a right of set-off or any other defence against any person in respect of the relevant Savings Mortgage Receivables or Switch Mortgage Receivables based upon a default in the performance, whether in whole or in part and for any reason, by the relevant Savings Mortgage Participant of its payment obligations under the relevant Savings Insurance Policy or Savings Investment Insurance Policy, as the case may be; or
- (ii) a Savings Mortgage Participant or the relevant Seller fails to pay any amount due by it in respect of the relevant Savings Mortgage Receivables or Switch Mortgage Receivables or to assign any Savings Part required to be assigned by it, as the case may be, under or in connection with the relevant Savings Mortgage Sub-Participation Agreement and/or the Mortgage Receivables Purchase Agreement, respectively, or the Savings Mortgage Participant fails to pay any amount due by it to the Seller or the Issuer, as the case may be, under or in connection with any of the relevant Savings Insurance Policies or Savings Insurance Investment Policies,

and, as a consequence thereof, the Issuer will not have received any amount which it would have received if such defence or failure to pay or assign would not have been made in respect of such Savings Mortgage Receivables or Switch Mortgage Receivables, the Savings Participation of the relevant Savings Mortgage Participant in respect of such Savings Mortgage Receivables or Switch Mortgage Receivables will be reduced by an amount equal to the amount which the Issuer has failed to so receive and the calculation of the Savings Participation Redemption Available Amount shall be adjusted accordingly.

Enforcement Notice

If an Enforcement Notice is given by the Security Trustee to the Issuer, then and at any time thereafter the Security Trustee on behalf of each of the Savings Mortgage Participants may, and if so directed by a Savings Mortgage Participant shall, by notice to the Issuer:

- (i) declare that the obligations of the relevant Savings Mortgage Participant under the Savings Mortgage Sub-Participation Agreement are terminated;

- (ii) declare the relevant Savings Participation to be immediately due and payable, whereupon it shall become so due and payable, but such payment obligations shall be limited to the Savings Participation Redemption Available Amount received or collected by the Issuer or, in the case of enforcement, the Security Trustee under the relevant Savings Mortgage Receivables or Switch Mortgage Receivables.

Termination

If one or more of the Savings Mortgage Receivables and/or Switch Mortgage Receivables are (i) repurchased by the Seller from the Issuer pursuant to the Mortgage Receivables Purchase Agreement or (ii) sold by the Issuer to a third party pursuant to the Mortgage Receivables Purchase Agreement or the Trust Deed, the Savings Participation in such Savings Mortgage Receivables and/or Switch Mortgage Receivables will terminate and either (i) the Savings Participation Redemption Available Amount in respect of such Savings Mortgage Receivables and/or Switch Mortgage Receivables will be paid by the Issuer to the relevant Savings Mortgage Participant or (ii) the Savings Parts relating to such Savings Mortgage Receivables or Switch Mortgage Receivables having a nominal value equal to the relevant Savings Participation Redemption Available Amounts will be re-assigned by the Issuer to the relevant Savings Mortgage Participant. If so requested by the relevant Savings Mortgage Participant, the Issuer will use its best efforts to ensure that the acquiror of the Savings Mortgage Receivables and/or Switch Mortgage Receivables will enter into a sub-participation agreement with the relevant Savings Mortgage Participant in a form similar to the Savings Mortgage Sub-Participation Agreement entered into with such Savings Mortgage Participant. Furthermore, the Savings Participation envisaged in the Savings Mortgage Sub-Participation Agreement shall terminate if at the close of business on the relevant calculation date the Savings Mortgage Participant has received each Savings Participation in respect of the relevant Savings Mortgage Receivables and Switch Mortgage Receivables.

BKW MORTGAGE SUB-PARTICIPATION AGREEMENT

Under the BKW Mortgage Sub-Participation Agreement the Issuer will grant to the BKW Mortgage Participant a BKW Participation in the relevant BKW Mortgage Receivables.

BKW Participation

In the BKW Mortgage Sub-Participation Agreement the BKW Mortgage Participant undertakes to pay to the Issuer at the Closing Date or, in the case of the purchase and assignment of Substitute Mortgage Receivables which result from a BKW Mortgage Loan, at the relevant Quarterly Payment Date, an amount equal to the aggregate principal amount outstanding under the BKW Mortgage Loans as per the Portfolio Cut-Off Date or, as the case may be, the last day of the calendar month immediately preceding the relevant Quarterly Payment Date. As a consequence of such payment the BKW Mortgage Participant will acquire a participation with respect to the relevant BKW Mortgage Loans (each a "**BKW Participation**") which will be equal to the principal amount outstanding under such BKW Mortgage Loan as per the Portfolio Cut-Off Date or relevant Quarterly Payment Date.

In consideration for the undertaking of the BKW Mortgage Participant described above, the Issuer will undertake to pay to the BKW Mortgage Participant with respect to each BKW Participation on each Portfolio Payment Date:

- (A) the interest paid by the relevant Borrower with respect to the relevant BKW Mortgage Loan in relation to the immediately preceding Portfolio Calculation Period; and
- (B) an amount equal to the sum of the amounts which have been received in relation to the relevant Portfolio Mortgage Loan during the immediately preceding Portfolio Calculation Period (i) by means of repayment and prepayment, in full or in part, under the relevant Portfolio Mortgage Loan from any person, whether by set-off or otherwise, but, for the avoidance of doubt, excluding prepayment penalties, if any, (ii) in connection with a repurchase or sale of the relevant Mortgage Receivables pursuant to the Mortgage Receivables Purchase Agreement and any other amounts received pursuant to the Mortgage Receivables Purchase Agreement to the extent such amounts relate to principal and (iii) as Net Proceeds on such Mortgage Receivables to the extent such amounts relate to principal, up to a maximum amount equal to the principal amount outstanding under the relevant BKW Mortgage Loan (the "**BKW Participation Redemption Available Amount**").

A BKW Participation will be reduced on each Portfolio Payment Date by an amount equal to the BKW Participation Redemption Available Amount, if any, paid to the BKW Participant in respect of such BKW Participation on such day.

Enforcement Notice

If an Enforcement Notice is given by the Security Trustee to the Issuer, then and at any time thereafter

the Security Trustee on behalf of the BKW Mortgage Participant may, and if so directed by the BKW Mortgage Participant shall, by notice to the Issuer declare each of the BKW Participations to be immediately due and payable, whereupon it shall become so due and payable, but the payment obligations in respect of such BKW Participation shall be limited to the BKW Participation Redemption Available Amount received or collected by the Issuer or, in the case of enforcement, the Security Trustee in relation to the relevant Portfolio Mortgage Loan.

Termination

If one or more of the BKW Mortgage Receivables are (i) repurchased by a Seller from the Issuer pursuant to the Mortgage Receivables Purchase Agreement or (ii) sold by the Issuer to a third party pursuant to the Trust Deed, the BKW Participation in such BKW Mortgage Receivables will terminate and the BKW Participation Redemption Available Amount in respect of such BKW Mortgage Receivables will be paid by the Issuer to the BKW Mortgage Participant. Furthermore, the BKW Participations envisaged in the BKW Mortgage Sub-Participation Agreement shall terminate if at the close of business on the relevant calculation date the BKW Mortgage Participant has received each BKW Participation in respect of the relevant BKW Mortgage Receivables.

SOUND II B.V.

The Issuer was incorporated as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) under the laws of the Netherlands on 7 September 2007 under number BV 1452386. The corporate seat (*statutaire zetel*) of the Issuer is in Amsterdam, the Netherlands and its registered office is at Frederik Roeskestraat 123, 1076 EE Amsterdam, the Netherlands and its telephone number is +31 20 5771177. The Issuer is registered with the Commercial Register of the Chamber of Commerce of Amsterdam under number 34282520.

The objectives of the Issuer are (a) to acquire, purchase, conduct the management of, dispose of and encumber receivables and to exercise any rights connected to such receivables, (b) to take up loans by way of the issue of securities or by entering into loan agreements to acquire the receivables mentioned under (a), (c) to invest and on-lend any funds held by the Issuer, (d) to hedge interest rate risks and other financial risks amongst others by entering into derivative agreements, such as swaps, options and credit derivatives, (e) if incidental to the foregoing, (i) to take up loans by issuing securities or by entering into loan agreements to, amongst other things, perform the obligations under the securities mentioned under (b) and (ii) to grant security rights and (f) to perform all activities which are incidental to or which may be conducive to any of the foregoing.

The Issuer was established for the limited purposes of the issue of the Notes, the acquisition of the Mortgage Receivables and certain related transactions described elsewhere in this Offering Circular. The Issuer operates under Dutch law, provided that it may enter into contracts which are governed by the laws of another jurisdiction than the Netherlands.

The Issuer has an authorised share capital of € 18,000 of which € 18,000 has been issued and is fully paid. All shares of the Issuer are held by Stichting Sound Holding.

Stichting Sound Holding is a foundation (*stichting*) incorporated under the laws of the Netherlands on 12 August 2005. Stichting Sound Holding is registered with the Commercial Register of the Chamber of Commerce of Amsterdam under number 34231641. The objectives of Stichting Sound Holding are to, *inter alia*, acquire and hold shares in the share capital of the Issuer and to exercise all rights attached to such shares and to dispose of and encumber such shares. Pursuant to the articles of association of Stichting Sound Holding an amendment of the articles of association of Stichting Sound Holding requires the prior written consent of, *inter alia*, the Stichting Security Trustee Sound I and the Stichting Security Trustee Sound II. Moreover, the Director shall only be authorized to dissolve the Stichting Sound Holding, (i) after receiving the prior written consent of the Stichting Security Trustee Sound I and Stichting Security Trustee Sound II and (ii) after the Issuer has been fully discharged for all its obligations by virtue of the Transaction Documents.

The sole managing director of each of the Issuer and Stichting Sound Holding is ATC Management B.V. ATC Management B.V. has elected domicile at the registered office of the Issuer at Frederik

Roeskestraat 123, 1076 EE Amsterdam, telephone number +31 20 577 1177. The managing directors of ATC Management B.V. are J.H. Scholts and A.G.M. Nagelmaker.

The objectives of ATC Management B.V. are (a) advising of and mediation by financial and related transactions, (b) finance company, and (c) management of legal entities.

ATC Management B.V. belongs to the same group of companies as Amsterdamsch Trustee's Kantoor B.V., being the sole Director of the Security Trustee. Therefore, a conflict of interest may arise. In this respect it is of note that in the management agreements entered into by each of the Directors with the entity of which it has been appointed managing director (*statutair directeur*), each of the Directors agrees and undertakes to, *inter alia*, (i) do all that an adequate managing director (*statutair directeur*) should do or should refrain from doing, and (ii) refrain from taking any action detrimental to the obligations under any of the Transaction Documents or the then current rating assigned to the Notes outstanding (other than the Subordinated Class C Notes). In addition each of the Directors agrees in the relevant management agreement that it will not enter into any agreement in relation to Sound II B.V., and/or Stichting Sound Holding and/or Stichting Security Trustee Sound II other than the Transaction Documents to which it is a Party, without the prior written consent of the Stichting Security Trustee Sound II and subject to their being no adverse effect on the then current ratings assigned to the Notes (other than the Subordinated Class C Notes).

The Issuer has the corporate power and capacity to issue the Notes, to acquire the Mortgage Receivables and to enter into and perform the obligations under the Transaction Documents.

Since its incorporation there has been no material adverse change in the financial position or prospects of the Issuer and the Issuer has not (i) commenced operations, no profits and losses have been made or incurred and it has not declared or paid any dividends nor made any distributions, save for the activities related to its establishment and the securitisation transaction included in this Offering Circular, (ii) been involved in any governmental, legal or arbitration proceedings which may have a significant effect on the Issuer's financial position or profitability nor, so far as the Issuer is aware, are any such proceedings pending or threatened against the Issuer and (iii) prepared any financial statements.

The financial year of the Issuer coincides with the calendar year. The first financial year shall end on 31 December 2008.

Capitalisation

The following table shows the capitalisation of the Issuer as of 7 September 2007 as adjusted to give effect to the issue of the Notes. Copies of the deed of incorporation and the articles of association of the Issuer may be obtained at the specified offices of the Issuer and at the specified offices of the Paying Agent during normal business hours.

Share Capital

Authorised Share Capital	€ 18,000
Issued Share Capital	€ 18,000

Borrowings

Senior Class A Notes	€ 732,800,000
Mezzanine Class B Notes	€ 11,600,000
Subordinated Class C Notes	€ 5,600,000
Initial Savings Participations	€ 8,124,192
Initial BKW Participations	€ 52,461,698

Act on the Financial Supervision

The Issuer is not subject to any licence requirement under Section 2:11 of the Act on the Financial Supervision as amended, as it does not qualify as a bank within the meaning of Section 1.1 of the Act on the Financial Supervision due to the fact that the Notes will be offered solely to professional market parties (*professionele marktpartijen*) within the meaning of Section 1.1 of the Act on the Financial Supervision, as amended from time to time, Section 3 of the Decree Definitions Act on the Financial Supervision (*Besluit definitiebepalingen Wet op het financieel toezicht*) and the letter of the Dutch Central Bank (*De Nederlandsche Bank N.V.*) dated 15 December 2006 regarding the expansion of the definition of a professional market party within the meaning of Section 1.1 of the Act on the Financial Supervision, as amended from time to time and Section 3 of the Decree Definitions Act on the Financial Supervision (*Besluit definitiebepalingen Wet op het financieel toezicht*) (each a "PMP").

The Issuer is not subject to any licence requirement under Section 2:60 of the Act on the Financial Supervision, as the Issuer has outsourced the servicing and administration of the Portfolio Mortgage Loans to the MPT Provider. The MPT Provider holds a license under the Act of the Financial Supervision and the Issuer will thus benefit from the exemption.

Auditor's Confirmation

The following is the text of a report received by the board of managing directors of the Issuer from PricewaterhouseCoopers Accountants N.V., the accountants of which are a member of the Royal Netherlands Institute of Register Accountants (*Koninklijk Nederlands Instituut van Registeraccountants*) and the auditors to the Issuer. The information below has been accurately reproduced. As far as the Issuer is aware and is able to ascertain from information provided by PricewaterhouseCoopers Accountants N.V., no facts have been omitted which would render the reproduced information inaccurate or misleading.

To the Management Board of Sound II B.V.:

24 September 2007

Dear Sirs,

Following your request, we advise you as follows:

1. As per the deed of incorporation, Sound II B.V. (the "**Issuer**") was incorporated on 7 September 2007 under number BV 1452386 with an issued share capital of € 18,000.
2. Based on representations from the Issuer and our assessment of the internal and external documentation made available to us by the Issuer, we confirm that the Issuer has not yet prepared any financial statements.
3. Based on representations from the Issuer and our assessment of the internal and external documentation made available to us by the Issuer, we confirm that:
 - (a) since its incorporation, the Issuer has not traded;
 - (b) the Issuer has not declared or paid any dividends nor made any distributions;
 - (c) the Issuer has not been engaged in any activity, other than the activities related to its establishment and the securitisation transaction included in the Offering Circular, including the contemplated issue of:
 - € 732,800,000 Senior Class A Mortgage-Backed Notes 2007 due 2045, issue price 100 per cent.;
 - € 11,600,000 Mezzanine Class B Mortgage-Backed Notes 2007 due 2045, issue price 100 per cent. and;
 - € 5,600,000 Subordinated Class C Mortgage-Backed Notes 2007 due 2045, issue price 100 per cent.
 - (d) no income or expenses have been incurred by the Issuer, other than related to these activities and disclosed in the aforementioned Offering Circular.

Yours faithfully,

PricewaterhouseCoopers Accountants N.V.
J.M. de Jonge RA

USE OF PROCEEDS

The aggregate net proceeds of the Notes to be issued on the Closing Date amount to € 750,000,000. The net proceeds of the issue of the Notes will be applied on the Closing Date to pay part of the Initial Purchase Price for the Mortgage Receivables purchased under the Mortgage Receivables Purchase Agreement on the Closing Date. An amount of € 48,804,296 of the Initial Purchase Price will be withheld by the Issuer and deposited to the Construction Deposit Account for payments relating to Construction Deposits. Furthermore, the Issuer will receive an amount of € 8,124,192 as consideration for the Savings Participations granted to the relevant Insurance Companies in the Savings Mortgage Receivables and an amount of € 52,461,698 as consideration for the BKW Participations granted to the BKW Mortgage Participant in the BKW Mortgage Receivables. The Issuer will apply these amounts towards payment of part of the Initial Purchase Price for the Mortgage Receivables purchased by the Issuer on the Closing Date.

DESCRIPTION OF SECURITY

The Notes will be secured indirectly, through the Security Trustee, by the Trust Deed to be entered into by the Issuer and the Security Trustee, acting as security trustee for (i) the Joint Lead Managers as initial Noteholders, (ii) the Directors, (iii) the Issuer Administrator, (iv) the MPT Provider, (v) the Paying Agent, (vi) the Reference Agent, (vii) the Liquidity Facility Provider, (viii) the Swap Counterparty, (ix) the Savings Mortgage Participants, (x) the BKW Mortgage Participant, (xi) the Sellers and (xii) the Noteholders (together the "**Security Beneficiaries**"). The Issuer will agree in the Trust Deed, to the extent necessary in advance, to pay to the Security Trustee any amounts equal to the aggregate of all its liabilities to all the Security Beneficiaries from time to time due in accordance with the terms and conditions of the relevant Transaction Documents, including, without limitation, the Notes (the "**Principal Obligations**"), which payment undertaking and the obligations and liabilities resulting therefrom is herein referred to as the "**Parallel Debt**".

Pursuant to the Security Beneficiaries Agreement entered into by and between the Security Beneficiaries, the Issuer and the Security Trustee, each Security Beneficiary moreover agrees to be bound by the relevant terms and provisions of the Trust Deed including, but not limited to, the limited recourse and non-petition provisions contained therein.

The Parallel Debt of the Issuer to the Security Trustee will be secured by (i) a first ranking pledge by the Issuer to the Security Trustee over the Mortgage Receivables (including any parts thereof which are balanced by Construction Deposits) pursuant to the Mortgage Receivables Pledge Agreement, including all rights ancillary thereto in respect of the Portfolio Mortgage Loans and the rights of the Sellers as beneficiary under the Savings Insurance Policies, the Life Insurance Policies, the Savings Investment Insurance Policies and the Risk Insurance Policies which were assigned to it by the Seller (the "**Beneficiary Rights**") and (ii) a first ranking pledge by the Issuer to the Security Trustee over the Issuer's rights under or in connection with the Mortgage Receivables Purchase Agreement, the Swap Agreement, the Servicing Agreement, the Floating Rate GIC, the Liquidity Facility Agreement, the Beneficiary Waiver Agreement, the Savings Mortgage Sub-Participation Agreements, the BKW Mortgage Sub-Participation Agreement and in respect of the GIC Accounts.

The Issuer and the Security Trustee will enter into a pledge agreement (the "**Mortgage Receivables Pledge Agreement**") pursuant to which a first ranking undisclosed right of pledge (*stil pandrecht eerste in rang*) will be granted by the Issuer to the Security Trustee over the Mortgage Receivables and the Beneficiary Rights in order to create security for all liabilities of (i) the Issuer to the Security Trustee in connection with the Trust Deed, including the Parallel Debt and any of the other Transaction Documents. Pursuant to the Mortgage Receivables Pledge Agreement, the Issuer further undertakes, in respect of any Replacement Receivables and Substitute Mortgage Receivables, to grant to the Security Trustee a first ranking undisclosed right of pledge on the relevant Replacement Receivables and Substitute Mortgage Receivables and any associated Beneficiary Rights on the relevant purchase date. In this respect, the Issuer and the Security Trustee acknowledge that (i) the Parallel Debt

constitutes undertakings, obligations and liabilities of the Issuer to the Security Trustee which are separate and independent from and without prejudice to the Principal Obligations of the Issuer to any Security Beneficiary and (ii) the Parallel Debt represents the Security Trustee's own claim (*vordering*) to receive payment of the Parallel Debt from the Issuer, provided that the aggregate amount that may become due under the Parallel Debt will never exceed the aggregate amount that may become due under all of the Principal Obligations to the Security Beneficiaries.

The pledge over the Mortgage Receivables provided in the Mortgage Receivables Pledge Agreement will not be notified to the Borrowers except in the case of certain Pledge Notification Events. These Pledge Notification Events will, to a large extent, be similar to the Assignment Notification Events defined in the Mortgage Receivables Purchase Agreement. Prior to notification of the pledge to the Borrowers, the pledge will be an undisclosed right of pledge (*stil pandrecht*) within the meaning of section 3:239 of the Dutch Civil Code. The pledge of the Beneficiary Rights will also be an undisclosed right of pledge until notification thereof to the relevant Insurance Companies.

In addition, the Issuer will vest a right of pledge on any and all existing and future rights and claims that are owed and will be owed to the Issuer (the "**Issuer Rights**") under (i) the Mortgage Receivables Purchase Agreement, (ii) the Servicing Agreement, (iii) the Swap Agreement, (iv) the Liquidity Facility Agreement, (v) the Savings Mortgage Sub-Participation Agreements, (vi) the BKW Mortgage Sub-Participation Agreement and (vii) the Beneficiary Waiver Agreement (the "**Issuer Rights Pledge Agreement**") in favour of the Security Trustee. This right of pledge secures any and all liabilities of the Issuer to the Security Trustee resulting from or in connection with the Parallel Debt. Furthermore, on the Closing Date, the Issuer will vest, in favour of the Security Trustee, a right of pledge in respect of any and all current and future monetary claims of the Issuer against the Floating Rate GIC Provider, in respect of the Floating Rate GIC and the GIC Accounts (the "**GIC Accounts Pledge Agreement**"). The pledge pursuant to each of the Issuer Rights Pledge Agreement and the GIC Accounts Pledge Agreement will be notified to the relevant obligors and will therefore be a disclosed right of pledge (*openbaar pandrecht*).

Upon enforcement of the pledges created pursuant to the Security Documents (which is after delivery of an Enforcement Notice), the Security Trustee shall apply the net proceeds received or recovered towards satisfaction of the Parallel Debt. The Security Trustee shall distribute such net proceeds (after deduction of the amounts due and payable to the Savings Mortgage Participants and the BKW Mortgage Participant under each of the Savings Mortgage Sub-Participation Agreements and the BKW Mortgage Sub-Participation Agreement, respectively, which amounts will be paid in priority to all other amounts due and payable by the Issuer at that time under any of the other Transaction Documents at that time) to the Security Beneficiaries (other than the Savings Mortgage Participants and BKW Mortgage Participant). All amounts to be so distributed by the Security Trustee will be paid in accordance with the Post-Enforcement Priority of Payments (as set forth in *Credit Structure* above).

The security provided pursuant to the provisions of the Trust Deed and the Pledge Agreements shall

indirectly, through the Security Trustee, serve as security for the benefit of the Security Beneficiaries, including, without limitation, each of the Senior Class A Noteholders, the Mezzanine Class B Noteholders and the Subordinated Class C Noteholders, but amounts owing to the Mezzanine Class B Noteholders will rank junior to Senior Class A Noteholders and amounts owing to the Subordinated Class C Noteholders will rank junior to the Senior Class A Noteholders and the Mezzanine Class B Noteholders (see *Credit Structure* above).

THE SECURITY TRUSTEE

Stichting Security Trustee Sound II is a foundation (*stichting*) incorporated under the laws of the Netherlands on 31 August 2007. It has its corporate seat (*statutaire zetel*) in Amsterdam, the Netherlands and its registered office at Frederik Roeskestraat 123, 1076 EE Amsterdam, the Netherlands. The Security Trustee is registered with the Commercial Register of the Chamber of Commerce of Amsterdam under number 34282117.

The objects of the Security Trustee are (a) to act as agent and/or trustee of the Noteholders and certain other creditors of the Issuer; (b) to acquire security rights as agent and/or trustee and/or for itself; (c) to hold, administer and enforce the security rights mentioned under (b) for the benefit of the Noteholders and certain other creditors of the Issuer and to perform acts and legal acts (including the acceptance of a parallel debt obligation from, *inter alia*, the Issuer) which are or may be related, incidental or conducive to the holding of the above security rights; and (d) to perform any and all acts which are related, incidental or which may be conducive to the above.

The sole managing director of the Security Trustee is Amsterdamsch Trustee's Kantoor B.V., a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of the Netherlands and having its corporate seat (*statutaire zetel*) in Amsterdam, the Netherlands. The managing directors of Amsterdamsch Trustee's Kantoor B.V are D.P. Stolp and F.E.M. Kuijpers.

TERMS AND CONDITIONS OF THE NOTES

*If Notes are issued in definitive form (each such Note a "**Definitive Note**"), the terms and conditions will be as set out below. The Conditions will be endorsed on each Definitive Note if they are issued. While the Notes remain in global form, the same terms and conditions will govern the Notes, except to the extent that they are not appropriate for Notes in global form. See under The Global Notes below.*

The issue of the € 732,800,000 Senior Class A Mortgage-Backed Notes 2007 due 2045 (the "**Senior Class A Notes**"), the € 11,600,000 Mezzanine Class B Mortgage-Backed Notes 2007 due 2045 (the "**Mezzanine Class B Notes**") and the € 5,600,000 Subordinated Class C Mortgage-Backed Notes 2007 due 2045 (the "**Subordinated Class C Notes**" and, together with the Senior Class A Notes and the Mezzanine Class B Notes, the "**Notes**") was authorised by a resolution of the managing director of Sound II B.V. (the "**Issuer**") passed on 21 September 2007. The Notes will be issued on 26 September 2007 (or such later date as may be agreed between the Joint Lead Managers and the Issuer) (the "**Closing Date**") under a trust deed (the "**Trust Deed**") dated 24 September 2007 (the "**Signing Date**") between the Issuer, Stichting Sound Holding and Stichting Security Trustee Sound II (the "**Security Trustee**").

Under a paying agency agreement (the "**Paying Agency Agreement**") dated the Signing Date by and between the Issuer, the Security Trustee, NIBC Bank N.V., as paying agent (the "**Paying Agent**") and NIBC Bank N.V., as reference agent (the "**Reference Agent**" and, together with the Paying Agent, the "**Agents**") provision is made for, among other things, the payment of principal and interest in respect of the Notes.

The statements in these terms and conditions of the Notes (the "**Conditions**") include summaries of, and are subject to, the detailed provisions of (i) the Paying Agency Agreement, (ii) the Trust Deed, which will include the form of the Notes and the interest coupons appertaining to the Notes (the "**Coupons**"), the forms of the Temporary Global Notes and the Permanent Global Notes, (iii) a mortgage receivables purchase agreement (the "**Mortgage Receivables Purchase Agreement**") dated the Signing Date between HyplInvest B.V., Seyst Hypotheken B.V., Royal Residentie Hypotheken B.V., Capitalum Hypotheken B.V., Huizen Hypotheken B.V., Nieuwegein Hypotheken B.V., Zwaluw Hypotheken B.V., Estate Hypotheken B.V., ATRIOS Hypotheken B.V., Amstelstaete Hypotheken B.V., Quion I B.V., Quion III B.V., Quion 14 B.V., Quion 30 B.V., Nationale Hypotheek Maatschappij B.V. and IKS Hypotheken B.V., as sellers (each a "**Seller**" and collectively the "**Sellers**"), the Issuer and the Security Trustee, (iv) a servicing agreement (the "**Servicing Agreement**") dated the Signing Date between the Issuer, NIBC Bank N.V., as mpt provider (the "**MPT Provider**") and the Security Trustee, (iv) an administration agreement (the "**Issuer Administration Agreement**") dated the Signing Date between Issuer, NIBC Bank N.V., as administrator (the "**Issuer Administrator**") and the Security Trustee, (v) an Swap Agreement (the "**Swap Agreement**") dated the Signing Date between the Issuer, NIBC Bank N.V. (the "**Swap Counterparty**") and the Security Trustee, (vi) a

Mortgage Receivables Pledge Agreement dated the Signing Date between the Issuer and the Security Trustee, (vii) an Issuer Rights Pledge Agreement dated the Signing Date between, *inter alia*, the Issuer and the Security Trustee and (viii) a GIC Accounts Pledge Agreement dated the Signing Date between, *inter alia*, the Issuer and the Security Trustee (jointly with the three pledge agreements referred to under (vi), (vii) and (viii) above, the "**Pledge Agreements**" and the Pledge Agreements together with the Trust Deed, the "**Security Documents**") and together with certain other agreements, including all the aforementioned agreements and the Notes, the "**Transaction Documents**").

Certain words and expressions used below are defined in a master definitions agreement (the "**Master Definitions Agreement**") dated the Signing Date and signed by the Issuer, the Security Trustee, the Sellers and certain other parties. Such words and expressions shall, except where the context requires otherwise, have the same meanings in these Conditions. As used herein, "**Class**" means the Senior Class A Notes, the Mezzanine Class B Notes or the Subordinated Class C Notes, as the case may be.

Copies of the Mortgage Receivables Purchase Agreement, the Trust Deed, the Security Beneficiaries Agreement, the Paying Agency Agreement, the Servicing Agreement, the Pledge Agreements, the Master Definitions Agreement and certain other agreements are available for inspection free of charge by holders of the Notes at the specified office of the Paying Agent and the current office of the Security Trustee, being at the date hereof Fred. Roeskestraat 123, 1076 EE Amsterdam, the Netherlands. The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed, the Paying Agency Agreement, the Pledge Agreements and the Master Definitions Agreement.

1. Form, Denomination and Title

(a) Definitive Notes

The Notes will be in bearer form serially numbered with Coupons attached on issue in denominations of € 50,000 each. Under Dutch law, the valid transfer of Notes requires, *inter alia*, delivery (*levering*) thereof. The Issuer, the Security Trustee and the Paying Agent may, to the fullest extent permitted by law, treat the holder of any Note and of the Coupons appertaining thereto as its absolute owner for all purposes (whether or not payment under such Note or Coupon shall be overdue and notwithstanding any notice of ownership or writing thereon or any notice of previous loss or theft thereof) for any purposes, including payment, and no person shall be liable for so treating such holder. The signatures on the Notes will be in facsimile.

(b) Legend on Definitive Notes

The Definitive Notes and the Coupons will bear the following legend: "*Any United States Person (as defined in the Internal Revenue Code), who holds this obligation will be subject to the limitations under the United States income tax laws, including limitations provided in section 165(j) and 1287(a) of the Internal Revenue Code*". The sections referred to in the

legend provide that such a United States Person will not, with certain exceptions, be permitted to deduct any loss, and will not be eligible for favourable capital gains treatment with respect to any gain realised on a sale, exchange or redemption of a Definitive Note or Coupon.

2. Status, Relationship between the Notes and Security

(a) Status

The Notes of each Class are direct and unconditional obligations of the Issuer and rank *pari passu* and rateably without any preference or priority among Notes of the same Class.

In accordance with the provisions of Conditions 4, 6 and 9 and the Trust Deed (i) payments of principal and interest on the Mezzanine Class B Notes are subordinated to, *inter alia*, payments of principal and interest on the Senior Class A Notes, (ii) payments of principal and interest on the Subordinated Class C Notes are subordinated to, *inter alia*, payments of principal and interest on the Senior Class A Notes and the Mezzanine Class B Notes.

(b) Security

The Security Beneficiaries, including, *inter alia*, the Noteholders, benefit from the security for the obligations of the Issuer towards the Security Trustee (the "**Security**"), which will be created pursuant to, and on the terms set out in, the Trust Deed and the Pledge Agreements, which will create, *inter alia*, the following security rights:

- (i) a first ranking pledge by the Sellers to the Security Trustee over the Mortgage Receivables and the rights of the Sellers as beneficiary under the Insurance Policies (the "**Beneficiary Rights**") and all ancillary rights;
- (ii) a first ranking pledge by the Issuer to the Security Trustee over the Issuer's rights (a) against the Sellers under or in connection with the Mortgage Receivables Purchase Agreement; (b) against the Floating Rate GIC Provider under or in connection with the Floating Rate GIC; (c) against the MPT Provider under or in connection with the Servicing Agreement; (d) against the Swap Counterparty under or in connection with the Swap Agreement; (e) against the Liquidity Facility Provider under or in connection with the Liquidity Facility Agreement; (f) against the Savings Mortgage Participants under the Savings Mortgage Sub-Participation Agreements; (g) against the BKW Mortgage Participant under the BKW Mortgage Sub-Participation Agreement; and (h) against the Seller under or in connection with the Beneficiary Waiver Agreement;
- (iii) a first ranking pledge by the Issuer to the Security Trustee over the Issuer's claims in respect of the GIC Accounts.

The holders of the Notes will benefit from the Security. The Senior Class A Notes will rank in priority to the Mezzanine Class B Notes and the Subordinated Class C Notes and the Mezzanine Class B Notes will rank in priority to the Subordinated Class C Notes. The Trust Deed contains provisions requiring the Security Trustee to have regard to the interests of the Senior Class A Noteholders, the Mezzanine Class B Noteholders and the Subordinated Class C Noteholders) each as a Class as regards all powers, trust, authorities, duties and discretions of the Security Trustee (except where expressly provided otherwise, and the Security Trustee need not to have regard to the consequences of such exercise for individual Noteholders but is required in any such case to have regard only to the interests of the Senior Class A Noteholders if, in the Security Trustee's opinion, there is a conflict between the interests of the Senior Class A Noteholders on the one hand and the Mezzanine Class B Noteholders or the Subordinated Class C Noteholders on the other hand and, if no Senior Class A Notes are outstanding, to have regard only to the interests of the Mezzanine Class B Noteholders if, in the Security Trustee's opinion, there is a conflict between the interests of the Mezzanine Class B Noteholders on the one hand and the Subordinated Class C Noteholders on the other hand. In addition, the Security Trustee shall have regard to the interests of the other Security Beneficiaries, provided that, in the case of a conflict of interest between the Security Beneficiaries, the priority of payments set forth in the Trust Deed determines which interest of which Security Beneficiary prevails.

3. Covenants of the Issuer

So long as any of the Notes remain outstanding, the Issuer shall carry out its business in accordance with proper and prudent Dutch business practice and in accordance with the requirements of Dutch law and accounting practice and shall not, except to the extent permitted by the Transaction Documents, or with the prior written consent of the Security Trustee:

- (a) carry out any business other than as described in the Offering Circular dated 24 September 2007 relating to the issue of the Notes and as contemplated in the Transaction Documents;
- (b) incur or permit to subsist any indebtedness in respect of borrowed money whatsoever or give any guarantee or indemnity in respect of any indebtedness, except as contemplated in the Transaction Documents;
- (c) create, promise to create or permit to subsist any mortgage, charge, pledge, lien or other security interest whatsoever over any of its assets, or use, invest, sell, transfer or otherwise dispose of any part of its assets, except as contemplated in the Transaction Documents;
- (d) consolidate or merge with any other person or convey or transfer its assets substantially or as an entirety to one or more persons;
- (e) permit the validity or effectiveness of the Trust Deed or the Pledge Agreements, and the

priority of the security created thereby or pursuant thereto to be amended, terminated, postponed or discharged, or permit any person whose obligations form part of such security rights to be released from such obligations except as contemplated in the Transaction Documents;

- (f) have any employees or premises or have any subsidiary undertaking;
- (g) have an interest in any bank account other than the GIC Accounts and an account into which collateral under the Swap Agreement is transferred, unless all rights in relation to such account (other than the account into which collateral under the Swap Agreement is transferred) have been pledged to the Security Trustee as provided in Condition 2(b)(iii);
- (h) amend, supplement or otherwise modify its articles of association or other constitutive documents;
- (i) pay any dividend or make any other distribution to its shareholder(s) or issue any further shares; or
- (j) engage in any activity whatsoever which is not incidental to or necessary in connection with any of the activities which the Transaction Documents provide or envisage that the Issuer will engage in.

4. Interest

(a) *Period of Accrual*

The Notes shall bear interest on their Principal Amount Outstanding (as defined in Condition 6) from and including the Closing Date. Each Note (or, in the case of the redemption of only part of a Note, that part only of such Note) shall cease to bear interest from its due date for redemption unless, upon due presentation, payment of the relevant amount of principal or any part thereof is improperly withheld or refused. In such event, interest will continue to accrue thereon (before and after any judgement) at the rate applicable to such Note up to but excluding the date on which, on presentation of such Note, payment in full of the relevant amount of principal is made or (if earlier) the seventh day after notice is duly given by the Paying Agent to the holder thereof (in accordance with Condition 13) that upon presentation thereof, such payments will be made, provided that upon such presentation payment is in fact made. Whenever it is necessary to compute an amount of interest in respect of any Note for any period, such interest shall be calculated on the basis of the actual number of days elapsed in the Quarterly Interest Period divided by 360 days.

(b) *Interest Periods and Payment Dates*

Interest on the Notes shall be payable by reference to successive interest periods (each a

"Quarterly Interest Period") and will be payable in arrear in euro in respect of the Principal Amount Outstanding (as defined in Condition 6) of the Notes, respectively, on the 2nd day of March, June, September and December of each year, or if such day is not a Business Day (as defined below), the next succeeding Business Day, unless such Business Day falls in the next succeeding calendar month in which event the Business Day immediately preceding such 2nd day is the relevant Business Day (each such day being a **"Quarterly Payment Date"**). A **"Business Day"** means a day on which banks are open for business in Amsterdam and London, provided that such day is also a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer System (the **"TARGET System"**) or any successor thereto is operating credit or transfer instructions in respect of payments in euro. Each successive Quarterly Interest Period will commence on (and include) a Quarterly Payment Date and end on (but exclude) the next succeeding Quarterly Payment Date, except for the first Quarterly Interest Period which will commence on (and include) the Closing Date and end on (but exclude) the Quarterly Payment Date falling in March 2008.

Interest on the Notes

Except for the first Quarterly Interest Period whereby interest will accrue from (and including) the Closing Date until but excluding the first Quarterly Payment Date at an annual rate equal to the linear interpolation between the Euro Interbank Offered Rate (**"Euribor"**) for five-months deposits in euro and the Euribor for six-months deposits in euro (determined in accordance with Condition 4) plus the margin as set out below, interest on the Notes for each Quarterly Interest Period up to (but excluding) the First Optional Redemption Date will accrue from the first Quarterly Payment Date at an annual rate equal to Euribor for three-months deposits in euro, plus:

- (i) for the Senior Class A Notes, a margin of 0.05 per cent. per annum;
- (ii) for the Mezzanine Class B Notes, a margin of 0.45 per cent. per annum; and
- (iii) for the Subordinated Class C Notes a margin of 12.00 per cent. per annum.

(c) *Interest following the First Optional Redemption Date*

If on the First Optional Redemption Date (as defined in Condition 6) the Notes of any Class have not been redeemed in full, the margin on each Class of Notes will increase. The rate of interest applicable to the Notes will then be equal to the sum of Euribor for three-months deposits in euro, payable by reference to Quarterly Interest Periods on each Quarterly Payment Date, plus:

- (i) for the Senior Class A Notes, a margin of 0.15 per cent. per annum;
- (ii) for the Mezzanine Class B Notes, a margin of 0.90 per cent. per annum; and
- (iii) for the Subordinated Class C Notes, a margin of 12.00 per cent. per annum.

(d) *Euribor*

For the purposes of Conditions 4(b) and (c) Euribor will be determined as follows:

- (i) The Reference Agent will obtain for each Quarterly Interest Period the rate equal to Euribor for three-months deposits in euro. The Reference Agent shall use the Euribor rate as determined and published jointly by the European Banking Federation and ACI - The Financial Market Association and which appears for information purposes on the Telerate Page 248 (or, if not available, any other display page on any screen service maintained by any registered information vendor (including, without limitation, the Reuter Monitor Money Rate Service, the Dow Jones Telerate Service and the Bloomberg Service) for the display of the Euribor rate selected by the Reference Agent) at or about 11:00 a.m. (Central European time) on the day that is two (2) Business Days preceding the first day of each Quarterly Interest Period (each an **"Interest Determination Date"**).
- (ii) If, on the relevant Interest Determination Date, such Euribor rate is not determined and published jointly by the European Banking Association and ACI - The Financial Market Association, or if it is not otherwise reasonably practicable to calculate the rate under (i) above, the Reference Agent will:
 - (A) request the principal euro-zone office of each of four (4) major banks in the euro-zone interbank market to provide a quotation for the rate at which three-months euro deposits are offered by it in the euro-zone interbank market at approximately 11.00 a.m. (Central European time) on the relevant Interest Determination Date to prime banks in the euro-zone interbank market in an amount that is representative for a single transaction at that time; and
 - (B) determine the arithmetic mean (rounded, if necessary, to the fifth decimal place with 0.000005 being rounded upwards) of such quotations as are provided; and
- (iii) if fewer than two (2) such quotations are provided as requested, the Reference Agent will determine the arithmetic mean (rounded, if necessary to the fifth decimal place with 0.000005 being rounded upwards) of the rates quoted by major banks, of which there shall be at least two in number, in the euro-zone, selected by the Reference Agent, at approximately 11.00 a.m. (Central European time) on the relevant Interest Determination Date for three-months deposits to leading euro-zone banks in an amount that is representative for a single transaction in that market at that time,

and Euribor for such Quarterly Interest Period shall be the rate per annum equal to the Euribor for euro deposits as determined in accordance with this paragraph (d), provided that if the Reference Agent is unable to determine Euribor in accordance with the above

provisions in relation to any Quarterly Interest Period, Euribor applicable during such Quarterly Interest Period will be Euribor last determined in relation thereto.

(e) *Determination of Floating Rate of Interest and Calculation of the Floating Interest Amount*

The Reference Agent will, as soon as practicable after 11.00 a.m. (Central European Time) on each relevant Interest Determination Date, determine the floating rates of interest referred to in paragraphs (b) and (c) above for each relevant Class of Notes (the "**Floating Rate of Interest**") and calculate the amount of interest payable on this Class of Notes for the following Quarterly Interest Period (the "**Floating Interest Amount**") by applying the relevant Floating Rate of Interest to the Principal Amount Outstanding of the relevant Class of Notes. The determination of the relevant Floating Rate of Interest and the Floating Interest Amount by the Reference Agent shall (in the absence of manifest error) be final and binding on all parties.

(f) *Notification of the Floating Rate of Interest and the Floating Interest Amount*

The Reference Agent will cause the relevant Floating Rate of Interest and the relevant Floating Interest Amount and the Quarterly Payment Date applicable to each relevant Class of Notes to be notified to the Issuer, the Security Trustee, the Paying Agent, the Issuer Administrator, Euronext Amsterdam N.V. ("**Euronext Amsterdam**") and to the holders of such Class of Notes by an advertisement in the English language in the Daily Official List (*Officiële Prijscourant*) of Euronext Amsterdam to the extent required. The Floating Interest Amount and Quarterly Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Quarterly Interest Period.

(g) *Determination or Calculation by Security Trustee*

If the Reference Agent at any time for any reason does not determine the relevant Floating Rate of Interest or fails to calculate the relevant Floating Interest Amount in accordance with paragraph (e) above, the Security Trustee shall determine the relevant Floating Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the procedure described in paragraph (e) above), it shall deem fair and reasonable under the circumstances or, as the case may be, the Security Trustee shall calculate the Floating Interest Amount in accordance with paragraph (e) above, and each such determination or calculation shall be final and binding on all parties.

(h) *Reference Agent*

The Issuer will procure that, as long as any of the Notes remains outstanding, there will at all times be a Reference Agent. The Issuer has, subject to obtaining the prior written consent of the Security Trustee, the right to terminate the appointment of the Reference Agent by giving at least ninety (90) days' notice in writing to that effect. Notice of any such termination will be given to the holders of the relevant Class of Notes in accordance with

Condition 13. If any person shall be unable or unwilling to continue to act as the Reference Agent (as the case may be) or if the appointment of the Reference Agent shall be terminated, the Issuer will, with the prior written consent of the Security Trustee, appoint a successor Reference Agent (as the case may be) to act in its place, provided that neither the resignation nor removal of the Reference Agent shall take effect until a successor approved in writing by the Security Trustee has been appointed.

5. Payment

(a) Global Notes

For so long as the Notes are represented by a Global Note, payments of principal and interest will be made in euro to Euroclear and Clearstream, Luxembourg, as the case may be, for the credit of the respective accounts of the Noteholders.

(b) Definitive Notes

- (i) Payment of principal and interest in respect of Definitive Notes will be made upon presentation of the Definitive Note and against surrender of the relevant Coupon appertaining thereto at any specified office of the Paying Agent in cash or by transfer to a euro account maintained by the payee with a bank in the Netherlands, as the holder may specify. All such payments are subject to any fiscal or other laws and regulations applicable in the place of payment.
- (ii) On the Final Maturity Date (as defined in Condition 6), or such earlier date on which the Notes become due and payable, the Definitive Notes should be presented for payment together with all unmatured Coupons appertaining thereto, failing which the full amount of any such missing unmatured Coupons (or, in the case of payment not being made in full, that proportion of the full amount of such missing unmatured Coupons which the sum of principal so paid bears to the total amount of principal due) will be deducted from the sum due for payment. Each amount so deducted will be paid in the manner mentioned above against surrender of the relevant missing Coupon at any time before the expiry of five (5) years following the due date for payment of such principal (whether or not such Coupons would have become unenforceable pursuant to Condition 8).
- (iii) If the relevant Quarterly Payment Date is not a day on which banks are open for business in the place of presentation of the relevant Note or Coupon ("**Local Business Day**"), the holder thereof shall not be entitled to payment until the next following Local Business Day, or to any interest or other payment in respect of such delay, provided that in the case of payment by transfer to a euro account as referred to above, the Paying Agent shall not be obliged to credit such account until the Local Business Day immediately following the day on which banks are open for business in the

Netherlands and the United Kingdom. The names of the Paying Agent and details of their offices are set out below.

- (iv) The Issuer reserves the right at any time to vary or terminate the appointment of the Paying Agent and to appoint additional or other paying agent provided that no paying agent located in the United States of America will be appointed and that the Issuer will at all times maintain a paying agent having a specified office in the European Union which, for as long as the Notes (other than the Subordinated Class C Notes) are listed on Eurolist by Euronext Amsterdam, shall be located in the Netherlands, and provided further that the Issuer will maintain a paying agent in an EU Member State that will not be obliged to withhold or deduct any tax pursuant to the EU Council Directive 2003/48/EC. Notice of any termination or appointment of a Paying Agent and of any changes in the specified offices of the Paying Agent will be given to the Noteholders in accordance with Condition 13.

6. Redemption

(a) Definitions

For the purposes of these Conditions the following terms shall have the following meanings:

The "**Principal Amount Outstanding**" on any Notes Calculation Date of any Note shall be the principal amount of that Note upon issue *less* (i) the aggregate amount of all Principal Redemption Amounts (as defined in Condition 6(c) below) in respect of that Note that have become due and payable prior to such Notes Calculation Date and (ii) the aggregate of all amounts by which the principal amount of that Note is reduced as a result of the allocation of any Realised Losses (as set forth in Condition 9(a) below).

"**Notes Principal Available Amounts**" shall mean, on any Notes Calculation Date, the sum of the following amounts calculated as being received by the Issuer during the Notes Calculation Period immediately preceding such Notes Calculation Date:

- (i) repayment and prepayment in full of principal under the Mortgage Receivables, from any person, whether by set-off or otherwise, but, for the avoidance of doubt, excluding prepayment penalties, if any, *less*, (i) with respect to each Savings Mortgage Receivable, the Savings Participation in such Savings Mortgage Receivable and (ii) with respect to each BKW Mortgage Receivable, an amount equal to the principal amount received up to a maximum of the principal amount outstanding under the relevant BKW Mortgage Loan;
- (ii) Net Proceeds in respect of any Mortgage Receivables, to the extent such proceeds relate to principal, *less*, (i) with respect to each Savings Mortgage Receivable, the

Savings Participation in such Savings Mortgage Receivable and (ii) with respect to each BKW Mortgage Receivable, an amount equal to the proceeds received up to a maximum of the principal amount outstanding under the relevant BKW Mortgage Loan;

- (iii) amounts received in connection with a repurchase or sale of Mortgage Receivables pursuant to the Mortgage Receivables Purchase Agreement or the Trust Deed, as the case may be, or any other amounts received pursuant to the Mortgage Receivables Purchase Agreement to the extent such amounts relate to principal, less, (i) with respect to each Savings Mortgage Receivable and each Switch Mortgage Receivable (other than a Savings Mortgage Receivable or Switch Mortgage Receivable in respect of which Savings Parts have been assigned to the Issuer pursuant to a Savings Mortgage Sub-Participation Agreement), the Savings Participation in such Savings Mortgage Receivable or Switch Mortgage Receivable and (ii) with respect to each BKW Mortgage Receivable, an amount equal to the amounts received up to a maximum of the principal amount outstanding under the relevant BKW Mortgage Loan;
- (iv) Participation Increase pursuant to each of the relevant Savings Mortgage Sub-Participation Agreements;
- (v) partial prepayment in respect of Mortgage Receivables, excluding prepayment penalties, if any;
- (vi) as amounts no longer payable to the Sellers or the Borrowers which were standing to the credit of the Construction Deposit Account in accordance with the Mortgage Receivables Purchase Agreement; and
- (vii) any part of the Notes Principal Available Amounts calculated on the immediately preceding Notes Calculation Date which has not been applied towards satisfaction of the items set forth in the Principal Priority of Payments on the immediately preceding Quarterly Payment Date.

"Net Proceeds", shall, in relation to a Mortgage Receivable, mean (i) the proceeds of a foreclosure on the relevant Mortgage Rights, (ii) the proceeds of foreclosure on any other collateral securing the relevant Mortgage Receivable, (iii) the proceeds, if any, of collection of any Insurance Policies or other insurance policies in connection with the relevant Mortgage Receivable, including but not limited to fire insurance, (iv) the proceeds of any guarantees or sureties, including any NHG Guarantee or a guarantee granted by a municipality, and (v) the proceeds of foreclosure on any other assets of the relevant debtor, after deduction of foreclosure costs in respect of such Mortgage Receivable. The term "foreclosure" shall include any lawful manner of generating proceeds from collateral, whether by public auction, by private sale or otherwise.

"Notes Calculation Date" means, in relation to a Quarterly Payment Date, the third Business Day prior to such Quarterly Payment Date.

"Notes Calculation Period" means, in relation to a Notes Calculation Date, the three (3) successive Portfolio Calculation Periods immediately preceding such Notes Calculation Date;

"Portfolio Calculation Period" means the period commencing on (and including) the first day of each calendar month and ending on (but excluding) the first day of the next succeeding calendar month.

"Realised Losses" means, on any Notes Calculation Date, the sum of (a) the aggregate outstanding principal amount of all Mortgage Receivables, excluding the Savings Participations and BKW Participations therein, on which any of the Sellers, the MPT Provider, the Issuer or the Security Trustee has foreclosed from the Closing Date up to and including such Notes Calculation Date *minus* the Net Proceeds in respect of such Mortgage Receivables (less the aggregate amount of any Savings Participations and BKW Participations therein) applied to reduce the outstanding principal amount of such Mortgage Receivables and (b) with respect to Mortgage Receivables (or any part thereof) sold by the Issuer pursuant to the Mortgage Receivables Purchase Agreement or the Trust Deed, the amount of the aggregate outstanding principal amount of all such Mortgage Receivables (less the aggregate amount of any Savings Participations (other than the Savings Participations in Savings Mortgage Receivables or Switch Mortgage Receivables in respect of which Savings Parts have been assigned to the Issuer pursuant to a Savings Mortgage Sub-Participation Agreement) and BKW Participations therein) *minus* the purchase price received, or to be received on the relevant Quarterly Payment Date, in respect of such Mortgage Receivables to the extent relating to principal (less the aggregate amount of any Savings Participations (other than the Savings Participations in Savings Mortgage Receivables or Switch Mortgage Receivables in respect of which Savings Parts have been assigned to the Issuer pursuant to a Savings Mortgage Sub-Participation Agreement) and BKW Participations therein).

(b) Final Redemption

Unless previously redeemed as provided below, the Issuer will redeem the Notes at their Principal Amount Outstanding plus accrued but unpaid interest thereon on the Quarterly Payment Date falling in March 2045 (such date in respect of the relevant Notes, the **"Final Maturity Date"**).

(c) Redemption prior to delivery of an Enforcement Notice

Provided that no Enforcement Notice has been served in accordance with Condition 10, the

Issuer shall on each Quarterly Payment Date apply the Notes Principal Available Amounts (as defined above), subject to the possible application thereof for payment of the purchase price, for Substitute Mortgage Receivables (if any) and, up to the Replacement Available Amount, for Replacement Receivables (if any), subject to and in accordance with the Conditions and the applicable priority of payments, towards redemption, at their respective Principal Amount Outstanding, of (i) *firstly*, the Senior Class A Notes, until fully redeemed, (ii) *secondly*, the Mezzanine Class B Notes, until fully redeemed and (iii) *thirdly*, the Subordinated Class C Notes, until fully redeemed.

The principal amount so redeemable in respect of each Note (each a "**Principal Redemption Amount**") on the relevant Quarterly Payment Date shall be the Notes Principal Available Amounts on the Notes Calculation Date (as defined above) relating to that Quarterly Payment Date (less the amounts applied towards payment of the purchase price for any Substitute Mortgage Receivables) divided by the number of Notes of the relevant Class subject to such redemption (rounded down to the nearest euro), provided always that the Principal Redemption Amount may never exceed the Principal Amount Outstanding of the relevant Note. Following application of the Principal Redemption Amount to redeem a Note, the Principal Amount Outstanding of such Note shall be reduced accordingly.

(d) *Determination of Principal Redemption Amount and Principal Amount Outstanding:*

- (i) On each Notes Calculation Date, the Issuer shall determine (or cause the Issuer Administrator to determine) (a) the Principal Redemption Amount and (b) the Principal Amount Outstanding of the relevant Note on the first day following the relevant Quarterly Payment Date. Each determination by or on behalf of the Issuer of any Principal Redemption Amount or the Principal Amount Outstanding of a Note shall in each case (in the absence of manifest error) be final and binding on all persons.
- (ii) The Issuer will cause each determination of a Principal Redemption Amount and Principal Amount Outstanding of Notes to be notified forthwith to the Security Trustee, the Paying Agent, the Reference Agent, Euroclear, Clearstream, Luxembourg, Euronext Amsterdam and to the holders of Notes by an advertisement in the English language in the Daily Official List (*Officiële Prijscourant*) of Euronext Amsterdam to the extent required. If no Principal Redemption Amount is due to be made on the Notes on any applicable Quarterly Payment Date a notice to this effect will be given to the Noteholders in accordance with Condition 13.
- (iii) If the Issuer does not at any time for any reason determine (or cause the Issuer Administrator to determine) the Principal Redemption Amount or the Principal Amount Outstanding of a Note, such Principal Redemption Amount or such Principal Amount Outstanding shall be determined by the Security Trustee in accordance with this

paragraph (d) and paragraph (c) above (but based upon the information in its possession as to the Notes Principal Available Amounts each such determination or calculation shall be deemed to have been made by the Issuer).

(e) Optional redemption

The Issuer may, at its option, on giving not more than sixty (60) nor less than thirty (30) days written notice to the Security Trustee and the Noteholders in accordance with Condition 13, on the Quarterly Payment Date falling in September 2014 (the "**First Optional Redemption Date**") and on each Quarterly Payment Date thereafter (each an "**Optional Redemption Date**") redeem all (but not only part of) the Notes at their Principal Amount Outstanding plus accrued but unpaid interest thereon after payment of the amounts to be paid in priority to the Notes.

(f) Redemption following clean-up call

The Sellers, acting jointly, have the option to repurchase and accept re-assignment of all (but not only part of) the Mortgage Receivables on any Quarterly Payment Date immediately succeeding the Notes Calculation Date on which the principal amount due on the Mortgage Receivables then outstanding is less than 10 per cent. of the principal amount of the Mortgage Receivables on the Closing Date (the "**Sellers Clean-up Call Option**"). Upon the exercise by the Sellers of the Sellers Clean-up Call Option the Issuer shall redeem all (but not only part of) the Notes at their Principal Amount Outstanding plus accrued but unpaid interest thereon after payment of the amounts to be paid in priority to the Notes.

(g) Redemption following regulatory call

The Notes shall be redeemed by the Issuer, in whole, but not in part, at their Principal Amount Outstanding plus accrued but unpaid interest thereon, after payment of the amounts to be paid in priority to the Notes, on any Quarterly Payment Date, by giving not more than sixty (60) nor less than thirty (30) days written notice to the Security Trustee and the Noteholders in accordance with Condition 13, if the Sellers, acting jointly, exercise their option (the "**Regulatory Call Option**") to repurchase the Mortgage Receivables (excluding the Savings Parts, if any) upon the occurrence of a change in the Basle Capital Accord promulgated by the Basle Committee on Banking Supervision (the "**Basle Accord**") or in the international, European or Dutch regulations, rules and instructions (which includes the solvency regulation on securitization of the Dutch Central Bank) (the "**Bank Regulations**") applicable to NIBC Bank N.V. (including any change in the Bank Regulations enacted for purposes of implementing a change to the Basle Accord) or a change in the manner in which the Basle Accord or such Bank Regulations are interpreted or applied by the Basle Committee on Banking Supervision or by any relevant competent international, European or national body (including any relevant international, European or Dutch Central Bank or other competent regulatory or supervisory authority) which, in the opinion of NIBC Bank N.V., has the effect of adversely affecting the rate of return on capital of NIBC Bank N.V. or increasing

the costs or reducing the benefit to NIBC Bank N.V. with respect to the transaction contemplated by the Transaction Documents (a "**Regulatory Change**").

(h) Redemption for tax reasons

The Issuer may (but is not obliged to) redeem all of the Notes, in whole but not in part, at their Principal Amount Outstanding plus accrued but unpaid interest thereon up to and including the date of redemption, subject to and in accordance with the Conditions, if (a) the Issuer or the Paying Agent has become or would become obligated to make any withholding or deduction from payments in respect of any of the Notes (although the Issuer will not have any obligation to pay additional amounts in respect of any such withholding or deduction) and/or (b) the Issuer has become or would become subject to any limitation of the deductibility of interest on any of the Notes as a result of (i) a change in any laws, rules or regulations or in the interpretation or administration thereof, or (ii) any act taken by any taxing authority on or after the issue date of the Notes. No redemption pursuant to sub-clause (ii) may be made unless the Issuer receives an opinion of independent counsel that there is a probability that the act taken by the taxing authority leads to one of the events mentioned at (a) or (b). No Class of Notes may be redeemed under such circumstances unless the other Classes of Notes (or such of them as are then outstanding) are also redeemed in full at their respective Principal Amount Outstanding at the same time.

7. Taxation

All payments of, or in respect of, principal and interest on the Notes will be made without withholding of, or deduction for or on account of, any present or future taxes, duties, assessments or charges of whatsoever nature imposed or levied by or on behalf of the Netherlands, any authority therein or thereof having power to tax unless the withholding or deduction of such taxes, duties, assessments or charges is required by law. In that event, the Issuer will make the required withholding or deduction of such taxes, duties, assessments or charges for the account of the Noteholders, as the case may be, and shall not be obliged to pay any additional amounts to such Noteholders.

8. Prescription

Claims against the Issuer for payment in respect of the Notes and Coupons shall become prescribed unless made within five (5) years from the date on which such payment first becomes due.

9. Allocation of Realised Losses and Subordination

(a) Allocation of Realised Losses

On each Quarterly Payment Date the Principal Amount Outstanding of the Notes will be reduced with an amount equal to the aggregate Realised Losses, if any, calculated with respect to any of the Portfolio Mortgage Loans on the Notes Calculation Date immediately

preceding such Quarterly Payment Date divided by the number of Notes outstanding on such Notes Calculation Date, provided that the amount of such reduction may never exceed the Principal Amount Outstanding of the relevant Note, in the following order: (i) *firstly*, the Subordinated Class C Notes, until reduced to zero, (ii) *secondly*, the Mezzanine Class B Notes, until reduced to zero and (iii) *thirdly*, the Senior Class A Notes, until reduced to zero.

(b) *Interest*

Interest on the Mezzanine Class B Notes and the Subordinated Class C Notes shall be payable in accordance with the provisions of Conditions 4 and 5, subject to the terms of this Condition and subject to the provisions of the Trust Deed.

In the event that on any Notes Calculation Date the Issuer has insufficient funds available to it to satisfy in full its obligations in respect of amounts of interest due on the Notes on the next Quarterly Payment Date, the amount available (if any) shall firstly be applied to pay amounts of interest and costs ranking higher in priority in accordance with the applicable priority of payments set forth in the Trust Deed, including, pro rata, the amount of the interest due on such Quarterly Payment Date to the holders of the Senior Class A Notes. Any remaining amounts shall firstly be used to pay, pro rata, the interest due on the applicable Quarterly Payment Date to the holders of the Mezzanine Class B Notes and thereafter, pro rata, the interest due on such date, to the holders of the Subordinated Class C Notes.

(c) *Principal*

Until the date on which the Principal Amount Outstanding of all Senior Class A Notes is reduced to zero, the holders of the Mezzanine Class B Notes will not be entitled to any repayment of principal in respect of the Mezzanine Class B Notes. As from that date the Principal Amount Outstanding of the Mezzanine Class B Notes will be redeemed in accordance with the provisions of Condition 6. The Mezzanine Class B Noteholders shall have no further claim against the Issuer for the Principal Amount Outstanding on the Mezzanine Class B Notes after the earlier of (i) the Final Maturity Date and (ii) the date on which the Issuer no longer holds any Mortgage Receivables and there are no balances standing to the credit of the GIC Accounts.

Until the date on which the Principal Amount Outstanding of the Senior Class A Notes is reduced to zero and the Principal Amount Outstanding of the Mezzanine Class B Notes is reduced to zero, the Subordinated Class C Noteholders will not be entitled to any repayment of principal in respect of the Subordinated Class C Notes. As from that date the Principal Amount Outstanding of the Subordinated Class C Notes will be redeemed in accordance with the provisions of Condition 6. The Subordinated Class C Noteholders shall have no further claim against the Issuer for the Principal Amount Outstanding on the Subordinated Class C Notes after the earlier of (i) the Final Maturity Date and (ii) the date on which the

Issuer no longer holds any Mortgage Receivables and there are no balances standing to the credit of the GIC Accounts.

(d) *General*

In the event that the Security in respect of the Notes and the Coupons appertaining thereto has been fully enforced and the proceeds of such enforcement, after payment of all other claims ranking under the Trust Deed in priority to the Subordinated Class C Notes or, as the case may be, the Mezzanine Class B Notes, are insufficient to pay in full all principal and interest and other amounts whatsoever due in respect of the Subordinated Class C Notes or, as the case may be, the Mezzanine Class B Notes, the Subordinated Class C Noteholders or, as the case may be, the Mezzanine Class B Noteholders shall have no further claim against the Issuer or the Security Trustee in respect of any such unpaid amounts.

10. Events of Default

The Security Trustee at its discretion may or, if so directed by an Extraordinary Resolution of the Senior Class A Noteholders or if no Senior Class A Notes are outstanding, by an Extraordinary Resolution of the Mezzanine Class B Noteholders or, if no Senior Class A Notes and Mezzanine Class B Notes are outstanding, by an Extraordinary Resolution of the Subordinated Class C Noteholders (subject, in each case, to being indemnified to its satisfaction) (in each case, the "**Relevant Class**") shall (but in the case of the occurrence of any of the events mentioned in subparagraph (a) up to and including (f) below, only if the Security Trustee shall have certified in writing to the Issuer that such an event is, in its opinion, materially prejudicial to the Noteholders of the Relevant Class) give notice (an "**Enforcement Notice**") to the Issuer that the Notes are, and each Note shall become, immediately due and payable at their or its Principal Amount Outstanding, together with accrued interest, if any of the following shall occur:

- (a) the Issuer is in default for a period of fifteen (15) days or more in the payment on the due date of any amount due in respect of the Notes of the Relevant Class; or
- (b) the Issuer fails to perform any of its other obligations binding on it under the Notes of the Relevant Class, the Trust Deed, the Paying Agency Agreement or the Pledge Agreements and, except where such failure, in the reasonable opinion of the Security Trustee, is incapable of remedy, such default continues for a period of thirty (30) days after written notice by the Security Trustee to the Issuer requiring the same to be remedied; or
- (c) if a conservatory attachment (*conservatoir beslag*) or an executory attachment (*executoriaal beslag*) on any major part of the Issuer's assets is made and not discharged or released within a period of thirty (30) days; or
- (d) if any order shall be made by any competent court or other authority or a resolution passed

for the dissolution or winding-up of the Issuer or for the appointment of a liquidator or receiver of the Issuer in respect of all or substantially all of its assets; or

- (e) the Issuer makes an assignment for the benefit of, or enters into any general assignment (*akkoord*) with, its creditors; or
- (f) the Issuer files a petition for a suspension of payments (*surseance van betaling*) or for bankruptcy (*faillissement*) or is declared bankrupt or becomes subject to any other regulation having a similar effect.

provided, however, that, if Senior Class A Notes are outstanding, no Enforcement Notice may or shall be given by the Security Trustee to the Issuer in respect of the Mezzanine Class B Notes, or the Subordinated Class C Notes, irrespective of whether an Extraordinary Resolution is passed by the Mezzanine Class B Noteholders or the Subordinated Class C Noteholders, unless an Enforcement Notice in respect of the Senior Class A Notes has been given by the Security Trustee. In exercising its discretion as to whether or not to give an Enforcement Notice to the Issuer in respect of the Senior Class A Notes, the Security Trustee shall not be required to have regard to the interests of the Mezzanine Class B Noteholders or the Subordinated Class C Noteholders.

11. Enforcement

(a) Enforcement

At any time after the Notes of any Class become due and payable, the Security Trustee may, at its discretion and without further notice, take such steps and/or institute such proceedings as it may think fit to enforce the Security pursuant to the terms of the Trust Deed and the Pledge Agreements, including the making of a demand for payment thereunder, but it need not take any such proceedings unless (i) it shall have been directed by an Extraordinary Resolution of the Senior Class A Noteholders or, if all amounts due in respect of the Senior Class A Notes have been fully paid, the Mezzanine Class B Noteholders or, if all amounts due in respect of the Senior Class A Notes and the Mezzanine Class B Notes have been fully paid, the Subordinated Class C Noteholders and (ii) it shall have been indemnified to its satisfaction. The Security Trustee will enforce the Security pursuant to the terms of the Trust Deed and the Pledge Agreements for the benefit of all Security Beneficiaries, including, but not limited to, the Noteholders, and will apply the net proceeds received or recovered towards satisfaction of the Parallel Debt. The Security Trustee shall distribute such net proceeds (after deduction of the amounts due and payable to the Savings Mortgage Participants and the BKW Mortgage Participant) to the Security Beneficiaries (other than the Savings Mortgage Participants and the BKW Mortgage Participant) in accordance with the Post-Enforcement Priority of Payments set forth in the Trust Deed.

(b) *No Action against Issuer by Noteholders*

No Noteholder may proceed directly against the Issuer unless the Security Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

(c) *Undertaking Noteholders and Security Trustee*

The Noteholders and the Security Trustee may not institute against, or join any person in instituting against, the Issuer any bankruptcy, winding-up, reorganisation, arrangement, insolvency or liquidation proceeding until the expiry of a period of at least one (1) year after the last maturing Note is paid in full.

(d) *Limitation of Recourse*

The Noteholders accept and agree that the only remedy of the Security Trustee against the Issuer after any of the Notes have become due and payable pursuant to Condition 10 above is to enforce the Security.

12. Indemnification of the Security Trustee

The Trust Deed contains provisions for the indemnification of the Security Trustee and for its relief from responsibility. The Security Trustee is entitled to enter into commercial transactions with the Issuer and/or any other party to the Transactions without accounting for any profit resulting from such transaction.

13. Notices

With the exception of the publications of the Reference Agent in Condition 4 and of the Issuer in Condition 6, all notices to the Noteholders will only be valid if published in at least one daily newspaper of wide circulation in the Netherlands, or, if all such newspapers shall cease to be published or timely publication therein shall not be practicable, in such newspaper as the Security Trustee shall approve having a general circulation in Europe and, as long as the Notes (other than the Subordinated Class C Notes) are listed on Eurolist by Euronext Amsterdam, in the English language in the Daily Official List (*Officiële Prijscourant*) of Euronext Amsterdam to the extent required. Any such notice shall be deemed to have been given on the first date of such publication.

14. Meetings of Noteholders; Modification; Consents; Waiver

(a) *Meeting of Noteholders*

The Trust Deed contains provisions for convening meetings of the Senior Class A Noteholders, the Mezzanine Class B Noteholders and the Subordinated Class C Noteholders to consider matters affecting the interests, including the sanctioning by Extraordinary Resolution, of such Noteholders of the relevant Class of a change of any of

these Conditions or any provisions of the Transaction Documents, provided that no change of certain terms by the Noteholders of any Class including the date of maturity of the Notes of the relevant Class, or a change which would have the effect of postponing any day for payment of interest in respect of such Notes, reducing or cancelling the amount of principal payable in respect of such Class of Notes or altering the majority required to pass an Extraordinary Resolution or any alteration of the date or priority of redemption of such Notes (any such change in respect of any such class of Notes referred to below as a "**Basic Terms Change**") shall be effective except that, if the Security Trustee is of the opinion that such a Basic Terms Change is being proposed by the Issuer as a result of, or in order to avoid, an Event of Default, such Basic Terms Change may be sanctioned by an Extraordinary Resolution of the Noteholders of the relevant Class of Notes as described below.

A meeting as referred to above may be convened by the Issuer or by Noteholders of any Class holding not less than 10 per cent. in Principal Amount Outstanding of the Notes of such Class. The quorum for any meeting convened to consider an Extraordinary Resolution for any Class of Notes will be two-thirds of the Principal Amount Outstanding of the Notes of the relevant Class, as the case may be, and at such a meeting an Extraordinary Resolution shall be adopted with not less than a two-third majority of the validly cast votes, except that the quorum required for an Extraordinary Resolution including the sanctioning of a Basic Terms Change shall be at least 75 per cent. of the amount of the Principal Amount Outstanding of the Notes of the relevant Class and the majority required shall be at least 75 per cent. of the validly cast votes in respect of that Extraordinary Resolution. If at such meeting the aforesaid quorum is not represented, a second meeting of Noteholders will be held within one month, with due observance of the same formalities for convening the meeting which governed the convening of the first meeting; at such second meeting an Extraordinary Resolution including a sanctioning of a Basic Terms Change can be adopted with a majority of 51 per cent. of the validly cast votes, regardless of the Principal Amount Outstanding of the Notes of the relevant Class then represented, except if the Extraordinary Resolution relates to the appointment, removal and replacement of any or all of the managing directors of the Security Trustee, in which case at least 30 per cent. of the Notes of the relevant Class should be represented at such second meeting. If at such second meeting the aforesaid quorum required in relation to an Extraordinary Resolution for the removal and replacement of any or all of the managing directors of the Security Trustee is not represented, a third meeting of Noteholders will be held within one month, with due observance of the same formalities for convening the meeting which governed the convening of the first and the second meeting; at such third meeting an Extraordinary Resolution can be adopted with a majority of 51 per cent. of the validly cast votes, regardless of the Principal Amount Outstanding of the Notes of the relevant Class then represented.

Any Extraordinary Resolution duly passed shall be binding on all Noteholders of the relevant Class (whether or not they were present at the meeting at which such resolution was passed).

(b) Modification, authorisation and waiver without consent of Noteholders

The Security Trustee may agree, without the consent of the Noteholders, to (i) any modification of any of the provisions of the Transaction Documents which is of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except if prohibited in the Transaction Documents), and any waiver or authorisation of any breach or proposed breach of any of the provisions of the Transaction Documents, which is in the opinion of the Security Trustee not materially prejudicial to the interests of the Noteholders, provided that (i) the Security Trustee has notified the Rating Agencies and (ii) the Rating Agencies have confirmed that the then current rating assigned to the Notes will not be adversely affected by any such modification, authorisation or waiver. Any such modification, authorisation or waiver shall be binding on the Noteholders and, if the Security Trustee so requires, such modification shall be notified to the Noteholders in accordance with Condition 13 as soon as practicable thereafter.

(c) Indemnification for individual Noteholders

In connection with the exercise of its functions (including but not limited to those referred to in this Condition) the Security Trustee shall have regard to the interests of the Senior Class A Noteholders and the Mezzanine Class B Noteholders and the Subordinated Class C Noteholders each as a Class and shall not have regard to the consequences of such exercise for individual Noteholders and the Security Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders.

15. Replacements of Notes and Coupons

Should any Note or Coupon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the office of the Paying Agent upon payment by the claimant of the expenses incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered, in the case of Notes together with all unmatured Coupons appertaining thereto, and in the case of Coupons together with the Note and all unmatured Coupons to which they appertain (*mantel en blad*), before replacements will be issued.

16. Governing Law

The Notes and Coupons are governed by, and will be construed in accordance with, the laws of the Netherlands. In relation to any legal action or proceedings arising out of or in connection with the Notes and Coupons the Issuer irrevocably submits to the jurisdiction of the Court of first

instance (*rechtbank*) in Amsterdam, the Netherlands. This submission is made for the exclusive benefit of the holders of the Notes and the Security Trustee and shall not affect their right to take such action or bring such proceedings in any other courts of competent jurisdiction.

THE GLOBAL NOTES

Each Class of the Notes shall be initially represented by (i) in the case of the Senior Class A Notes, a Temporary Global Note in bearer form, without coupons attached, in the principal amount of € 732,800,000 (ii) in the case of the Mezzanine Class B Notes a Temporary Global Note in bearer form, without coupons attached, in the amount of € 11,600,000 and (iii) in the case of the Subordinated Class C Notes, a Temporary Global Note in bearer form without coupons attached, in the amount of € 5,600,000. Each Temporary Global Note will be deposited with Euroclear Bank CSK as common safekeeper for Euroclear Bank S.A./N.V., as operator of the Euroclear System ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**") on or about 26 September 2007. Upon deposit of each such Temporary Global Note, Euroclear and Clearstream, Luxembourg will credit each such Temporary Global Note to the respective account of the Joint Lead Managers (or such account as they may have directed). Interests in each Temporary Global Note will be exchangeable (provided certification of non-U.S. beneficial ownership by the Noteholders has been received) not earlier than forty (40) days after the issue date of the Notes (the "**Exchange Date**") for interests in a permanent global note (each a "**Permanent Global Note**"), in bearer form, without coupons attached, in the amount of the Notes of the relevant Class (the expression "**Global Notes**" meaning the Temporary Global Notes of each Class and the Permanent Global Notes of each Class and the expression "**Global Note**" means any of them, as the context may require). On the exchange of a Temporary Global Note for a Permanent Global Note of the relevant Class, the Permanent Global Note will remain deposited with the common safekeeper.

The Notes are intended to be held in a manner which will allow Eurosystem eligibility. This simply means that the Notes are intended upon issue to be deposited with one of the international central securities depositaries as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

The nominal amount of Notes represented by the Global Notes shall be the aggregate amount from time to time entered in the records of Clearstream, Luxembourg and/or Euroclear. The records of Clearstream, Luxembourg and/or Euroclear (the records that each of Clearstream, Luxembourg and/or Euroclear holds for its customers which reflect the amount of such customer's interest in the Notes) shall be conclusive evidence of the nominal amount of Notes represented by the Global Notes and, for these purposes, a statement issued by Clearstream, Luxembourg an/or Euroclear (which statement shall be made available to the bearer upon request) stating the nominal amount of Notes represented by the Global Notes at any time shall be conclusive evidence of the records of Clearstream, Luxembourg an/or Euroclear at that time.

The Global Notes will be transferable by delivery. Each Permanent Global Note will be exchangeable for definitive notes to bearer (the "**Definitive Notes**") only in the circumstances described below. Each

of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a Note will be entitled to receive any payment made in respect of that Note in accordance with the respective rules and procedures of Euroclear or, as the case may be, Clearstream, Luxembourg. Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes, which must be made by the holder of a Global Note, for so long as such Global Note is outstanding. Each person must give a certificate as to non- U.S. beneficial ownership as of the date on which the Issuer is obliged to exchange a Temporary Global Note for a Permanent Global Note, which date shall be no earlier than the Exchange Date, in order to obtain any payment due on the Notes.

For so long as any Notes are represented by a Global Note, such Notes will be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as appropriate.

For so long as all of the Notes are represented by the Global Notes and such Global Notes are held on behalf of Euroclear and/or Clearstream, Luxembourg, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg (as the case may be) for communication to the relevant accountholders rather than by publication as required by Condition 13 (provided that, in the case of any publication required by a stock exchange, that stock exchange agrees or, as the case may be, any other publication requirement of such stock exchange will be met). Any such notice shall be deemed to have been given to the Noteholders on the seventh day after the day on which such notice is delivered to Euroclear and/or Clearstream, Luxembourg (as the case may be) as aforesaid.

For so long as a Class of the Notes are represented by a Global Note, each person who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular principal amount of that Class of Notes will be treated by the Issuer and the Security Trustee as a holder of such amount of that Class of Notes and the expression 'Noteholder' shall be construed accordingly, but without prejudice to the entitlement of the bearer of the relevant Global Note to be paid on the principal amount thereof and interest with respect thereto in accordance with and subject to its terms. Any statement in writing issued by Euroclear or Clearstream, Luxembourg as to the persons shown in its records as being entitled to such Notes and the respective principal amount of such Notes held by them shall be conclusive for all purposes.

If after the Exchange Date (i) the Notes become immediately due and payable by reason of accelerated maturity following an Event of Default, or (ii) either Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of fourteen (14) days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business and no alternative clearance system satisfactory to the Security Trustee is available, or (iii) as a result of any amendment to, or change in the laws or regulations of the Netherlands (or of any political sub-division thereof) or of any authority therein or thereof having power to tax, or in the interpretation or administration of such laws or regulations, which becomes effective on or after the Closing Date, the Issuer or the Paying

Agent is or will be required to make any deduction or withholding on account of tax from any payment in respect of the Notes which would not be required were the Notes in definitive form, then the Issuer will at its sole cost and expense, issue:

- (i) Senior Class A Notes in definitive form in exchange for the whole outstanding interest in the Permanent Global Note in respect of the Senior Class A Notes;
- (ii) Mezzanine Class B Notes in definitive form in exchange for the whole outstanding interest in the Permanent Global Note in respect of the Mezzanine Class B Notes; and
- (iii) Subordinated Class C Notes in definitive form in exchange for the whole outstanding interest in the Permanent Global Note in respect of the Subordinated Class C Notes.

in each case within thirty (30) days of the occurrence of the relevant event, subject in each case to certification as to non-U.S. beneficial ownership.

DUTCH TAXATION

This is a general summary and the tax consequences as described here may not apply to a holder of Notes. Any potential investor should consult his own tax adviser for more information about the tax consequences of acquiring, owning and disposing of Notes in his particular circumstances.

This taxation summary solely addresses the principal Dutch tax consequences of the acquisition, the ownership and disposition of Notes. It does not consider every aspect of taxation that may be relevant to a particular holder of Notes under special circumstances or who is subject to special treatment under applicable law. Where in this summary English terms and expressions are used to refer to Dutch concepts, the meaning to be attributed to such terms and expressions shall be the meaning to be attributed to the equivalent Dutch concepts under Dutch tax law.

This summary is based on the tax law of the Netherlands (unpublished case law not included) as it currently stands. The law upon which this summary is based is subject to change, perhaps with retroactive effect. A change to such law may invalidate the contents of this summary, which will not be updated to reflect any such change. This summary assumes that each transaction with respect to Notes is at arm's length.

Withholding tax

All payments under the Notes may be made free from withholding or deduction of or for any taxes of whatever nature imposed, levied, withheld or assessed by the Netherlands or any political subdivision or taxing authority thereof or therein.

Taxes on income and capital gains

The summary set out in this section *Taxes on income and capital gains* only applies to a holder of Notes who is neither resident nor deemed to be resident in the Netherlands for the purposes of Dutch income tax or corporation tax, as the case may be, and, in the case of an individual, has not elected to be treated as a resident of the Netherlands for Dutch income tax purposes (a "**Non-Resident holder of Notes**").

Individuals

A Non-Resident holder of Notes who is an individual will not be subject to any Dutch taxes on income or capital gains in respect of benefits derived or deemed to be derived from Notes, including any payment under Notes and any gain realised on the disposal of Notes, except if

1. he derives profits from an enterprise, whether as an entrepreneur (*ondernemer*) or pursuant to a co-entitlement to the net value of such enterprise, other than as a shareholder, such enterprise either being managed in the Netherlands or carried on, in whole or in part, through a permanent establishment or a permanent representative in the Netherlands and his Notes are attributable to such enterprise; or

2. he derives benefits or is deemed to derive benefits from Notes that are taxable as benefits from miscellaneous activities in the Netherlands (*resultaat uit overige werkzaamheden in Nederland*).

If a holder of Notes is an individual who does not come under exception 1. above, and if he derives or is deemed to derive benefits from Notes, including any payment thereunder and any gain realised on the disposal thereof, such benefits are taxable as benefits from miscellaneous activities in the Netherlands if he, or an individual who is a connected person in relation to him as meant by article 3.91, paragraph 2, letter b or c, of the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*), has a substantial interest (*aanmerkelijk belang*) in the Issuer.

A person has a substantial interest in the Issuer if such person – either alone or, in the case of an individual, together with his partner (*partner*), if any – owns, directly or indirectly, either a number of shares representing five per cent. or more of the total issued and outstanding capital (or the issued and outstanding capital of any class of shares) of the Issuer, or rights to acquire, directly or indirectly, shares, whether or not already issued, representing five per cent. or more of the total issued and outstanding capital (or the issued and outstanding capital of any class of shares) of the Issuer, or the ownership of profit participating certificates (*winstbewijzen*) relating to five per cent. or more of the annual profit of the Issuer or to five per cent. or more of the liquidation proceeds of the Issuer.

A person who is entitled to the benefits from shares or profit participating certificates (for instance a holder of a right of usufruct) is deemed to be a holder of shares or profit participating certificates, as the case may be, and such person's entitlement to such benefits is considered a share or a profit participating certificate, as the case may be.

Furthermore, a holder of Notes who is an individual and who does not come under exception 1. above may, *inter alia*, derive benefits from Notes that are taxable as benefits from miscellaneous activities in the following circumstances, if such activities are performed or deemed to be performed in the Netherlands:

- a. if his investment activities go beyond the activities of an active portfolio investor, for instance in case of the use of insider knowledge (*voorkennis*) or comparable forms of special knowledge; or
- b. if he makes Notes available or is deemed to make Notes available, legally or in fact, directly or indirectly, to certain parties as meant in articles 3.91 and 3.92 of the Dutch Income Tax Act 2001 under circumstances described there.

Entities

A Non-Resident holder of Notes other than an individual will not be subject to any Dutch taxes on income or capital gains in respect of benefits derived or deemed to be derived from Notes, including any payment under Notes or any gain realised on the disposal of Notes, except if

- (a) such Non-Resident holder of Notes derives profits from an enterprise, whether as an entrepreneur (*ondernemer*) or pursuant to a co-entitlement to the net value of such enterprise, other than as a holder of securities, such enterprise either being managed in the Netherlands or carried on, in whole or in part, through a permanent establishment or a permanent representative in the Netherlands, and its Notes are attributable to such enterprise; or
- (b) such Non-Resident holder of Notes has a substantial interest in the Issuer.

A person other than an individual has a substantial interest in the Issuer, (i) if it has a substantial interest in the Issuer (as described above under Individuals) or (ii) if it has a deemed substantial interest in the Issuer. A deemed substantial interest may be present if its shares, profit participating certificates or rights to acquire shares or profit participating certificates in the Issuer have been acquired by such person or are deemed to have been acquired by such person on a non-recognition basis.

General

Subject to the above, a Non-Resident holder of Notes will not be subject to income taxation in the Netherlands by reason only of the execution (*ondertekening*), delivery (*overhandiging*) and/or enforcement of the Transaction Documents or the performance by the Issuer of its obligations thereunder or under the Notes.

Gift and inheritance taxes

A person who acquires Notes as a gift, in form or in substance, or who acquires or is deemed to acquire Notes on the death of an individual, will not be subject to Dutch gift tax or to Dutch inheritance tax, as the case may be, unless:

- (i) the donor is, or the deceased was resident or deemed to be resident in the Netherlands for purposes of gift or inheritance tax, as the case may be; or
- (ii) the Notes are or were attributable to an enterprise or part of an enterprise that the donor or the deceased carried on through a permanent establishment or a permanent representative in the Netherlands at the time of the gift or of the death of the deceased; or
- (iii) the donor made a gift of Notes, then became a resident or deemed resident of the Netherlands, and died as a resident or deemed resident of the Netherlands within 180 days of the date of the gift.

Other taxes and duties

No Dutch registration tax, transfer tax, stamp duty or any other similar documentary tax or duty, other than court fees, is payable by a holder of Notes in the Netherlands in respect of or in connection with the execution, delivery and/or enforcement by legal proceedings (including the enforcement of any

foreign judgment in the courts of the Netherlands) of the documents relating to the issue of Notes or the performance by the Issuer of its obligations thereunder or under the Notes.

SUBSCRIPTION AND SALE

The Joint Lead Managers have, pursuant to a subscription agreement dated 24 September 2007 between the Joint Lead Managers, the Issuer and the Sellers (the "**Subscription Agreement**"), agreed with the Issuer, subject to certain conditions, to subscribe for the Notes at their issue price. The Issuer has agreed to indemnify and reimburse the Joint Lead Managers against certain liabilities and expenses in connection with the issue of the Notes.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Manager has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular to the public in that Relevant Member State other than:

- (a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000; and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- (c) to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Joint Lead Managers; or
- (d) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of Notes shall require the Issuer or any Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive

For the purposes of this provision, the expression an offer of Notes to the public in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

United Kingdom

Each of the Joint Lead Managers has represented, warranted and agreed that (i) it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 (the "**FSMA**") with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom and (ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer.

United States

The Notes have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the "**Securities Act**") or any other applicable securities law. Subject to certain exceptions, the Notes may not be offered, sold, or delivered within the United States or to, or for the account or benefit of, U.S. persons.

Each of the Joint Lead Managers has agreed that it will not offer, sell or deliver the Notes within the United States or to or for the account of U.S. persons except as permitted by applicable law and the Subscription Agreement. In addition, until forty (40) days after the purchase, an offer or sale of the Notes within the United States by any dealer (whether or not participating in the purchase) may violate the registration requirements of the Securities Act. As applicable, terms used in these paragraphs have the meanings given to them by Regulation S under the Securities Act.

The Netherlands

Each of the Joint Lead Managers represents and agrees that (a) it is a PMP and (b) it has offered or sold and will offer or sell, directly or indirectly, as part of the initial distribution or at any time thereafter, the Notes exclusively to PMP's.

Notice to investors

The Notes have not been and will not be registered under the Securities Act or any other applicable securities laws, and may not be offered or sold in the United States except pursuant to an effective registration statement or in accordance with an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and such other laws. Accordingly, the Notes (and any interests therein) are being offered and sold outside the United States to non-US persons in compliance with Regulation S under the Securities Act.

The Notes will be represented upon issuance by a temporary global security which is not exchangeable for definitive securities until the expiration of the 40-day distribution compliance period and, in the case of persons other than distributors, until certification of beneficial ownership of the Notes by a non-U.S. person or a U.S. person who purchased the Notes in a transaction that does not require registration under the Securities Act.

The Notes will bear a legend to the following effect:

"THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE 'SECURITIES ACT'), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES, AND PRIOR TO THE DATE THAT IS 40 DAYS AFTER THE LATER OF THE COMMENCEMENT OF THE OFFERING OF THE NOTES AND THE ISSUE DATE MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE UNITED STATES OR TO A US PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES."

Because of the foregoing restrictions, purchasers of Notes are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of such securities offered and sold.

General

The distribution of this Offering Circular and the offering and sale of the Notes in certain jurisdictions may be restricted by law; persons into whose possession this Offering Circular comes are required by the Issuer and the Joint Lead Managers to inform themselves about and to observe any such restrictions. This Offering Circular does not constitute an offer, or an invitation to subscribe for or purchase, any Notes.

GENERAL INFORMATION

1. The issue of the Notes has been authorised by a resolution of the managing director of the Issuer passed on 21 September 2007.
2. The Senior Class A Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg and through Clearnet S.A. Amsterdam Branch Stock Clearing and will bear common code 032222358, ISIN XS0322223586 and Fondscode 605689.
3. The Mezzanine Class B Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg and through Clearnet S.A. Amsterdam Branch Stock Clearing and will bear common code 032222382, ISIN XS0322223826 and Fondscode 605690.
4. The Subordinated Class C Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg and through Clearnet S.A. Amsterdam Branch Stock Clearing and will bear common code 032222315, ISIN XS0322223156 and Fondscode 605691.
5. Auditor PricewaterhouseCoopers Accountants N.V. has given and has not withdrawn its written consent to the issue of this offering circular with its report included herein in the form and context in which it appears.
6. Copies of the following documents may be inspected at the specified offices of the Security Trustee and the Paying Agent during normal business hours, as long as any Notes are outstanding:
 - (i) the Offering Circular;
 - (ii) the deed of incorporation of the Issuer;
 - (iii) the Mortgage Receivables Purchase Agreement;
 - (iv) the Paying Agency Agreement;
 - (v) the Trust Deed;
 - (vi) the Security Beneficiaries Agreement;
 - (vii) the Mortgage Receivables Pledge Agreement;
 - (viii) the Issuer Rights Pledge Agreement;
 - (ix) the GIC Accounts Pledge Agreement;
 - (x) the Servicing Agreement;
 - (xi) the Issuer Administration Agreement;
 - (xii) the Savings Mortgage Sub-Participation Agreements;
 - (xiii) the BKW Mortgage Sub-Participation Agreement;
 - (xiv) the Floating Rate GIC;
 - (xv) the Liquidity Facility Agreement;
 - (xvi) the Swap Agreement;

- (xvii) the Beneficiary Waiver Agreement;
- (xviii) the Master Definitions Agreement; and
- (xix) the articles of association of the Security Trustee.

7. No statutory or non-statutory accounts in respect of any financial year of the Issuer have been prepared. So long as the Notes (other than the Subordinated Class C Notes) are listed on Eurolist by Euronext Amsterdam, the most recently published audited annual accounts of the Issuer from time to time will be available at the specified offices of the Security Trustee.
8. The following documents are incorporated herein by reference:
 - (i) the deed of incorporation which include the articles of association of the Issuer dated 7 September 2007.

A free copy of the Issuer's articles of association is available at the office of the Issuer.

9. A quarterly report on the performance, including the arrears and the losses, of the transaction, together with current stratification tables can be obtained at: www.atccapitalmarkets.com and www.assetbacked.nl.
10. The estimated aggregate cost of the transaction amount to approximately 0.05 per cent. of the proceeds of the Notes. There are no costs deducted by the Issuer from any investment made by any Noteholder in respect of the subscription or purchase of the Notes.
11. This Offering Circular constitutes a prospectus for the purpose of the Prospectus Directive. A free copy of the Offering Circular is available at the office of the Issuer.

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