

**PEARL MORTGAGE BACKED SECURITIES 2 B.V.**  
(incorporated with limited liability in the Netherlands)

**euro 800,000,000 Senior Class A Mortgage-Backed Floating Rate Notes 2007 due 2046,  
issue price 100 per cent.**  
**euro 8,100,000 Subordinated Class B Mortgage-Backed Floating Rate Notes 2007 due 2046,  
issue price 100 per cent.**

Application has been made to list the euro 800,000,000 Senior Class A Mortgage-Backed Floating Rate Notes 2007 due 2046 (the "**Senior Class A Notes**") and the euro 8,100,000 Subordinated Class B Mortgage-Backed Floating Rate Notes 2007 due 2046 (the "**Subordinated Class B Notes**", and together with the Senior Class A Notes, the "**Notes**"), to be issued by PEARL Mortgage Backed Securities 2 B.V. (the "**Issuer**"), on Eurolist by Euronext Amsterdam N.V. ("**Euronext Amsterdam**"). This Prospectus has been approved by the Netherlands Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*). The Notes are expected to be issued and admitted to trading on 8 June 2007.

The Notes will carry a floating rate of interest, payable quarterly in arrear on each Payment Date. The rate of interest for the Notes will be three months Euribor (or, in respect of the first Interest Period, the rate which represents the linear interpolation of Euribor for three and four months deposits in euro), plus a margin per annum, which will be 0.03 per cent. for the Senior Class A Notes and 0.40 per cent. for the Subordinated Class B Notes. On the Payment Date falling in June 2014 (the "**Step-Up Date**"), the margin of the Notes will be reset subject to and in accordance with the Terms and Conditions of the Notes (the "**Conditions**").

The Notes are scheduled to mature on the Payment Date falling in June 2046. On the Payment Date falling in June 2014 and on each Payment Date thereafter, the Notes will be subject to mandatory redemption (in whole or in part) in the circumstances set out in, and subject to, and in accordance with, the Conditions. On the Payment Date falling in June 2014 and on each Payment Date (the "**Optional Redemption Date**", thereafter, the Issuer will have the option to redeem all (but not some only) of the Notes at their Principal Amount Outstanding, subject to and in accordance with the Conditions. In the event of certain tax changes affecting the Notes, the Issuer has the option to redeem all of the Notes in whole but not in part subject to and in accordance with the Conditions.

It is a condition precedent to issuance that the Senior Class A Notes, on issue, be assigned an "Aaa" rating by Moody's Investors Service Limited ("**Moody's**") and an "AAA" rating by Fitch Ratings Limited ("**Fitch**" and together with Moody's the "**Rating Agencies**") and the Subordinated Class B Notes, on issue, be assigned at least a "Baa2" rating by Moody's and a "BBB-" rating by Fitch.

A 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 *Risk Factors* herein.

The Notes will be (indirectly) secured by a right of pledge over the Mortgage Receivables vested by the Issuer in favour of Stichting Security Trustee PEARL Mortgage Backed Securities 2 (the "**Security Trustee**") and a right of pledge vested by the Issuer in favour of the Security Trustee over all rights of the Issuer under or in connection with most of the Relevant Documents. The right to payment of interest and principal on Subordinated Class B Notes will be subordinated and may be limited as more fully described herein.

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 is expected to 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 thereof. 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 not earlier than 40 days after the Closing Date 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 ("**Definitive Notes**") as described in the Conditions. 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.

The Notes are intended to be held in a manner which will allow Eurosystem eligibility. This means that the Notes are intended upon issue to be deposited with one of the International Central Securities Depositories (the **ICSDs**) 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 Notes will be solely the obligations of the Issuer. The Notes will not be the obligations or responsibilities of, or guaranteed by, any other entity or person, in whatever capacity acting, including, without limitation, each Seller, the Cash Advance Facility Provider, the Savings Insurance Company, the Swap Counterparty, the Pool Servicers, the Issuer Administrator, the Directors, the Paying Agent, the Reference Agent, the Managers, the Floating Rate GIC Provider and the Security Trustee, in whatever capacity acting. Furthermore, none of the Sellers, the Cash Advance Facility Provider, the Savings Insurance Company, the Swap Counterparty, the Pool Servicers, the Issuer Administrator, the Directors, the Paying Agent, the Reference Agent, the Managers, the Floating Rate GIC Provider and the Security Trustee, nor any other person in whatever capacity acting, will accept any liability whatsoever to Noteholders in respect of any failure by the Issuer to pay any amounts due under the Notes. None of the Sellers, the Cash Advance Facility Provider, the Savings Insurance Company, the Swap Counterparty, the Pool Servicers, the Issuer Administrator, the Directors, the Paying Agent, the Reference Agent, the Managers, the Floating Rate GIC Provider and the Security Trustee will be under any obligation

whatsoever to provide additional funds to the Issuer (save in the limited circumstances pursuant to the Relevant Documents).

For the page reference of the definitions of capitalised terms used herein see *Index of Defined Terms*.

**Lead Manager**  
**Credit Suisse Securities (Europe) Limited**

**Co-Manager**  
**SNS Bank N.V.**

## IMPORTANT INFORMATION

Only the Issuer is responsible for the information contained in this Prospectus. 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 Prospectus 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 Prospectus: *Overview of the Dutch Residential Mortgage Market*, *SNS Bank N.V.*, *SNS Residential Mortgage Business*, *BLG Residential Mortgage Business*, *Description of Mortgage Loans* and *NHG Guarantee Programme*, the Issuer has relied on information from the relevant Seller. The information in these sections and any other information from third-parties contained and specified as such in this Prospectus 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.

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Prospectus 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, each Seller or any of the Managers.

The distribution of this document and the offering of the Notes in certain jurisdictions may be restricted by law.

Persons into whose possession this Prospectus (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 Prospectus is set out in the section entitled *Purchase and Sale* below. No one is authorised by the Issuer or each Seller to give any information or to make any representation concerning the issue of the Notes other than those contained in this Prospectus 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 this Prospectus nor any other information supplied in connection with the issue of the Notes constitutes an offer or invitation by or on behalf of the Issuer or any of the Managers to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Prospectus 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 Prospectus. The Issuer and each Seller have no obligation to update this Prospectus after the date on which the Notes are issued.

The Managers expressly do not undertake to review the financial conditions 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, hold or sell any Notes during the life of the 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 include Notes in bearer form that are subject to United States tax law requirements. The Notes may not be offered, sold or delivered within the United States or to United States persons as defined in Regulation S under the Securities Act, except in certain transactions permitted by US tax regulations and the Securities Act (see *Purchase and Sale* below).

All references in this Prospectus to "**EUR**", "**euro**" and "**€**" 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 and as amended by the Treaty of Amsterdam).

For the page reference of the definitions of capitalised terms used herein see *Index of Defined Terms*.

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## SUMMARY

*This summary must be read as an introduction to this Prospectus and any decision to invest in the Notes should be based on a consideration of the Prospectus as a whole, including any supplement thereto. Civil liability will only attach to the Issuer, if the summary is misleading, inaccurate or inconsistent when read together with other parts of the Prospectus. Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating the Prospectus before the legal proceedings are initiated.*

*Capitalised terms used, but not defined, in this section can be found elsewhere in this Prospectus. For the page reference of the definitions of the capitalized terms used herein see Index of Defined Terms.*

### **The transaction**

The Issuer will purchase from the relevant Seller the Relevant Mortgage Receivables (i.e. the rights under or in connection with certain pre-selected Mortgage Loans originated by the relevant Seller which have the benefit of NHG Guarantees) and will, on the Closing Date, accept the assignment of the Relevant 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 Relevant Mortgage Receivables and the Beneficiary Rights relating thereto is transferred to the Issuer. Furthermore, the Issuer will on the Closing Date issue the Notes and use the net proceeds thereof, to pay to the relevant Seller (part of) the Initial Purchase Price for the Mortgage Receivables, pursuant to the Mortgage Receivables Purchase Agreement (see further the section *Mortgage Receivables Purchase Agreement* below).

Furthermore, on each Payment Date the Issuer will purchase from the relevant Seller Relevant Substitute Mortgage Receivables and the Beneficiary Rights relating thereto subject to the fulfilment of certain conditions and to the extent offered by the relevant Seller. Broadly, for such purchases the Issuer shall up to and including the Payment Date falling in June 2014 apply all amounts of principal received on the Mortgage Receivables (including in connection with repurchase or sale of Mortgage Receivables) and, thereafter only amounts of principal received as a result of repurchase of Mortgage Receivables in certain circumstances.

The Issuer will use receipts of principal and interest in respect of the Mortgage Receivables together with amounts it receives under the Cash Advance Facility Agreement, the Swap Agreement, the Sub-Participation Agreement and the Floating Rate GIC to make payments of, *inter alia*, principal and interest due in respect of the Notes. The obligations of the Issuer in respect of the Notes, will rank below the obligations of the Issuer in respect of certain items set forth in the applicable priority of payments (see *Credit Structure*) and the right to payment of interest and principal on the Subordinated Class B Notes will be subordinated to the Senior Class A Notes and limited as more fully described herein under *Credit Structure* and *Terms and Conditions of the Notes*.

Pursuant to the Cash Advance Facility Agreement the Issuer will be entitled to make drawings if, without taking into account any drawing under the Cash Advance Facility, there is a shortfall in the Interest Available Amount to meet certain items of the Interest Priority of Payments in full (see *Credit Structure* below).

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

Pursuant to the Administration Agreement, the relevant Pool Servicer will – *inter alia* – (i) provide administration and management services to the Issuer on a day-to-day basis in relation to the Mortgage Loans and the Relevant Mortgage Receivables, including, without limitation, the collection and recording of payments of principal, interest and other amounts in respect of the Relevant Mortgage Receivables and the implementation of arrears procedures including the enforcement of mortgage rights; (ii) communicate with the Borrowers and (iii) investigate payment delinquencies. Furthermore, the Issuer Administrator will provide certain administration, calculation and cash management services to the Issuer (see further *Administration Agreement* and *Mortgage Administration* in *SNS Residential*

*Mortgage Business and BLG Residential Mortgage Business 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**

Pearl Mortgage Backed Securities 2 B.V. is incorporated under the laws of the Netherlands as a private company with limited liability ("*besloten vennootschap met beperkte aansprakelijkheid*") under number 34272699 and registered with the Commercial Register of the Chamber of Commerce of Amsterdam. The entire issued share capital of the Issuer is owned by Stichting Holland Euro-Denominated Mortgage-Backed Series (Hermes) Holding. The Issuer is established to issue the Notes.

### **Security**

The Notes will be secured indirectly, through the Security Trustee, by (i) a first ranking undisclosed pledge granted by the Issuer to the Security Trustee over the Mortgage Receivables and the Beneficiary Rights and (ii) a first ranking disclosed pledge by the Issuer to the Security Trustee over the Issuer's rights under or in connection with (most of) the Relevant Documents.

In order to ensure the valid creation of the security rights under Netherlands law in favour of the Security Trustee, the Issuer shall undertake in the Parallel Debt Agreement 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 Secured Parties pursuant to the Relevant Documents.

The Trust Deed sets out the priority of the claims of the Secured Parties. For a more detailed description see *Credit Structure* and *Description of Security* below.

### **Interest on the Notes**

The Notes will carry a floating rate of interest, payable quarterly in arrear on each Payment Date. The rate of interest for the Notes will be three months Euribor plus a margin. On the Step-Up Date, the margin of the Notes, will be reset subject to and in accordance with the Conditions.

### **Redemption of the Notes**

Unless previously redeemed, the Issuer will, subject to Condition 9(b), redeem all of the Notes at their respective Principal Amount Outstanding on the Payment Date falling in June 2046.

On the Payment Date falling in June 2014 and on each Payment Date thereafter, the Issuer will be obliged to apply the Redemption Available Amount, which broadly consists of all amounts of principal received (i) as repayment or pre-payment on the Mortgage Receivables or (ii) in connection with a repurchase or sale of the Mortgage Receivables, to the extent such amount has not been used for the purchase of Substitute Mortgage Receivables, to (partially) redeem the Notes, sequentially starting with the Senior Class A Notes.

The Issuer will have the option to redeem all of the Notes but not some only, on each Optional Redemption Date at their Principal Amount Outstanding subject, in the case of the Subordinated Class B Notes to Condition 9(b). Also, the Issuer will have the option to redeem the Notes for tax reasons.

### **Listing**

Application has been made to list the Notes on Eurolist by Euronext Amsterdam.

### **Rating**

It is a condition precedent that the Senior Class A Notes, on issue, be assigned an "Aaa" rating by Moody's and an "AAA" rating by Fitch, the Subordinated Class B Notes, on issue, be assigned at least a "Baa2" rating by Moody's and a "BBB-" rating by Fitch.

### **Risk factors**

There are certain factors which 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 *Risk Factors* below).

## 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. In addition, factors which are material for the purpose of assessing the market risk 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 not known to the Issuer or not deemed to be material enough. The Issuer does not represent that the statements below regarding the risks of investing in any Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.*

### RISK FACTORS REGARDING THE ISSUER

#### **The Notes will be solely the obligations of the Issuer**

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, in whatever capacity acting, including, without limitation, either Seller, the Cash Advance Facility Provider, the Savings Insurance Company, the Swap Counterparty, the Pool Servicers, the Issuer Administrator, the Directors, the Paying Agent, the Reference Agent, the Managers, the Floating Rate GIC Provider and the Security Trustee, in whatever capacity acting. Furthermore, none of the Sellers, the Cash Advance Facility Provider, the Savings Insurance Company, the Swap Counterparty, the Pool Servicers, the Issuer Administrator, the Directors, the Paying Agent, the Reference Agent, the Managers, the Floating Rate GIC Provider and the Security Trustee, nor any other person in whatever capacity acting, will accept any liability whatsoever to Noteholders in respect of any failure by the Issuer to pay any amounts due under the Notes. None of the Sellers, the Cash Advance Facility Provider, the Savings Insurance Company, the Swap Counterparty, the Pool Servicers, the Issuer Administrator, the Directors, the Paying Agent, the Reference Agent, the Managers, the Floating Rate GIC Provider and the Security Trustee will be under any obligation whatsoever to provide additional funds to the Issuer (save in the limited circumstances pursuant to the Relevant Documents).

#### **The Issuer has limited resources available to meet its obligations**

The ability of the Issuer to meet its obligations in full to pay 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, the receipt by it of payments under the Swap Agreement, drawings under the Cash Advance Facility and the receipt by it of interest in respect of the balance standing to the credit of the Floating Rate GIC Account. See further *Credit Structure* below. The Issuer does not have any other resources available to it to meet its obligations under the Notes.

#### **The Issuer has counterparty risk exposure**

Counterparties to the Issuer may not perform their obligations under the Relevant Documents, which may result in the Issuer not being able to meet its obligations under the Notes. It should be noted that there is a risk that (a) SNS Bank in its capacity as Seller, Pool Servicer, Issuer Administrator, Floating Rate GIC Provider, Swap Counterparty and Cash Advance Facility Provider will not meet its obligations vis-à-vis the Issuer, (b) BLG Hypotheekbank in its capacity as Seller and Pool Servicer will not meet its obligations vis-à-vis the Issuer, (c) ABN AMRO Bank N.V. as Paying Agent and Reference Agent will not perform its obligations under the Paying Agency Agreement, (d) REAAL Levensverzekeringen N.V. as Savings Insurance Company will not perform its obligations under the Sub-Participation Agreement and (e) N.V. Algemeen Nederlands Trustkantoor ANT, ATC Management B.V. and ATC Corporate Services (Netherlands) B.V. will not perform their obligations under the relevant Management Agreements.

#### **Effectiveness of the rights of pledge to the Security Trustee in case of insolvency of the Issuer**

Under or pursuant to the Pledge Agreements, various rights of pledge will be granted by the Issuer to the Security Trustee. On the basis of these pledges the Security Trustee can exercise the rights afforded by Netherlands law to pledgees notwithstanding bankruptcy or suspension of payments of the Issuer.



The Issuer is a special purpose vehicle and is therefore unlikely to become insolvent. However, any 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 Issuer to the Security Trustee prior to notification but after bankruptcy or suspension of payments will be part of the bankruptcy estate of the Issuer, although the Security Trustee has the right to receive such amounts by preference after deduction of certain costs, (ii) a mandatory 'cool-off' period of up to four months may apply in case of bankruptcy or suspension of payments involving the Issuer, which, if applicable would delay the exercise of the right of pledge on the Mortgage Receivable and (iii) the Security Trustee may be obliged to enforce its right of pledge within a reasonable period following bankruptcy as determined by the judge-commissioner ("*rechter-commissaris*") appointed by the court in case of bankruptcy of the Issuer.

To the extent the receivables pledged by the Issuer to the Security Trustee are future receivables, the right of pledge on such future receivable cannot be invoked against the estate of the Issuer, if such future receivable comes into existence after the Issuer has been declared bankrupt or has been granted a suspension of payments. The Issuer has been advised that the assets pledged to the Security Trustee under the Security Trustee Assets Pledge Agreement should probably be regarded as future receivables. This would for example apply to amounts paid to the Floating Rate GIC Account following the Issuer's bankruptcy or suspension of payments. With respect to Beneficiary Rights, reference is made to the section *Risks relating to Beneficiary Rights under the Insurance Policies*.

#### **Risks related to the creation of pledges on the basis of the Parallel Debt**

Under Netherlands law it is uncertain whether a security right can be validly created in favour of a party which is not the creditor of the claim which the security right purports to secure. Consequently, in order to secure the valid creation of the pledges under the Pledge Agreements in favour of the Security Trustee, the Issuer has in the Parallel Debt Agreement, as a separate and independent obligation, by way of parallel debt, undertaken to pay to the Security Trustee amounts equal to the amounts due by it to the Secured Parties. There is no statutory law or case law available on the concept of parallel debts such as the Parallel Debt and the question whether a parallel debt constitutes a valid basis for the creation of security rights, such as rights of pledge (see also *Description of Security* below). However, the Issuer has been advised that a parallel debt, such as the Parallel Debt, creates a claim of the Security Trustee thereunder which can be validly secured by a right of pledge such as the rights of pledge created by the Security Trustee Receivables Pledge Agreement and the Security Trustee Asset Pledge Agreement.

Any payments in respect of the Parallel Debt and any proceeds received by the Security Trustee are, in the case of an insolvency of the Security Trustee, not separated from the Security Trustee's other assets. The Secured Parties therefore have a credit risk on the Security Trustee.

#### **License requirement under the Act on Financial Supervision**

Under the Act on Financial Supervision ("*Wet op het financieel toezicht*" or "*Wft*") as amended from time to time, 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 Financial Supervision. The Issuer has outsourced the servicing and administration of the Mortgage Loans to the relevant Pool Servicer. Each Pool Servicer holds a license as intermediary ("*bemiddelaar*") and offeror of credit ("*aanbieder van krediet*") under the Act on Financial Supervision and the Issuer thus benefits from the exemption. However, if the Administration Agreement is terminated, the Issuer will need to outsource the servicing and administration of the 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 Financial Supervision. If the Administration Agreement is terminated and the Issuer has not outsourced the servicing and administration of the 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.

### **Risk related to the termination of the 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) 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 Issuer and the Rating Agencies) transfer its rights and obligations to another of its offices, branches or affiliates to avoid the relevant Tax Event. If the Swap Counterparty is unable to transfer its rights and obligations under the Swap Agreement to another office, branch or affiliate, it will 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.

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 under the Swap Agreement in relation to the Issuer will be limited to (i) non-payment under the Swap Agreement and (ii) insolvency events. If the Swap Agreement terminates the Issuer will be exposed to changes in the relevant rates of interest. As a result, unless a replacement swap is entered into, the Issuer may have insufficient funds to make payments under the Notes.

### **RISK FACTORS REGARDING THE MORTGAGE RECEIVABLES**

#### **Risk related to payments received by a Seller prior to notification of the assignment to the Issuer**

Under Netherlands law, assignment of the legal title of claims, such as the Mortgage Receivables, can be effectuated by means of a notarial deed of assignment or a deed of assignment and registration thereof with the appropriate tax authorities, without notification of the assignment to the debtors being required ("*stille cessie*"). The legal title of the Relevant Mortgage Receivables will be assigned on the Closing Date and, in respect of Substitute Mortgage Receivables on each Payment Date up to and including the Payment Date falling in June 2014, by the relevant Seller to the Issuer through a deed of assignment and registration thereof with the appropriate tax authorities. The Mortgage Receivables Purchase Agreement will provide that the assignment of the Relevant Mortgage Receivables by the relevant Seller to the Issuer will not be notified by the relevant Seller or, as the case may be, the Issuer to the Borrowers except if certain events occur. For a description of these notification events reference is made to the section *Mortgage Receivables Purchase Agreement*.

Until notification of the assignment has been made to the Borrowers, the Borrowers under the Mortgage Receivables can only validly pay to the relevant Seller in order to fully discharge their payment obligations ("*bevrijdend betalen*") in respect thereof. The relevant Seller has undertaken in the Mortgage Receivables Purchase Agreement to pay on each Mortgage Payment Date to the Issuer any amounts received in respect of the Relevant Mortgage Receivables during the immediately preceding Mortgage Calculation Period. However, receipt of such amounts by the Issuer is subject to the relevant Seller actually making such payments. If the relevant Seller is declared bankrupt or subject to emergency regulations prior to making such payments, the Issuer has no right of any preference in respect of such amounts.

Payments made by Borrowers to the relevant Seller prior to notification but after bankruptcy or emergency regulations in respect of the relevant Seller having been declared will be part of the relevant Seller's bankruptcy estate. In respect of these payments, the Issuer will be a creditor of the estate ("*boedelschuldeiser*") and will receive payment prior to (unsecured) creditors with ordinary claims, but after preferred creditors of the estate.

#### **Set-off by Borrowers may affect the proceeds under the Mortgage Receivables**

Under Netherlands law a debtor has a right of set-off if it has a claim that is due and payable by a certain counterparty which corresponds to a debt that is due and payable to such counterparty. Subject

to these requirements being met, each Borrower will be entitled to set off amounts due by the relevant Seller to it (if any) with amounts it owes in respect of the Relevant Mortgage Receivable prior to notification of the assignment of the Relevant Mortgage Receivable to the Issuer having been made. Such amounts due and payable by a Seller to a Borrower could, *inter alia*, result from current account balances or deposits made with such Seller. BLG Hypotheekbank has informed the Issuer that given the nature of its business (i) it owes no amounts to a Borrower under an account relationship and (ii) no deposits have been accepted by it from any Borrower. Also, such claims of a Borrower could, *inter alia*, result from services rendered by a Seller to the Borrower, if rendered at all, such as investment advice rendered by SNS Bank in connection with Investment-based Mortgage Loans. As a result of the set-off of amounts due and payable by a Seller to the Borrower with amounts the Borrower owes in respect of the Relevant Mortgage Receivable, the Relevant Mortgage Receivable will, partially or fully, be extinguished ("*gaat teniet*"). Set-off by Borrowers could thus lead to losses under the Notes.

The conditions applicable to the Mortgage Loans originated by SNS Bank 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 SNS Bank, under Netherlands law it is uncertain whether such waiver will be valid. Should such waiver be invalid, the Borrowers will have the set-off rights described in this paragraph.

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 and payable 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 Relevant Mortgage Receivable and the claim of the Borrower against the relevant 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 and payable ("*opeisbaar*") prior to notification of the assignment, provided that all other requirements for set-off have been met (see above). A balance on a current account is due and payable at any time and, therefore, this requirement will be met. In the case of deposits it will depend on the term of the deposit whether the balance thereof will be due and payable at the moment of notification of the assignment. The Issuer has been informed by SNS Bank that in most cases a balance on a deposit account can be withdrawn at any time and, consequently, such balance is due and payable ("*opeisbaar*") at any time. If following receipt of notification of assignment of the Mortgage Receivable, amounts are debited from or credited to the current account or, as the case may be, the deposit account, the Borrower will only be permitted to set-off its claim vis-à-vis the Issuer for the amount of its claim at the moment such notification has been received after deduction of amounts which have been debited from the current account or the deposit account after receipt of such notification, notwithstanding that amounts may have been credited.

If notification of the assignment of the Mortgage Receivables is made after the bankruptcy or emergency regulations 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 Netherlands Bankruptcy Code. Under the Bankruptcy Code a person which is both debtor and creditor of the bankrupt entity can set off its debt with its claims, if each claim (i) came into existence prior to the moment at which the bankruptcy become effective or (ii) resulted from transactions with the bankrupt entity concluded prior to the bankruptcy becoming effective. A similar provision applies in case of emergency regulations.

For specific set-off issues relating to the Life Insurance Policies or, as the case may be, Savings Insurance Policies connected to the Mortgage Loans, reference is made to the paragraph *Risk of set-off or defences by Borrowers in case of insolvency of Insurance Companies and Risks related to offering of Investment-based Mortgage Loans and Life Insurance Policies or Savings Insurance Policies with the Investment Alternative* below.

**Risk that the Bank Security Rights will not follow the Mortgage Receivables upon assignment to**

### **the Issuer**

The mortgage deeds relating to the Mortgage Receivables to be sold to the Issuer provide that the mortgage rights created pursuant to such mortgage deeds, not only secure the loan granted to the Borrower for the purpose of acquiring the Mortgaged Assets, but also other liabilities and moneys that the Borrower, now or in the future, may owe to the relevant Seller ("**Bank Mortgages**"). The Mortgage Loans also provide for rights of pledge granted in favour of the relevant Seller, which secure the same debts as the Bank Mortgages ("**Bank Pledges**" and jointly with the Bank Mortgages, the "**Bank Security Rights**").

Under Netherlands 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.

The prevailing view of Dutch legal commentators has been for a long time that upon the assignment of a receivable secured by a Bank Security Right, such security right does not pass to the assignee as an accessory and ancillary right in view of its non-accessory or personal nature. It was assumed that a Bank Security Right only follows a receivable which it secures, if the relationship between the bank and the borrower has been terminated in such a manner that following the assignment the bank cannot create or obtain further receivables from the relevant borrower secured by the security right. These commentators claim that this view is supported by case law.

There is a trend in recent legal literature to dispute the view set out in the preceding paragraph. Legal commentators following such trend argue that in case of assignment of a receivable secured by a bank security right, the security right 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 security right will be jointly-held by the assignor and the assignee after the assignment. In this view a bank security right only continues to secure exclusively claims of the original holder of the security right and will not pass to the assignee, if this has been explicitly stipulated in the deed creating the security right.

Although the view prevailing in the past, to the effect that given its nature a bank security right 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 security right in view of its nature follows the receivable as an accessory right upon its assignment. Whether in the particular circumstances involved the bank security right will remain with the original holder of the security right, will be a matter of interpretation of the relevant deed creating the security right.

In respect of (i) the Mortgage Loans originated by SNS Bank before the end of 2005 and (ii) the Mortgage Loans originated by BLG Hypotheekbank, the relevant mortgage deeds stipulate that in case of assignment of the receivable the mortgage right will follow if this is stipulated upon the assignment. The conditions applicable to Mortgage Loans originated by SNS Bank as of the end of 2005 provide that in case of assignment or pledge of the receivable the Borrower and SNS Bank have the explicit intention that the assignee or pledgee will have the benefit of (a pro rata part of) the mortgage rights and rights of pledge securing such receivable, unless SNS Bank determines otherwise prior to the assignment or pledge. These stipulations are a clear indication of the intentions of the parties in this respect. The Issuer has been advised that, in the absence of circumstances giving an indication to the contrary, the inclusion of these provisions in the Mortgage Loans makes clear that the Bank Security Right (partially) follows the Mortgage Receivable as accessory and ancillary right upon its assignment, but that there is no case law explicitly supporting this advice.

The Mortgage Loans (i) originated by SNS Bank before the end of 2005 and (ii) the Mortgage Loans originated by BLG Hypotheekbank do not provide for the Bank Pledges to partially follow the Mortgage Receivable upon assignment or pledge thereof. Consequently, there is no clear indication of the intention of the parties. The Issuer has been advised that also in such case the Bank Pledge should (partially) follow the 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 Netherlands courts would decide if this matter were to be submitted to them, particularly taking into account the prevailing view of Dutch legal commentators on Bank Security Rights in the past as described above, which view continues to be defended by some legal commentators.

The above applies *mutatis mutandis* in the case of the pledge of the Mortgage Receivables by the Issuer to the Security Trustee under the Security Trustee Receivables Pledge Agreement. However, the Mortgage Conditions in respect of (i) the Mortgage Loans originated by SNS Bank before the end of 2005 and (ii) the Mortgage Loans originated by BLG Hypotheekbank do not provide that in case of a pledge of the Mortgage Receivable the Mortgage will (partially) follow the Mortgage Receivable. Therefore, there is no clear indication of the intention of the parties and, consequently, the view expressed in the above paragraph does not apply to the pledge of the Relevant Mortgage Receivables. However, a good argument can be made that the intention of the parties in case of an assignment of the Mortgage Receivable also includes the intention in case of a pledge of such Mortgage Receivable. Even if the Mortgage Conditions do not provide a clear indication on the intentions of the parties in case of pledge, the Issuer has been advised that the Security Trustee as pledgee should have the benefit of the mortgage right as accessory and ancillary right upon notification of the assignment of the Mortgage Receivables to the Issuer and the pledge to the Security Trustee. It should be noted, however, that there is no case law explicitly supporting this view. Therefore it is not certain what the Netherlands courts would decide if the matter were to be submitted to them, particularly taking into account the prevailing view of Dutch legal commentators on Bank Security Rights in the past, which view continues to be defended by some legal commentators.

#### **Risk related to jointly-held Bank Security Rights by the relevant Seller, the Issuer and the Security Trustee**

If the Bank Security Rights have (partially) followed the Mortgage Receivables upon their assignment, the Bank Security Rights will be jointly-held by the Issuer and the relevant Seller and will secure both the Relevant Mortgage Receivables held by the Issuer (or the Security Trustee, as pledgee) and any claims held by the relevant Seller (the "**Other Claims**"). This will apply to the rights of pledge but not to the mortgage rights, securing the Mortgage Loans originated by SNS Bank before the end of 2005 and the Mortgage Loans originated by BLG Hypotheekbank, since the relevant mortgage deeds relating to those Mortgage Loans provide that following assignment or pledge of the Mortgage Receivable the mortgage right no longer secures such Other Claims.

Where Bank Security Rights are jointly-held by both the Issuer or the Security Trustee and the relevant Seller, the rules applicable to a joint estate ("*gemeenschap*") apply. The Netherlands Civil Code provides for various mandatory rules applying to such jointly-held rights. In the Mortgage Receivables Purchase Agreement each Seller, the Issuer and the Security Trustee have agreed that the Issuer and/or the Security Trustee (as applicable) will manage and administer such jointly-held rights. Certain acts, including acts concerning the day-to-day management ("*beheer*") of the jointly-held rights, may under Dutch law be transacted by each of the participants ("*deelgenoten*") in the jointly-held rights. All other acts must be transacted by all of the participants acting together in order to bind the jointly-held rights. It is uncertain whether the foreclosure of the mortgage rights will be considered as day-to-day management, and, consequently it is uncertain whether the consent of the relevant Seller, the relevant Seller's bankruptcy trustee (in case of bankruptcy) or administrator (in case of emergency regulations), as the case may be, may be required for such foreclosure. Each Seller, the Issuer and the Security Trustee will agree that in case of foreclosure the share ("*aandeel*") in each jointly-held Bank Security Right of the Security Trustee and/or the Issuer will be equal to the outstanding principal amount of the Mortgage Receivable, 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, increased with interest and costs, if any. The Issuer has been advised that although a good argument can be made that this arrangement will be enforceable against the relevant Seller or, in case of its bankruptcy or emergency regulations, its trustee ("*curator*") or administrator ("*bewindvoerder*"), as the case may be, this is not certain. Furthermore it is noted that this arrangement may not be effective against the Borrower.

If (a trustee or administrator of) SNS Bank would, notwithstanding the arrangement set out above, enforce the jointly-held Bank Security Rights securing the Mortgage Receivables originated after the end of 2005, the Issuer and/or the Security Trustee would have a claim against SNS Bank (or, as the

case may be, its bankruptcy estate) for any damages as a result of a breach of the contractual arrangements, but such claim would be unsecured and non-preferred.

#### **Risk related to partial termination of the Bank Security Rights**

The Mortgage Receivables Purchase Agreement provides that upon the occurrence of an Assignment Notification Event each Seller is required to give notice to the Borrowers of partial termination of, in respect of SNS Bank, the Bank Security Rights securing the Relevant Mortgage Receivables originated after the end of 2005 and the rights of pledge securing the Relevant Mortgage Receivables originated before the end of 2005 and, in respect of BLG Hypotheekbank, the rights of pledge securing the Relevant Mortgage Receivables. As a consequence of such partial termination, the relevant Bank Security Rights will only secure the Relevant Mortgage Receivables and the joint estate (see *Risk related to jointly-held Bank Security Rights by the Seller, the Issuer and the Security Trustee*) will be terminated.

The Issuer has been advised that each Seller can effectively partially terminate the Bank Security Rights in this manner, but that there is no case law supporting this opinion.

Each Seller's undertaking to partially terminate the Bank Security Rights is no longer enforceable if such Seller would be declared bankrupt or become subject to emergency regulations. The co-operation of the relevant Seller's administrator (in case of emergency regulations) or bankruptcy trustee (in case of bankruptcy) would be required for such act and it is not certain whether such co-operation will be forthcoming. Also, the power of attorney given to the Issuer and the Security Trustee, respectively, to effectuate such partial termination on behalf of the relevant Seller would terminate or become ineffective in such event.

#### **Risk related to Bank Pledge on the rights of the Borrowers against SNS Beleggersgiro**

The Issuer has been advised that a reasonable interpretation of the conditions applicable to nearly all of the Investment-based Mortgage Loans originated by SNS Bank is that the rights of the Borrowers against SNS Beleggersgiro have been pledged to SNS Bank. There is a risk, however, that not in all cases these pledges have been duly vested.

#### **Risk that the mortgage rights on Long Leases cease to exist**

The mortgage rights securing the Mortgage Loans may be vested on a long lease ("*erfpacht*"), as further described in *Description of 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 lease for a fixed period), or termination of the long lease by the leaseholder or the landowner. The landowner can terminate the long lease if the leaseholder has not paid the remuneration due for a period exceeding two consecutive years or seriously breaches ("*in ernstige mate tekortschiet*") 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 on the landowner for such compensation. The amount of the compensation will, *inter alia*, be terminated by the conditions of the long lease and may be less than the market value of the long lease.

When underwriting a Mortgage Loan to be secured by a mortgage right on a long lease, the relevant Seller will take into consideration certain conditions, in particular the term of the long lease. Therefore, the mortgage conditions used by each Seller provide that the principal sum of a Mortgage Receivable, including interest, will become immediately due and payable, *inter alia*, if the long lease terminates or if the lease holder materially breaches the conditions of the long lease.

#### **Risk that Borrower Insurance Pledges will not be effective**

All rights of a Borrower under the Insurance Policies have been pledged to the relevant Seller (the "**Borrower Insurance Pledge**"). The Issuer has been advised that it is probable that the right to receive payment, including the commutation payment ("*afkoopsom*"), under the Insurance Policies will be regarded by a Netherlands court as a future right. The pledge of a future right is, under Netherlands law, not effective if the pledgor is declared bankrupt, granted a suspension of payments or is subject to emergency regulations, prior to the moment such right comes into existence. This means that it is uncertain whether such pledge will be effective. The Borrower Insurance Pledge secures the same

liabilities as the Bank Security Rights (and should therefore be regarded as Bank Pledges). The conditions applicable to the Borrower Insurance Pledges do not provide that in case of assignment or pledge of the receivable, the pledge will (partially) follow such receivable. Consequently, there is no clear indication of the intention of the parties. However, the Issuer has been advised that, based upon recent legal literature (see *Risk that the Bank Security Rights will not follow the Mortgage Receivables upon assignment to the Issuer* above) the Borrower Insurance Pledges should partially follow the Mortgage Receivables upon their assignment and pledge.

#### **Risks relating to Beneficiary Rights under the Insurance Policies**

The relevant Seller has been appointed as beneficiary (i) under the relevant Life Insurance Policy up to the amount of its claim on the Borrower/policyholder and (ii) under the relevant Savings Insurance Policy up to the amount due by the Borrower to SNS Bank at the time the insurance proceeds are due and payable (together the "**Beneficiary Rights**"), except that in certain cases another beneficiary is appointed who will rank ahead of the relevant Seller, provided that, *inter alia*, the relevant Insurance Company is irrevocably authorised by such beneficiary to pay the proceeds of the Insurance Policy to the relevant Seller (the "**Borrower Insurance Proceeds Instruction**"). It is unlikely that the appointment of the relevant Seller as beneficiary will be regarded as an ancillary right and that it will follow the Mortgage Receivables upon assignment or pledge thereof to the Issuer or the Security Trustee. However, in the form of the Borrower Insurance Pledge with respect to Life Insurance Policies used by SNS Bank as of 25 September 2000 and in the forms of mortgage deeds with respect to Savings Insurance Policies used by SNS Bank as of the end of 2005, any successor in title ("*rechtsopvolgers onder algemene en bijzondere titel*") is also appointed as beneficiary, which may, subject to the legal requirements for a valid assignment and subject to any requirements stipulated by the Life Insurance Policy, or Savings Insurance Policy, as the case may be, include the Issuer upon the assignment. The Beneficiary Rights will be assigned by the relevant Seller to the Issuer and will be pledged to the Security Trustee by the Issuer (see *Description of Security* below). However, the Issuer has been advised that it is uncertain whether this assignment and pledge will be effective.

The Issuer and the Security Trustee will enter into a beneficiary waiver agreement (the "**Beneficiary Waiver Agreement**") with SNS Bank and the Savings Insurance Company under which SNS Bank, without prejudice to the rights of the Issuer as assignee and the rights of the Security Trustee as pledgee and subject to the condition precedent of the occurrence of an Assignment Notification Event, waives its rights as beneficiary under the Savings Insurance Policies and appoints as first beneficiary (i) the Issuer subject to the dissolving condition ("*ontbindende voorwaarde*") of a Security Trustee Pledge Notification Event and (ii) the Security Trustee under the condition precedent ("*opschortende voorwaarde*") of the occurrence of a Security Trustee Pledge Notification Event. It is, however, uncertain whether such waiver, and unlikely that such appointment, will be effective. In the event that such waiver and appointment are not effective in respect of the Savings Insurance Policies and, furthermore, in respect of the Life Insurance Policies, each Seller and, in respect of the Savings Insurance Policies, the Savings Insurance Company will undertake in the Beneficiary Waiver Agreement that they will use their best efforts upon the occurrence of an Assignment Notification Event to terminate the appointment of the relevant Seller as beneficiary under the Insurance Policies and to appoint the Issuer or the Security Trustee, as the case may be, as first beneficiary under the Insurance Policies.

In the event that a Borrower Insurance Proceeds Instruction has been given, the relevant Seller and, in respect of the Savings Insurance Policies, the Savings Insurance Company, will in the Beneficiary Waiver Agreement undertake to use their best efforts following an Assignment Notification Event to withdraw the Borrower Insurance Proceeds Instruction in favour of the relevant Seller and to issue such instruction in favour of (i) the Issuer subject to the dissolving condition ("*ontbindende voorwaarde*") of a Security Trustee Pledge Notification Event and (ii) the Security Trustee under the condition precedent ("*opschortende voorwaarde*") of the occurrence of a Security Trustee Pledge Notification Event. The termination and appointment of a beneficiary under the Insurance Policies and the withdrawal and the issue of the Borrower Insurance Proceeds Instruction will require the co-operation of all relevant parties involved. It is uncertain whether such co-operation will be forthcoming.

If the Issuer or the Security Trustee, as the case may be, has not become beneficiary of the Insurance Policies or the assignment and pledge of the Beneficiary Rights is not effective, any proceeds under the Insurance Policies will be payable to the relevant Seller or to another beneficiary rather than to the Issuer or the Security Trustee, as the case may be, up to the amount of any claims the relevant Seller may have on the relevant Borrower. If the proceeds are paid to the relevant Seller, it will pursuant to the Mortgage Receivables Purchase Agreement 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 the relevant Seller does not pay such amount to the Issuer or the Security Trustee, as the case may be, e.g. in case of bankruptcy of the relevant 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 relevant Mortgage Receivables. This may lead to the Borrower invoking set-off or defences against the Issuer or, as the case may be, the Security Trustee for the amounts so received by the relevant Seller or another beneficiary, as the case may be.

#### **Risk of set-off and defences by Borrowers in case of insolvency of Insurance Companies**

Under certain types of Mortgage Loans the relevant Seller has the benefit of rights under Life Insurance Policies and, in respect of SNS Bank only, Savings Insurance Policies (together the "**Insurance Policies**") with Life Insurance Companies and the Savings Insurance Company respectively (together the "**Insurance Companies**"). Under the Insurance Policies the Borrowers pay premium consisting of a risk element and a savings or investment element. The intention of the Insurance Policies is that at maturity of the relevant Mortgage Loan, the proceeds of the savings or investments can be used to repay the relevant Mortgage Loan, whether in full or in part. If any of the Insurance Companies is no longer able to meet its obligations under the Insurance Policies, for example as a result of bankruptcy or having become subject to emergency regulations, this could result in the amounts payable under the Insurance Policies either 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 which may have the result that the Mortgage Receivables will be, fully or partially, extinguished ("*teniet gaan*") or cannot be recovered for other reasons, which could lead to losses under the Notes.

As set out in *Set-off by Borrowers may affect the proceeds under the Mortgage Receivables* above, the Borrowers, other than Borrowers under Mortgage Loans originated by BLG Hypotheekbank, have waived their set-off rights, but it is uncertain whether such waiver is effective. With a view to further reducing the risk of set-off by Borrowers, the general conditions applicable to Mortgage Loans originated by SNS Bank after the end of 2005 have been changed to provide that the Borrower will not have the right to set off claims under insurance policies with obligations under mortgage loans and confirm that (i) the bank and the relevant insurance company are different legal entities and (ii) the rights and obligations under the insurance policies are independent from the rights and obligations under the mortgage loans. This provision provides arguments for a defence against Borrowers invoking set-off rights or other defences (see below), but it is uncertain whether this provision in the general conditions will be effective

If the provisions described above are not effective and in respect of Mortgage Loans originated by BLG Hypotheekbank, the Borrowers will, in order to invoke a right of set-off, need to comply with the applicable legal requirements for set-off. One of these requirements is that the Borrower should have a claim, which corresponds to his debt to the same counterparty. The Insurance Policies are contracts between the relevant Insurance Company and the Borrowers. 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 should be regarded as one legal entity or, possibly, based upon interpretation of case law, that set-off is allowed, even if the relevant Seller and the relevant Insurance Company are not considered as one legal entity, since the Insurance Policies and the Mortgage Loans might be regarded as one inter-related legal relationship. Furthermore, the Borrowers should have a counterclaim that is due and payable. If the relevant Insurance Company is declared bankrupt or subject to emergency regulations, the Borrower will have the right unilaterally to terminate the Insurance Policy and to receive a commutation payment ("*afkoopsom*"). These rights are subject to the Borrower Insurance Pledge. However, despite this pledge, it could be argued that the Borrower will be entitled to invoke a right of set-off for the commutation payment, subject, however, to what is stated above under *Risk that Borrower Insurance Pledges will not be effective*. However, apart from the right to terminate the



Insurance Policies, the Borrowers are also likely to have the right to dissolve 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 Insurance Pledge. If not, the Borrower Insurance Pledge would not obstruct a right of set-off in respect of such claim by the Borrowers.

Set-off vis-à-vis the Issuer after notification of the assignment would be subject to the additional requirements for set-off after assignment being met (see *Set-off by Borrowers may affect the proceeds under the Mortgage Receivables* above). In the case of Savings Mortgage Loans (one of) these requirements is likely to be met, since it is likely that the Savings Mortgage Loans and the Savings Insurance Policies are to be regarded as one legal relationship. If the Savings Mortgage Loan and the Savings Insurance Policy are regarded as one legal relationship the assignment will not interfere with the set-off. The Issuer has been advised that it is unlikely, however, that the Mortgage Loans and the Life Insurance Policies should be regarded as one legal relationship.

Even if the Borrowers cannot invoke a right of set-off, they may invoke defences vis-à-vis the relevant Seller, the Issuer and/or the Security Trustee, as the case may be. The Borrowers will naturally have all defences afforded by Netherlands Law to debtors in general. A specific defence one could think of would be based upon interpretation of the Mortgage Conditions and the promotional material relating to the Mortgage Loans. Borrower could argue that the Mortgage Loans and the Insurance Policies are to be regarded as one inter-related legal relationship and could on this basis claim a right of annulment or rescission of the Mortgage Loans or possibly suspension of their obligations thereunder. They could also argue that it was the intention of the Borrower, the relevant Seller and the relevant Insurance Company, at least they could rightfully interpret the Mortgage Conditions and the promotional materials in such manner, that the Mortgage Receivable would be (fully or partially) repaid by means of the proceeds of the relevant Insurance Policy and that, failing such proceeds being so applied, the Borrower is not obliged to repay the (corresponding) part of the Mortgage Receivable. Also, a defence could be based upon principles of reasonableness and fairness ("*redelijkheid en billijkheid*") in general, i.e. that it is contrary to principles of reasonableness and fairness for the Borrower to be obliged to repay the Mortgage Receivable to the extent that he has failed to receive the proceeds of the Insurance Policy. The Borrowers could also base a defence on "error" ("*dwaling*"), i.e. that the Mortgage Loans and the Insurance Policy were entered into as a result of "error". If this defence would be successful, this could lead to annulment of the Mortgage Loan, which would have the result that the Issuer no longer holds a Mortgage Receivable.

#### *Mortgage Loans to which a Life Insurance Policy is connected*

In respect of the risk of such set-off or defences being successful, as described above, if, in case of bankruptcy or emergency regulations of any of the Life Insurance Companies, the Borrowers/insured will not be able to recover their claims under their Life Insurance Policies, the Issuer has been advised that, in view of the preceding paragraphs and the representation by each Seller that with respect to Mortgage Loans whereby it is a condition for the granting of the relevant Mortgage Loan that a Life Insurance Policy is entered into by the Borrower (i) a Borrower Insurance Pledge is granted on the rights under such policy in favour of the relevant Seller (see Mortgage Loan Criteria sub (ix)) the Mortgage Loan and the Life Insurance Policy are in the relevant Seller's or the Life Insurance Company's promotional materials not offered as one product under one name, and (iii) the Borrowers are not obliged to enter into the Life Insurance Policy with a Life Insurance Company which is a group company of the relevant Seller, it is unlikely that a court would honour set-off or defences of the Borrowers, as described above, if the Life Insurance Company is not a group company of the relevant Seller within the meaning of Article 2:24b of the Dutch Civil Code. However, if the Life Insurance Company is a group company of the relevant Seller, the Issuer has been advised that the possibility cannot be disregarded ("*kan niet worden uitgesloten*") that the courts will honour set-off or defences by the Borrowers.

#### *Savings Mortgage Loans*

In respect of Savings Mortgage Loans the Issuer has been advised that there is a considerable risk ("*een aanmerkelijk risico*") that such a set-off or defence would be successful in view of, *inter alia*, the close connection between the Savings Mortgage Loan and the Savings Insurance Policy and the wording of the mortgage deeds relating to the Savings Mortgage Loans.

In respect of Savings Mortgage Loans to which a Savings Insurance Policy with the Savings Alternative is connected, the Sub-Participation Agreement will provide that should a Borrower invoke a defence, including but not limited to a right of set-off or counterclaim in respect of such Savings Mortgage Loan if, for whatever reason, the Savings Insurance Company does not pay the insurance proceeds when due and payable, whether in full or in part, under the relevant Savings Insurance Policy and, as a consequence thereof, the Issuer will not have received any amount outstanding prior to such event, the relevant Participation of the Savings Insurance Company will be reduced by an amount equal to the amount which the Issuer has failed to receive. The amount of the Participation is equal to the amounts of Savings Premium received by the Issuer plus the accrued yield on such amount (see *Sub-Participation Agreement* below), provided that the Savings Insurance Company will have paid all amounts equal to the amounts due under the Sub-Participation Agreement to the Issuer. Therefore, normally the Issuer would not suffer any damages if the Borrower invokes any such right of set-off or defence, if and to the extent that the amount for which the Borrower invokes set-off or defences does not exceed the amount of the Participation. However, the amount for which the Borrower can invoke set-off or defences may, depending on the circumstances, exceed the amount of the Participation.

The Sub-Participation Agreement does not apply to Savings Mortgage Loans to which a Savings Insurance Policy with the Investment Alternative is connected. In this respect it is noted that at the Closing Date only a small percentage of all Savings Mortgage Receivables have a Savings Insurance Policy with the Investment Alternative. Furthermore, the Issuer has been advised that the proportion of Savings Mortgage Receivables to which a Savings Insurance Policy with the Investment Alternative is connected, is not expected to increase substantially after the Closing Date, considering that from a tax perspective, the Savings Alternative is more attractive than the Investment Alternative for Borrowers who have opted for the certainty of a guaranteed payment sufficient to redeem the outstanding principal amount of such Savings Mortgage Loan at its maturity (see *SNS Residential Mortgage Business* below).

#### **Risk that interest rate reset rights will not follow Mortgage Receivables**

The Issuer has been advised that a good argument can be made that the right to reset the interest rate on the Mortgage Loans 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 the relevant Seller, the co-operation of the trustee (in bankruptcy) or administrator (in emergency regulations) would be required to reset the interest rates.

#### **Risk that SNS Beleggersgiro is not able to meet its obligations towards the relevant Borrowers**

Pursuant to the regulations ("*Reglement SNS Beleggersgiro*", hereinafter the "**Regulations**") the Borrowers under investment-based mortgage loans ("*beleggingshypotheek*", hereinafter "**Investment-based Mortgage Loans**") originated by SNS Bank will have a claim against SNS Beleggersgiro with respect to their investments held in the Investment Account. The Issuer has been informed that SNS Beleggersgiro is a bankruptcy-remote entity. The object ("*doel*") of SNS Beleggersgiro is broadly, limited to the acquisition, by way of custody and administration, of shares in investment funds or other securities for the benefit of the holders of investment accounts and any activity which can lead to any commercial risk for SNS Beleggersgiro is explicitly excluded from the object of SNS Beleggersgiro. Assuming that SNS Beleggersgiro acts in accordance with its object, its obligations vis-à-vis the holders of Investment Accounts should be corresponding with the value of the participations of SNS Beleggersgiro in the Investment Funds. Should SNS Beleggersgiro not be able to meet its obligations towards the relevant Borrowers, this could lead to set-off or defences by the relevant Borrowers similar to those described under *Risk of set-off and defences by Borrowers in case of insolvency of Insurance Companies* above.

#### **Risk that an Investment Firm is not able to meet its obligations towards the relevant Borrowers**

Pursuant to the Dutch Act on Financial Supervision ("*Wet financieel toezicht*"), the Investment Firms are obliged to comply with certain rules regarding the separation of assets, more specifically in relation to securities held for the benefit of the Borrowers under investment-based mortgage loans

("beleggingshypotheek") originated by BLG Hypotheekbank. These rules aim to achieve that creditors of the relevant Investment Firm cannot take recourse on securities held for the benefit of the relevant Borrowers and that in case of bankruptcy of the relevant Investment Firm, these securities will not form part of the bankruptcy estate. The Issuer has been informed that there is no reason to assume that the Investment Firms do not comply with the relevant regulations regarding the separation of assets. Should the Investment Firms not comply with the relevant regulations, this could lead to set-off defences by Borrowers similar to those described under *Risk of set-off and defences by Borrowers in case of insolvency of Insurance Companies* above.

#### **Risk related to the value of investments under Investment Mortgage Loans or Life Insurance Policies**

The value of investments made under the Investment-based Mortgage Loans or by one of the Life Insurance Companies in connection with the Life Insurance Policies or by the Savings Insurance Company in connection with the Savings Mortgage Loans to which a Savings Insurance Policy with the Investment Alternative is connected, may not be sufficient for the Borrower to fully redeem the related Mortgage Receivables at its maturity.

#### **Risks related to offering of Investment-based Mortgage Loans and Life Insurance Policies or Savings Insurance Policies with the Investment Alternative**

Apart from the general obligation of contracting parties to provide information, there are several provisions of Netherlands law applicable to offerors of financial products, such as Investment-based Mortgage Loans and Mortgage Loans to which Life Insurance Policies or Savings Insurance Policies with the Investment Alternative are connected. In addition, several codes of conduct apply on a voluntary basis. On the basis of these provisions offerors of these products (and intermediaries) have a duty, *inter alia*, to provide the customers with accurate, complete and non-misleading information about the product, the costs and the risks involved. These requirements have become more strict over time. A breach of these requirements may lead to a claim for damages from the customer on the basis of breach of contract or tort or the relevant contract may be dissolved ("ontbonden") or nullified or a Borrower may claim set-off or defences against the relevant Seller or the Issuer (or the Security Trustee). The merits of such claims will, to a large extent, depend on the manner in which the product was marketed and the promotional material provided to the Borrower. Depending on the relationship between the offeror and any intermediary involved in the marketing and sale of the product, the offeror may be liable for actions of the intermediaries which have led to a claim. The risk of such claims being made increases, if the value of investments made under Investment-based Mortgage Loans or Life Insurance Policies or Savings Insurance Policies with the Investment Element is not sufficient to redeem the Relevant Mortgage Loans.

In the case of Investment-based Mortgage Loans originated by BLG Hypotheekbank, Investment Firms provide for certain services, for example for investment advice or investment management services to the Borrowers. The Borrower may hold an Investment Firm liable if it does not meet its obligations towards the Borrower as investment adviser or investment manager, for example with respect to any investment advice or investment management services provided by such Investment Firm. In particular liability could arise if the sum of the investments is not sufficient to repay the Investment-based Mortgage Loan at maturity. Although BLG Hypotheekbank has no contractual obligation to provide investment advice or investment management services to the Borrower, it cannot be excluded that the Borrower may hold BLG Hypotheekbank liable for the non-fulfilment of the obligations of the Investment Firm and invoke set-off or defences similar to those described under *Risk of set-off and defences by Borrowers in case of insolvency of Insurance Companies*.

In relation to investment insurance policies ("beleggingsverzekeringen") a specific issue has arisen concerning the costs of these products. In 2006, the AFM has issued a report on these products in which it concludes that these types of insurances are relatively expensive and that the information about costs is in many cases incomplete, inadequate and sometimes incorrect. This report was followed by a letter of the Minister of Finance and a report issued in December 2006 by an independent committee, the Committee de Ruiter, containing recommendations to the insurers to improve the information provided to customers. The Dutch Association of Insurers has in a public communication (a) underwritten the recommendations of the Committee De Ruiter, stating that it sees these as a logical step in the various steps which have in previous years been made to improve transparency and (b) said

that insurers will (1) verify whether in the past in individual cases mistakes have been made and if so, correct these mistakes and (2) provide costumers having an investment insurance policy with all relevant information regarding their insurance policy.

The Dutch Minister of Finance has informed Parliament (i) that the Dutch Government intends to stimulate a balanced approach for resolving complaints, to prevent a multitude of individual disputes before a complaint institute or in public courts, (ii) that the Complaint Institute for Financial Services ("*Klachteninstituut Financiële Dienstverlening*", and the Ombudsman and Dispute Commission ("*Geschillencommissie*") active therein) is with the introduction of the Wft on 1 January 2007 the sole institute for out-of-court dispute resolution in connection with financial services and (iii) that such Ombudsman and Chairman have, at the request of the Dutch Minister of Finance, in the meantime proposed a balanced approach to deal with complaints which, if all parties co-operate, could accelerate a solution and could result in a compromise for an important number of cases in about six months time (starting 31 March 2007). The Dutch Association of Insurers have in the meantime agreed to such proposed balanced approach. In the press class actions have been announced against certain insurers.

If Life Insurance Policies or Savings Insurance Policies with the Investment Element related to the Mortgage Loans would for the reasons described in this paragraph be dissolved or nullified, this will affect the collateral granted to secure these Mortgage Loans (the Borrower Insurance Pledges and the Beneficiary Rights would cease to exist). The Issuer has been advised that, depending on the circumstances involved, in such case the Mortgage Loans connected thereto can possibly also be dissolved or nullified, but that this will be different depending on the particular circumstances involved. Even if the Mortgage Loan is not affected, the Borrower/insured may invoke set-off or other defences against the Issuer. In this respect it is noted that no actions have been announced against offerors of mortgage loans to which such investment insurance policies are connected. The analysis in that situation is similar to the situation in case of insolvency of the insurer (see *Risk of set-off and defences by Borrowers in case of insolvency of Insurance Companies*), except if the relevant Seller is itself liable, whether jointly with the insurer or separately, vis-à-vis the Borrower/insured. In this situation, which may depend on the involvement of the relevant Seller in the marketing and sale of the insurance policy, set-off or defences against the Issuer may be invoked, which will probably only become relevant if the insurer and/or the relevant Seller will not indemnify the Borrower. Any such set-off or defences may lead to losses under the Notes.

#### **Maturity risk related to the Mortgage Loans**

The standard mortgage deed used by SNS Bank in case of an Interest-only Mortgage Loan originated prior to 1 October 2003 ("*SNS Aflossingsvrije Hypotheek*") states that such loan is entered into for an unlimited period of time and that, unless agreed otherwise at any time, the Borrower is not obliged to repay the principal sum borrowed (the "**Principal Sum**"). However, the mortgage deed and SNS Bank's general terms and conditions applicable to loans and mortgages (the "**General Conditions**") both contain clauses pursuant to which SNS Bank may demand repayment of the Principal Sum or pursuant to which the Principal Sum is declared immediately due and payable.

With respect to the General Conditions it is noted that these conditions provide that the Principal Sum, increased with interest, reimbursements, costs and amounts paid by SNS Bank on behalf of the Borrower and any other amounts due by the Borrower to the Seller for whatever reason at any time (the "**Debt**"), will become immediately due and payable in certain events, *inter alia*, if the Life Insurance Policy belonging to the Mortgage Loan is invalid and/or payment of premium under the Life Insurance Policy is suspended ("*premievrij*") and/or the Life Insurance Company makes a payment under the Life Insurance Policy (see *Mortgage Receivables Purchase Agreement* below). In such event SNS Bank is thus entitled to terminate the Mortgage Loan (including an Interest-only Mortgage Loan). Furthermore, SNS Bank has represented that each of the Mortgage Loans with a tenor of more than thirty years or without a maturity date will have a Life Insurance Policy attached to it in the form of a combined risk and capital policy which, as far as the risk element is concerned, pays out upon death of the insured and, as far as the capital element is concerned, upon maturity of the policy and that each of the Life Insurance Policies has a term not exceeding thirty years from the date on which the Mortgage Loan was granted.

No specific termination event is provided in the General Conditions in case of death of a Borrower. Death of a Borrower would not necessarily lead to repayment of the Principal Sum. However, if a Life Insurance Policy is connected to the Mortgage Loan, the death of a Borrower who is also the insured under the policy will in principle result in a payment under the Life Insurance Policy and the Debt becoming due (as described above).

Under Netherlands law any contractual provision may not be enforceable if this would be unacceptable in the circumstances involved on the basis of applicable standards of reasonableness and fairness ("*redelijkheid en billijkheid*"). In respect of provisions contained in general conditions (such as the General Conditions) the relevant statutory provisions provide, more specifically, that a provision is voidable, if considering the nature and the further contents of the agreement, the manner in which the general conditions were agreed upon, the mutually apparent interests of the parties involved and the further circumstances, it is unreasonably onerous from the perspective of the party against whom the general conditions are applied. Borrowers may argue that, depending on the circumstances, the clause in the General Conditions relating to acceleration of the Debt in case the insurance proceeds are paid out (as described above) is voidable or otherwise unenforceable on the basis of these statutory provisions.

#### **Risk related to prepayments on the Mortgage Loans**

The maturity of the Notes of each Class will depend on, *inter alia*, the amount and timing of payment of principal (including full and partial prepayments, sale of the Mortgage Receivables by the Issuer, Net Proceeds upon enforcement of a Mortgage Loan and repurchase by the relevant Seller of Mortgage Receivables) on the Mortgage Loans. The average maturity of the Notes may be adversely affected by a higher or lower than anticipated rate of prepayments on the Mortgage Loans and the amount of Substitute Mortgage Receivables offered by the Sellers. The rate of prepayment of Mortgage Loans is influenced by a wide variety of economic, social and other factors, including prevailing market interest rates, changes in tax laws (including, but not limited to, amendments to mortgage interest tax deductibility), local and regional economic conditions and changes in Borrowers' behaviour (including, but not limited to, home-owner mobility). No guarantee can be given as to the level of prepayment that the Mortgage Loans may experience, and variation in the rate of prepayments of principal on the Mortgage Loans may affect each Class of Notes differently.

In addition, it is noted that the Savings Mortgage Loans become immediately due and payable up to the amount of the savings deposit with SNS Bank, *inter alia*, if SNS Bank is declared bankrupt or subjected to emergency regulations. In such event the Borrower also has the right to fully repay the Savings Mortgage Loan without any penalty being due.

#### **Payments on the Mortgage Receivables are subject to credit, liquidity and interest rate risks**

Payments on the Mortgage Receivables are subject to credit, liquidity and interest rate risks. This may be due to, among other things, market interest rates, general economic conditions, the financial standing of Borrowers and similar factors. Other factors such as loss of earnings, illness, divorce and other similar factors may lead to an increase in delinquencies and bankruptcy filings by Borrowers and could ultimately have an adverse impact on the ability of Borrowers to repay their Mortgage Receivables.

#### **Risks of Losses Associated with Declining Values of Mortgaged Assets**

The security for the Notes created under the Security Trustee Receivables Pledge Agreement may be affected by, among other things, a decline in the value of the Mortgaged Assets. No assurance can be given that values of the Mortgaged Assets have remained or will remain at the level at which they were on the date of origination of the related Mortgage Loans. A decline in value may result in losses to the Noteholders if the relevant security rights on the Mortgaged Assets are required to be enforced. The relevant Seller will not be liable for any losses incurred by the Issuer in connection with the Relevant Mortgage Loans.

#### **Risks related to NHG Guarantees**

All Mortgage Loans will have the benefit of a "*Nationale Hypotheek Garantie*" ('**NHG Guarantee**'). Pursuant to the terms and conditions ("*voorwaarden en normen*") of the NHG Guarantee 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 terms and conditions of the NHG Guarantee, unless such non-payment is unreasonable towards the lender. In the Mortgage Receivables Purchase Agreement the Sellers will represent and warrant that (i) each NHG Guarantee connected to the Relevant Mortgage Loan constitutes legal, valid and binding obligations of the WEW, enforceable in accordance with its terms, (ii) all terms and conditions applicable to the NHG Guarantee at the time of origination of the Mortgage Loan were complied with and (iii) the Sellers are not aware of any reason why any claim under any NHG Guarantee should not be met in full and in a timely matter.

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

For a more detailed description of the NHG Guarantee see *NHG Guarantee Programme*.

## **RISK FACTORS REGARDING THE NOTES**

### **Risk that the Issuer will not exercise its right to redeem the Notes at the Optional Redemption Dates**

As a result of the increase in the margin payable on and from the Step-Up Date in respect of the floating rate of interest on the Notes, the Issuer may have an incentive to exercise its right to redeem the Notes on the first Optional Redemption Date or on any Optional Redemption Date thereafter. No guarantee can be given that the Issuer will actually exercise such right. The exercise of such right will, *inter alia*, depend on the ability of the Issuer to have sufficient funds available to redeem the Notes, for example through a sale of Mortgage Receivables still outstanding at that time. The Subordinated Class B Notes can be redeemed at an amount less than their Principal Amount Outstanding (see Conditions 6(e) and 9(b) in *Terms and Conditions of the Notes* below).

### **Subordination of the Subordinated Class B Notes**

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

If, upon default by the Borrowers, 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 the Notes, to the extent set forth in Condition 9. On any Payment Date, any Realised Losses on the Mortgage Loans will be allocated as described in *Credit Structure* below.

### **Risk related to the limited liquidity of the Notes**

There can be no assurance that a secondary market for the Notes will develop or, if a secondary market does develop, that it will provide Noteholders with liquidity of investment or that it will continue for the life of the Notes. To date, no underwriter has indicated that they intend to establish and/or maintain a secondary market in the Notes.

### **Maturity Risk**

The ability of the Issuer to redeem all the Notes on each Optional Redemption Date or, as the case may be, on the Final Maturity Date in full and to pay all amounts due to the Noteholders, including after the occurrence of an Event of Default, may depend upon whether the value of the Mortgage Receivables is sufficient to redeem the Notes.

### **No Gross-up for Taxes**

As provided in Condition 7, if withholding of, or deduction for, or on account of any present or future taxes, duties, assessments or changes of whatever nature are imposed by or on behalf of the Netherlands, any authority therein or thereof having power to tax, 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 the Noteholders.

#### **Credit ratings may not reflect all risks**

The rating of each of the Notes addresses the assessments made by Moody's and Fitch of the likelihood of full and timely payment of interest and ultimate payment of principal on or before the Final Maturity Date.

A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation if in its judgment, the circumstances (including a reduction in the credit rating of the Floating Rate GIC Provider, the Seller Collection Account Provider, the Swap Counterparty or the Cash Advance Facility Provider) in the future so require.

#### **403-Declaration SNS REAAL N.V.**

On 8 March 2006, SNS REAAL N.V. ("**SNS REAAL**") has deposited a statement pursuant to Section 2:403 of the Netherlands Civil Code (the "**403-Declaration**") with the Commercial Register of the Chamber of Commerce in Maastricht, in which it has declared to be jointly and severally liable for the debts resulting from legal acts of BLG Hypotheekbank. On the basis of the 403-Declaration, SNS REAAL will be jointly and severally liable with BLG Hypotheekbank for debts incurred by BLG Hypotheekbank resulting from legal acts, which include the Mortgage Receivables Purchase Agreement and the Administration Agreement.

SNS REAAL will have the right to withdraw the 403-Declaration at any time by depositing a declaration to this effect with the Commercial Register of the Chamber of Commerce in Maastricht. The Issuer has been advised that irrespective of such withdrawal SNS REAAL will continue to be jointly and severally liable for all debts incurred by BLG Hypotheekbank resulting from legal acts, which include the Mortgage Receivables Purchase Agreement and the Administration Agreement.

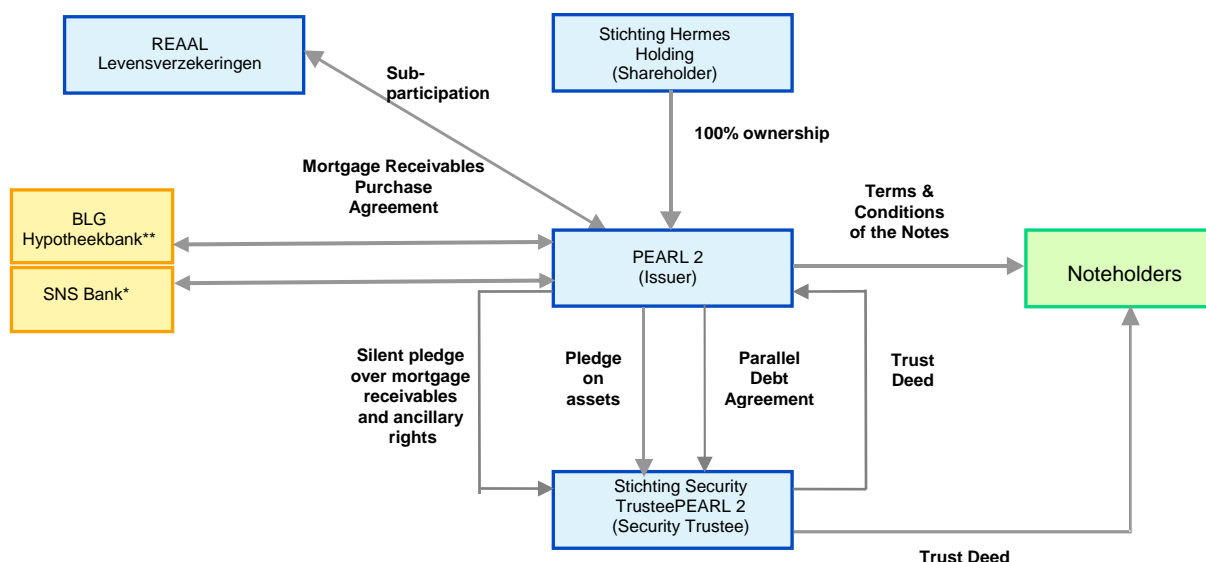
SNS REAAL can also file a notice of its intention to terminate its remaining liability after withdrawal of the 403-Declaration. Such remaining liability will terminate if certain conditions are met, *inter alia*, that (i) BLG Hypotheekbank no longer belongs to the same group of companies as SNS REAAL and (ii) a two (2) month notice period has expired and the relevant creditor has not opposed the intention to terminate in time or such opposition was dismissed by the court.

#### **Rating of the State of the Netherlands**

The rating of the Notes by Fitch and Moody's takes into account the NHG Guarantee granted in connection with each of the Mortgage Loans. The NHG Guarantee is backed by the State of the Netherlands (see *NHG Guarantee Programme*) which is currently rated "AAA" by Fitch and "Aaa" by Moody's. In the event that the Netherlands State ceases to be rated "AAA" by Fitch and "Aaa" by Moody's, this may result in a review by Fitch and Moody's of the Notes and could potentially result in a corresponding downgrade of the Notes.

## STRUCTURE DIAGRAM

*The following structure diagram provides an indicative summary of the principal features of the transaction. The diagram must be read in conjunction with and is qualified in its entirety by the detailed information presented elsewhere in this Prospectus.*



\* In its capacity as Seller, Swap Counterparty, Floating Rate GIC Provider, Cash Advance Facility Provider, Seller Collection Account Provider, Manager, Issuer Administrator and Pool Servicer

\*\* In its capacity as Seller and Pool Servicer



## OVERVIEW OF THE PARTIES AND PRINCIPAL FEATURES OF THE TRANSACTION

*The following provides an overview of the parties and the principal features of the transaction. The overview must be read in conjunction with and is qualified in its entirety by the detailed information presented elsewhere in this Prospectus.*

### **PARTIES:**

<b>Issuer:</b>	PEARL Mortgage Backed Securities 2 B.V., incorporated under the laws of the Netherlands as a private company with limited liability (" <i>besloten vennootschap met beperkte aansprakelijkheid</i> "), having its corporate seat in Amsterdam and registered with the Commercial Register of the Chamber of Commerce of Amsterdam under number 34272699.
<b>Issuer Administrator</b>	SNS Bank in its capacity as issuer administrator under the Administration Agreement or its successor or successors;
<b>Pool Servicers:</b>	SNS Bank and BLG Hypotheekbank in their capacity as pool servicers under the Administration Agreement or their successor or successors;
<b>Sellers :</b>	SNS Bank N.V. (" <b>SNS Bank</b> "), incorporated under the laws of the Netherlands as a public limited liability company (" <i>naamloze vennootschap</i> ") and BLG Hypotheekbank N.V. (" <b>BLG Hypotheekbank</b> ") incorporated under the laws of the Netherlands as a public limited liability company (" <i>naamloze vennootschap</i> ") (each a " <b>Seller</b> " and together the " <b>Sellers</b> ");
<b>Security Trustee:</b>	Stichting Security Trustee PEARL Mortgage Backed Securities 2, established under the laws of the Netherlands as a foundation (" <i>stichting</i> ") and registered with the Commercial Register at the Chamber of Commerce in Amsterdam under number 34272702.
<b>Shareholder:</b>	The entire issued share capital of the Issuer is held by Stichting Holland Euro-Denominated Mortgage Backed Series (Hermes) Holding, established under the laws of the Netherlands as a foundation (" <i>stichting</i> ").
<b>Directors:</b>	ATC Management B.V., the sole director of the Issuer, N.V. Algemeen Nederlands Trustkantoor ANT, the sole director of the Security Trustee and ATC Corporate Services (Netherlands) B.V., the sole director of the Shareholder. ATC Management B.V. and ATC Corporate Services (Netherlands) B.V. belong to the same group of companies.
<b>Savings Insurance Company:</b>	REAAL Levensverzekeringen N.V., incorporated under the laws of the Netherlands as a public limited liability company (" <i>naamloze vennootschap</i> ").

<b>Cash Advance Facility Provider:</b>	SNS Bank.
<b>Floating Rate GIC Provider:</b>	SNS Bank.
<b>Swap Counterparty:</b>	SNS Bank.
<b>Paying Agent:</b>	ABN AMRO Bank N.V. (the " <b>Paying Agent</b> " or " <b>ABN AMRO</b> "), incorporated under the laws of the Netherlands as a public limited liability company (" <i>naamloze vennootschap</i> ").
<b>Reference Agent:</b>	ABN AMRO.
<b>Common Safekeeper:</b>	Euroclear S.A./N.V.

**THE NOTES:**

<b>Notes:</b>	The euro 800,000,000 Senior Class A Mortgage-Backed Notes 2007 due 2046 (the " <b>Senior Class A Notes</b> ") and the euro 8,100,000 Subordinated Class B Mortgage-Backed Notes 2007 due 2046 (the " <b>Subordinated Class B Notes</b> ") and together with the Senior Class A Notes, the " <b>Notes</b> ") will be issued by the Issuer on 8 June 2007 (or such later date as may be agreed between the Issuer, each Seller and the Managers) (the " <b>Closing Date</b> ").
<b>Issue Price:</b>	The issue prices of the Notes will be as follows: <ul style="list-style-type: none"> <li>(i) the Senior Class A Notes, 100 per cent.; and</li> <li>(ii) the Subordinated Class B Notes, 100 per cent.</li> </ul>
<b>Form:</b>	The Notes are in bearer form and in the case of Definitive Notes, serially numbered with coupons attached.
<b>Denomination:</b>	The Senior Class A Notes and the Subordinated Class B Notes will be issued in denominations of euro 50,000.
<b>Status and Ranking:</b>	The Notes of each Class 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 payments of principal and interest on the Subordinated Class B Notes are subordinated to payments of principal and interest on the Senior Class A Notes. See further <i>Terms and Conditions of the Notes</i> below.
<b>Interest:</b>	Interest on the Notes is payable by reference to successive interest periods. Each successive interest period will commence on (and include) a Payment Date and end on (but exclude) the next succeeding Payment Date (each an " <b>Interest Period</b> "), except for the first Interest Period which will commence on (and include) the Closing Date and end

on (but exclude) the Payment Date falling in September 2007. The interest will be calculated on the basis of the actual days elapsed in the Interest Period divided by 360 days.

Interest on the Notes will be payable quarterly in arrear in euros, in each case in respect of the Principal Amount Outstanding of each Class of Notes on the 18<sup>th</sup> day of March, June, September and December (or, if such day is not a Business Day, the next succeeding Business Day, unless such Business Day falls in the next succeeding calendar month in which event interest on the Notes will be payable on the Business Day immediately preceding such day) in each year (each such day being a "**Payment Date**").

A "**Business Day**" means each 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.

Interest on the Notes for each Interest Period will accrue from the Closing Date at an annual rate equal to the sum of the Euro Interbank Offered Rate ("**Euribor**") for three months deposits in euros (determined in accordance with Condition 4(e)) (or, in respect of the first Interest Period, the rate which represents the linear interpolation of Euribor for three and four months deposits in euro), plus up to (and including) the Payment Date falling in June 2014 (the "**Step-Up Date**");

- (i) for the Senior Class A Notes, a margin of 0.03 per cent. per annum; and
- (ii) for the Subordinated Class B Notes, a margin of 0.40 per cent. per annum.

#### **Interest Step-Up:**

If on the Step-Up Date the Notes have not been redeemed in full, the rate of interest applicable to each Class of Notes will accrue in the Interest Period commencing on the Step-Up Date and each Interest Period thereafter at an annual rate equal to the sum of Euribor for three months deposits in euros determined in accordance with Condition 4(e), plus a margin which will be:

- (i) for the Senior Class A Notes, a margin of 0.25 per cent. per annum; and
- (ii) for the Subordinated Class B Notes, a margin of 1.00 per cent. per annum.

#### **Mandatory Redemption of the Notes:**

The Issuer will be obliged to apply the Redemption Available Amount, if and to the extent such amount has not been applied to purchase Substitute Mortgage Receivables (see *Substitution* below), to redeem, whether in full or in part, at their respective Principal Amount Outstanding the Notes on the Step-Up Date and on each Payment Date thereafter, on a *pro rata* basis in the following order: (i) firstly the Senior Class A Notes until fully redeemed, and, thereafter, (ii) the Subordinated Class B Notes until fully

redeemed.

**Optional Redemption of the Notes:**

Unless previously redeemed in full, the Issuer will have the option to redeem all of the Notes but not some only, on the Payment Date falling in June 2014 and on each Payment Date thereafter (each an "**Optional Redemption Date**") at their Principal Amount Outstanding, less in the case of the Subordinated Class B Notes, a Subordinated Principal Shortfall (if any), all subject to and in accordance with the Conditions, in particular Conditions 6(e) and 9(b).

**Final Maturity Date for the Notes:**

Unless previously redeemed, the Issuer will, subject to Condition 9(b), redeem all of the Notes at their respective Principal Amount Outstanding on the Payment Date falling in June 2046.

**Redemption for tax reasons:**

If (i) the Issuer is or will be obliged to make any withholding or deduction for, or on account of, any taxes, duties, assessments or charges of whatsoever nature from payments in respect of any Class of Notes as a result of any change in, or amendment to, the laws or regulations of the Netherlands (including any guidelines issued by the tax authorities) or any other jurisdiction or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which becomes effective on or after the Closing Date and such obligation cannot be avoided by the Issuer taking reasonable measures available to it, and (ii) the Issuer will have sufficient funds available on the Calculation Date immediately preceding such Payment Date to discharge all amounts of principal and interest due in respect of the Notes and any amounts required to be paid in priority or pari passu with each Class of Notes in accordance with the Trust Deed, the Issuer has the option to redeem the Notes, in whole but not in part, on any Payment Date at their Principal Amount Outstanding, subject to Condition 9(b). No Class of Notes may be redeemed under such circumstances unless all Classes of Notes (or such of them as are outstanding) are also redeemed in full at the same time.

**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 pay any additional amounts to such Noteholders. In particular, but without limitation, no additional amounts shall be payable in respect of any Note or Coupon presented for payment, where such withholding or deduction is imposed on a payment to an individual and is required to be made

pursuant to the European Union Directive on the taxation of savings that was adopted on 3 June 2003 or any law implementing or complying with, or introduced in order to conform to, such Directive.

**Method of Payment:**

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

**Use of proceeds:**

The Issuer will use the net proceeds from the issue of the Notes to pay to the Sellers (part of) the Initial Purchase Price for the Mortgage Receivables, pursuant to the provisions of an agreement dated 6 June 2007 (the "**Mortgage Receivables Purchase Agreement**") and made between each of the Sellers, the Issuer and the Security Trustee. See further *Mortgage Receivables Purchase Agreement* below.

**THE MORTGAGE  
RECEIVABLES:**

**Mortgage Receivables:**

Under the Mortgage Receivables Purchase Agreement, the Issuer will on the Closing Date purchase and accept the assignment of any and all rights (the "**Mortgage Receivables**"), which will include Substitute Mortgage Receivables upon the purchase hereof, of each Seller against certain borrowers (the "**Borrowers**") under or in connection with certain pre-selected Mortgage Loans. Each Seller has the benefit of Beneficiary Rights which entitle the relevant Seller to receive the final payment under the relevant Insurance Policies, which payment is to be applied towards redemption of the Relevant Mortgage Receivables. Under the Mortgage Receivables Purchase Agreement, each Seller will assign such Beneficiary Rights to the Issuer and the Issuer will accept such assignment.

**Mortgage Loans:**

The Mortgage Receivables to be sold by each Seller pursuant to the Mortgage Receivables Purchase Agreement will result from loans secured by a first-ranking mortgage right over (i) a real property ("*onroerende zaak*"), (ii) an apartment right ("*appartementsrecht*") or (iii) a long lease ("*erfpacht*"), together with real property and apartment rights, the "**Mortgaged Assets**"), situated in the Netherlands and entered into by the relevant Seller and the relevant Borrowers which meet criteria set forth in the Mortgage Receivables Purchase Agreement and which will be selected prior to or on the Closing Date, or, as the case may be the relevant Payment Date (the "**Mortgage Loans**"). The Mortgage Loans will consist of interest-only mortgage loans ("*aflossingsvrije hypotheek*"), (in respect of SNS Bank only) savings mortgage loans ("*spaarhypotheek*"), linear mortgage loans ("*lineaire hypotheek*"), annuity mortgage loans ("*annuïteitenhypotheek*"), investment-based mortgage loans ("*beleggingshypotheek*"), (in respect of BLG Hypotheekbank only) life mortgage loans ("*leven-*

*hypotheken*") or combinations of any of these types of mortgage loans. Mortgage Loans may consist of one or more loan parts ("*leningdelen*"), each of which normally constitutes a different mortgage type agreed with the relevant Borrower. If a Mortgage Loan consists of one or more of such loan parts, the relevant Seller shall sell and assign and the Issuer shall purchase and accept the assignment of all, but not some, loan parts of such Mortgage Loan. See further *Description of Mortgage Loans* below.

The Mortgage Loans have the characteristics that demonstrate the capacity to produce funds to service payments under the Notes.

**Life Insurance Policies:**

The interest-only mortgage loans (the "**Interest-only Mortgage Loans**"), to the extent compulsory under the relevant acceptance conditions, have the benefit of combined risk and capital life insurance policies, and the life mortgage loans (the "**Life Mortgage Loans**") (in respect of BLG Hypotheekbank only) have the benefit of life insurance policies (together the "**Life Insurance Policies**"). Life Insurance Policies taken out by Borrowers with a life insurance company ("**Life Insurance Company**"), which Life Insurance Company may also belong to the SNS REAAL Group. For a description of SNS REAAL Group, see *SNS Bank N.V.* below. See further *Risk Factors* and *Mortgage Receivables Purchase Agreement* below.

**NHG Guarantee:**

All Mortgage Loans will have the benefit of guarantees under the NHG Guarantees. See further *Description of the Mortgage Loans* and *NHG Guarantee Programme*.

**Risk Insurance Policies:**

Mortgage Loans, to the extent compulsory under the relevant acceptance conditions, have the benefit of an insurance policy containing only a risk insurance policy which pays out upon the death of the insured, but not a capital insurance policy (the "**Risk Insurance Policy**"), which Risk Insurance Policy covers as a minimum the excess over the percentage threshold over the Foreclosure Value of the Mortgaged Assets at which such Insurance Policy becomes compulsory.

**Savings Insurance Policies:**

A portion of the Mortgage Loans originated by SNS Bank will be in the form of savings mortgage loans ("*spaarhypotheken*", hereinafter "**Savings Mortgage Loans**"), which consist of Mortgage Loans entered into by SNS Bank and the relevant Borrowers combined with an insurance policy (a "**Savings Insurance Policy**") with the Savings Insurance Company. The Mortgage Receivables relating to the Savings Mortgage Loans will hereinafter be referred to as the "**Savings Mortgage Receivables**". A Savings Insurance Policy is a combined risk and capital insurance policy taken out by the relevant Borrower with the Savings Insurance Company in connection with the relevant Savings Mortgage Loan. Under the Savings Mortgage Loan no principal is paid by the Borrower prior to maturity of the

Mortgage Loan. Instead, the Borrower/insured pays 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 with the Savings Alternative due by the Savings Insurance Company to the relevant Borrower is equal to the amount due by the Borrower to SNS Bank at maturity of the Savings Mortgage Loan. Under the Savings Insurance Policy, the Savings Premium is either (i) deposited by the Savings Insurance Company in a savings account held with SNS Bank (the "**Savings Alternative**") or (ii), in respect of a portion of the Savings Mortgage Loans only, at the option of the Borrower invested in certain investment funds of SNS Beleggingsfondsen N.V. (the "**Investment Alternative**"). See further *Risk Factors* and *Description of the Mortgage Loans*.

**Repurchase of Mortgage Receivables:**

In the Mortgage Receivables Purchase Agreement, each Seller has undertaken to repurchase and accept re-assignment of a Relevant Mortgage Receivable:

- (i) on the Mortgage Payment Date immediately following the expiration of the relevant remedy period (as provided in the Mortgage Receivables Purchase Agreement), if any of the representations and warranties given by the relevant Seller in respect of the Relevant Mortgage Loans and the Relevant Mortgage Receivables, including the representation and warranty that such Mortgage Receivable has the benefit of an NHG Guarantee and that the Mortgage Loans or, as the case may be, the Mortgage Receivables meet certain mortgage loan criteria, are untrue or incorrect in any material respect;
- (ii) on the Mortgage Payment Date immediately following the date on which the relevant Seller agrees with a Borrower to grant a further advance under a Relevant Mortgage Loan, which may include a new mortgage loan, which is only secured by the mortgage right which also secures the Relevant Mortgage Receivable (the "**Mortgage Loan Further Advance**");
- (iii) on the Mortgage Payment Date immediately following the date on which the relevant Seller agrees with a Borrower to amend the terms of the Relevant Mortgage Loan, or part of such Mortgage Loan and as a result thereof such Mortgage Loan no longer meets certain eligibility criteria set forth in the Mortgage Receivables Purchase Agreement ("**Mortgage Loan Amendment**");
- (iv) on the Mortgage Payment Date immediately following the date on which the relevant Mortgage Loan no longer has the benefit of the NHG Guarantee as a result of any action taken or omitted to be taken by the relevant Seller;
- (v) on the Mortgage Payment Date immediately following

the date on which SNS Bank or the Savings Insurance Company complies with a request from the Borrower under the terms of a Savings Mortgage Loan with a Savings Alternative to switch whole or part of the premia accumulated in the relevant Savings Insurance Policy with the Savings Alternative into the Investment Alternative (the "**Savings Switch**").

The purchase price for the Mortgage Receivable in such event will be equal to the outstanding principal amount of the Mortgage Receivable, together with due and overdue interest and reasonable costs, if any (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 except if:

(i) it concerns a repurchase of the Mortgage Receivables as a result of an amendment of the Mortgage Loan as described in item (iii) above, and

(ii) such Mortgage Receivable is either in arrears for a period exceeding 90 days or in respect of such Mortgage Receivable an instruction has been given to the civil-law notary to publicly sell the Mortgaged Assets,

the purchase price shall be at least the lesser of (i) the sum of (a) an amount equal to the indexed foreclosure value of the Mortgaged Assets and (b) the amount claimable under the NHG Guarantee, and (ii) the sum of the outstanding principal amount of the Mortgage Receivable, together with accrued interest due but unpaid, if any, and any other amounts due under the Mortgage Receivable.

**Substitution:**

The Mortgage Receivables Purchase Agreement will provide that the Issuer on each Payment Date will purchase from the relevant Seller the relevant mortgage receivables ("**Relevant Substitute Mortgage Receivables**") and the Beneficiary Rights relating thereto subject to the fulfilment of certain conditions and to the extent offered by the relevant Seller. The Issuer will apply towards the purchase of Relevant Substitute Mortgage Receivables (i) on each Payment Date up to (and including) the Payment Date falling in June 2014 the Redemption Available Amount and (ii) thereafter, up to and including the Payment Date immediately preceding the Final Maturity Date, certain amounts received as a result of the repurchase of Relevant Mortgage Receivables in connection with the granting of a Mortgage Loan Further Advance or the Savings Switch. See further *Mortgage Receivables Purchase Agreement*.

**Clean-Up Call Option:**

On each Payment Date the Sellers, acting jointly, have the option (but not the obligation) to repurchase the Mortgage Receivables if on the Calculation Date immediately preceding such Payment Date the aggregate outstanding principal amount of the Mortgage Receivables is not more than 10 per cent. of the aggregate outstanding principal amount of the Mortgage Receivables on the Cut-Off Date



(the "**Clean-Up Call Option**").

The Issuer has undertaken in the Mortgage Receivables Purchase Agreement to sell and assign the Relevant Mortgage Receivables to the relevant Seller, or any third party appointed by the relevant Seller at its sole discretion, in case the Sellers exercise the 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 Conditions 6(b) and 9(b). The purchase price will be calculated as described in *Sale of Mortgage Receivables in Credit Structure* below.

**Sale of Mortgage Receivables on Optional Redemption Date:**

The Issuer will have the right to sell and assign all, but not some, of the Mortgage Receivables on each Optional Redemption Date, provided that the Issuer shall apply the proceeds of such sale, to the extent relating to principal, to redeem the Notes (see *Optional Redemption of the Notes*). The purchase price of each Mortgage Receivable in the event of such sale shall be equal to the outstanding principal amount, together with accrued interest due but unpaid, if any, of each Mortgage Receivable, except that with respect to Mortgage Receivables which are in arrears for a period exceeding 90 days or in respect of which an instruction has been given to the civil-law notary to publicly sell the Mortgaged Assets, the purchase price shall be at least the lesser of (i) the sum of (a) an amount equal to the indexed foreclosure value of the Mortgaged Assets and (b) the amount claimable under the NHG Guarantee, and (ii) the sum of the outstanding principal amount of the Mortgage Receivable, together with accrued interest due but unpaid, if any, and any other amounts due under the Mortgage Receivable.

**Sub-Participation Agreement**

On the Closing Date, the Issuer will enter into a sub-participation agreement (the "**Sub-Participation Agreement**") with the Savings Insurance Company under which the Savings Insurance Company will acquire participations in the relevant Savings Mortgage Receivables equal to amounts of Savings Premium paid by the relevant Borrower to the Savings Insurance Company in respect of a Savings Insurance Policy with the Savings Alternative. In the Sub-Participation Agreement the Savings Insurance Company will undertake to pay to the Issuer amounts equal to all amounts received as Savings Premium on the Savings Insurance Policies with the Savings Alternative. In return, the Savings Insurance Company is entitled to receive the Participation Redemption Available Amount from the Issuer. The amount of the Participation with respect to a Savings Mortgage Receivable with the Savings Alternative, consists of (a) the initial participation at the Closing Date or, in case of the purchase of a Substitute Mortgage Receivable to which a Savings Insurance Policy with the Savings Alternative is connected, on the relevant Payment Date (which is equal to the sum of all amounts due up to such date to the Savings Insurance Company as Savings Premium and accrued interest), being, in case of the initial

participation at the Closing Date, the amount of euro 7,725,419.27, (b) increased on a monthly basis with the sum of (i) amounts equal to the Savings Premium received by the Savings Insurance Company and paid to the Issuer and (ii) a *pro rata* part, corresponding to the Participation in the relevant Savings Mortgage Receivable with the Savings Alternative, of the interest paid by the Borrower in respect of such Savings Mortgage Receivable. See further *Sub-Participation Agreement* below.

**Security for the Notes:**

The Notes will be secured:

- (i) by a first ranking undisclosed right of pledge by the Issuer to the Security Trustee over (a) the Mortgage Receivables, including all rights ancillary thereto and (b) the Beneficiary Rights; and
- (ii) by a first ranking disclosed right of pledge by the Issuer to the Security Trustee over the Issuer's rights under or in connection with the Mortgage Receivables Purchase Agreement, the Cash Advance Facility Agreement, the Administration Agreement, the Sub-participation Agreement, the Swap Agreement, the Floating Rate GIC and in respect of the Floating Rate GIC Account.

After delivery of an Enforcement Notice, the amounts payable to the Noteholders and the other Secured Parties will be limited to the amounts available for such purpose to the Security Trustee which, inter alia, will consist of amounts recovered by the Security Trustee in respect of such rights of pledge and amounts received by the Security Trustee as creditor under the Parallel Debt Agreement. Payments to the Secured Parties will be made in accordance with the Priority of Payments upon Enforcement. See further *Credit Structure and Description of Security* below.

**Parallel Debt Agreement:**

On the Closing Date, the Issuer and the Security Trustee will enter into a parallel debt agreement (the "**Parallel Debt Agreement**") for the benefit of the Secured Parties under which the Issuer shall, by way of parallel debt, undertake to pay to the Security Trustee amounts equal to the amounts due by it to the Secured Parties, in order to create a claim of the Security Trustee thereunder which can be validly secured by the rights of pledge created by the Security Trustee Receivables Pledge Agreement and the Security Trustee Asset Pledge Agreement.

**Administration Agreement:**

Under the terms of an administration agreement to be entered into on the Closing Date (the "**Administration Agreement**") between the Issuer, the Pool Servicers, the Issuer Administrator and the Security Trustee, (a) the relevant Pool Servicer will agree (i) to provide administration and management services in relation to the Relevant 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 Relevant Mortgage Loans and the implementation of arrears

procedures including, if applicable, the enforcement of mortgages (see further *SNS Residential Mortgage Business* and *BLG Residential Mortgage Business* below); (ii) to communicate with the Borrowers; (iii) to investigate payment delinquencies; and (b) 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 pursuant to the Conditions in connection with the Notes.

**Cash Advance Facility:**

On the Closing Date, the Issuer will enter into a 364 day term cash advance facility agreement with the Cash Advance Facility Provider (the "**Cash Advance Facility Agreement**") under which the Issuer will be entitled to make drawings in order to meet certain shortfalls in its available revenue receipts. See further *Credit Structure* below.

**Floating Rate GIC:**

The Issuer and the Floating Rate GIC Provider will enter into a floating rate guaranteed investment contract (the "**Floating Rate GIC**") on the Closing Date, under which the Floating Rate GIC Provider will agree to pay a guaranteed rate of interest determined by reference to Euribor on the balance standing to the credit of the Floating Rate GIC Account from time to time.

**Floating Rate GIC Account:**

The Issuer shall maintain with the Floating Rate GIC Provider an account (the "**Floating Rate GIC Account**") to which on the 8<sup>th</sup> business day of each month all amounts of interest, prepayment penalties and principal received under the Mortgage Receivables, will be transferred by the relevant Pool Servicer in accordance with the Administration Agreement.

**Trigger Reserve Fund:**

The Issuer will establish a trigger reserve fund by crediting certain amounts to the Floating Rate GIC Account, the purpose of which will be to enable the Issuer to meet the Issuer's payment obligations under items (a) up to and including (i) in the Interest Priority of Payments in the event of a shortfall in the Interest Available Amount on a Calculation Date (the "**Trigger Reserve Fund**"). If and to the extent that the Interest Available Amount on any Calculation Date exceeds the amounts required to meet items (a) up to and including (i) of the Interest Priority of Payments, such excess amount will be used to fund or replenish, as the case may be, the Trigger Reserve Fund by crediting such amount to the Floating Rate GIC Account up to the Trigger Reserve Fund Required Amount (see *Credit Structure* below).

**Swap Agreement:**

On or before the Closing Date, the Issuer will enter into an ISDA Master Agreement (which shall include the schedule attached thereto and the confirmation evidencing the transaction thereunder) with the Swap Counterparty (the "**Swap Agreement**") to hedge the basis risk between the

interest to be received by the Issuer on the Mortgage Receivables and the floating rate of interest payable by the Issuer on the Notes (see *Credit Structure* below).

**Management Agreements:**

Each of the Issuer, the Security Trustee and the Shareholder have entered into a management agreement (together the "**Management Agreements**") with the relevant Director, under which the relevant Director will undertake to act as director of the Issuer, the Security Trustee or the Shareholder, respectively, and to perform certain services in connection therewith.

**OTHER:**

**Risk Factors**

There are certain factors which may affect the Issuer's ability to fulfil its obligations under the Notes. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with the Notes. Both these factors are described in *Risk Factors* in this Prospectus.

**Listing:**

Application has been made for the Notes to be listed on Eurolist by Euronext Amsterdam.

**Ratings:**

It is a condition precedent to issuance that (i) the Senior Class A Notes, on issue, be assigned a rating of "Aaa" by Moody's and "AAA" by Fitch, (ii) the Subordinated Class B Notes, on issue, be assigned a rating of at least "Baa2" by Moody's and "BBB-" by Fitch.

**Settlement:**

Euroclear and Clearstream, Luxembourg.

**Governing Law:**

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

## CREDIT STRUCTURE

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

### **Mortgage Loan Interest Rates**

The Mortgage Receivables sold and assigned to the Issuer on the Closing Date bear interest on the basis of any of the following alternatives: (i) fixed rate, whereby the rates can be fixed for a specific period between 1 to 30 years; (ii) floating rate; or (iii) slight variations to any of the above (as further described in *Description of Mortgage Loans* below). The Mortgage Loan Criteria permit Mortgage Receivables bearing alternative types of interest offered by each Seller.

The actual amount of revenue received by the Issuer under the Mortgage Receivables Purchase Agreement will vary during the life of the Notes as a result of the level of delinquencies, defaults, substitutions, repayments and prepayments in respect of the Mortgage Receivables. Similarly, the actual amounts payable under the Interest Priority of Payments will vary during the life of the transaction as a result of fluctuations in Euribor and possible variations in certain other costs and expenses of the Issuer. The eventual effect of such variations could lead to drawings, and the replenishment of such drawings, under the Cash Advance Facility and to non-payment of certain items under the Interest Priority of Payments.

### **Cash Collection Arrangements**

Payments by the Borrowers under the Mortgage Loans are due and payable on the first day of each month, with interest being payable in arrears. All payments made by Borrowers will be paid into the relevant collection account (for SNS Bank the "**SNS Collection Account**" and for BLG Hypotheekbank the "**BLG Collection Account**" and together the "**Seller Collection Accounts**") maintained with SNS Bank (in this capacity the "**Seller Collection Account Provider**"). The relevant Seller Collection Account will also be used for the collection of moneys paid in respect of mortgage loans other than the Mortgage Loans and in respect of other moneys belonging to the relevant Seller.

If the rating of the short-term, unsecured and unguaranteed debt obligations of SNS Bank falls below "Prime-1" by Moody's or "F1" by Fitch (the "**Short Term Requisite Rating in respect of the Seller Collection Account Provider**"), each Seller will, to maintain the then current ratings assigned to the Notes, either: (i) ensure that payments to be made in respect of amounts received on the relevant Seller Collection Account relating to the Mortgage Receivables will be guaranteed by a party having at least the Short Term Requisite Rating in respect of the Seller Collection Account Provider; or (ii) (a) open an escrow account in the name of the Issuer, for its own account, with a party having at least the Short Term Requisite Rating in respect of the Seller Collection Account Provider, and (b) transfer to the escrow account an amount equal to the highest single amount of principal, interest and pre-payment penalties received in respect of the Mortgage Receivables since the Closing Date on the Floating Rate GIC Account during one Mortgage Calculation Period; or (iii) implement any other actions agreed at that time with Moody's and Fitch.

On each "**Mortgage Payment Date**" (being the 8<sup>th</sup> business day following each Mortgage Calculation Period End Date (defined below)) the relevant Pool Servicer shall transfer all amounts of principal, interest and prepayment penalties received by the relevant Seller in respect of the Relevant Mortgage Receivables and paid to the relevant Seller Collection Account during the immediately preceding Mortgage Calculation Period, to the Floating Rate GIC Account.

For these purposes a "**Mortgage Calculation Period**" is the period commencing on (and including) the first day of each calendar month and ending on (and including) the last day of such calendar month (the "**Mortgage Calculation Period End Date**"), except for the first Mortgage Calculation Period which will commence on (and includes) the Cut-off Date and ends on (and includes) June 2007.

### **Floating Rate GIC Account**

The Issuer will maintain with the Floating Rate GIC Provider the Floating Rate GIC Account to which all amounts received (i) in respect of the Mortgage Receivables and (ii) from the Savings Insurance

Company under the Sub-Participation Agreement and (iii) from the other parties to the Relevant Documents will be paid.

The Issuer Administrator will identify all amounts paid into the Floating Rate GIC Account by crediting such amounts to ledgers established for such purpose. Payments received on each Mortgage Payment Date in respect of the Mortgage Loans will be identified as principal or revenue receipts and credited to a principal ledger (the "**Principal Ledger**") or a revenue ledger (the "**Revenue Ledger**"), as the case may be. Further ledgers will be maintained to record amounts held in the Floating Rate GIC in respect of certain drawings made under the Cash Advance Facility (see further *Cash Advance Facility* below).

Payments may be made from the Floating Rate GIC Account other than on a Payment Date only to satisfy (i) amounts due to third parties (other than pursuant to the Relevant Documents) and under obligations incurred in connection with the Issuer's business, (ii) amounts due to the Savings Insurance Company under the Sub-Participation Agreement and (iii) a Cash Advance Facility Stand-by Drawing.

If at any time 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 or any such rating is withdrawn by Moody's or Fitch, the Issuer will be required within 30 days of such reduction or withdrawal of such rating to (i) transfer the Floating Rate GIC Account to an alternative Floating Rate GIC provider with the required minimum rating or (ii) find any other solution acceptable to Moody's and Fitch to maintain the then current ratings assigned to the Notes.

If any collateral in the form of cash is provided by the Swap Counterparty to the Issuer, the Issuer will be required to open a separate account in which such cash provided by the Swap Counterparty will be held. If any collateral in the form of securities is provided, the Issuer will be required to open a custody account in which such securities provided by the Swap Counterparty will be held. No payments or deliveries may be made in respect of such accounts other than in relation to the provision of collateral or the return of Excess Swap Collateral, unless pursuant to the termination of the Swap Agreement, an amount is owed by the Swap Counterparty to the Issuer, in which case, the collateral may be applied in accordance with the Trust Deed. See further *Interest Rate Hedging* below.

"**Excess Swap Collateral**" means an amount equal to the value of any collateral transferred to the Issuer by the Swap Counterparty under the Swap Agreement that is in excess of the Swap Counterparty's liability to the Issuer thereunder (i) as at the date such Swap Agreement is terminated or (ii) as at any other date of valuation in accordance with the terms of the Swap Agreement.

Any amounts remaining in such accounts upon termination of the Swap Agreement which are not owed to the Issuer by the Swap Counterparty shall be transferred directly to the Swap Counterparty on the termination date under the Swap Agreement.

#### **Priority of Payments in respect of interest**

Prior to the delivery of an Enforcement Notice by the Security Trustee, the sum of the following amounts, calculated as at each Calculation Date (being the second business day prior to each Payment Date) and which have been received during the Calculation Period immediately preceding such Calculation Date (items (i) up to and including (xi) being hereafter referred to as the "**Interest Available Amount**");

- (i) as interest on the Mortgage Receivables less, with respect to each Savings Mortgage Receivable with the Savings Alternative, an amount equal to the amount received, multiplied by the relevant Participation divided by the outstanding principal amount of such Savings Mortgage Receivable with the Savings Alternative (the "**Participation Fraction**");
- (ii) as interest accrued on the Floating Rate GIC Account;
- (iii) as prepayment penalties under the Mortgage Receivables;
- (iv) as Net Proceeds on any Mortgage Receivables to the extent such proceeds do not relate to principal less, with respect to each Savings Mortgage Receivable with the Savings Alternative, an amount equal to the amount received multiplied by the Participation Fraction;

- (v) as amounts to be drawn under the Cash Advance Facility (other than Cash Advance Facility Stand-by Drawings) on the immediately succeeding Payment Date;
- (vi) as amounts to be drawn from the Trigger Reserve Fund on the immediately succeeding Payment Date;
- (vii) as amounts to be received from the Swap Counterparty under the Swap Agreement on the immediately succeeding Payment Date;
- (viii) as amounts received in connection with a repurchase of Mortgage Receivables pursuant to the Mortgage Receivables Purchase Agreement or any other amounts received pursuant to the Mortgage Receivables Purchase Agreement to the extent such amounts do not relate to principal less, with respect to each Savings Mortgage Receivable with the Savings Alternative, an amount equal to the amount received multiplied by the Participation Fraction;
- (ix) as amounts received in connection with a sale of Mortgage Receivables pursuant to the Trust Deed to the extent such amounts do not relate to principal less, with respect to each Savings Mortgage Receivable with the Savings Alternative, an amount equal to the amount received multiplied by the Participation Fraction;
- (x) as amounts received as post-foreclosure proceeds on the Mortgage Receivables; and
- (xi) any amounts standing to the credit of the Floating Rate GIC Account 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 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*, in or towards satisfaction, *pro rata*, according to the respective amounts thereof, of the fees or other remuneration due and payable to the Directors in connection with the Management Agreements and any costs, charges, liabilities and expenses incurred by the Security Trustee under or in connection with any of the Relevant Documents;
- (b) *second*, in or towards satisfaction of an administration fee and all costs and expenses due and payable to the Pool Servicers and the Issuer Administrator under the Administration Agreement;
- (c) *third*, in or towards satisfaction of, *pro rata*, according to the respective amounts thereof, (i) any amounts due and payable to third parties under obligations incurred in the Issuer's business (other than under the Relevant Documents), including, without limitation, in or towards satisfaction of sums due or provisions for any payment of the Issuer's liability, if any, to tax and the fees and expenses of Moody's, Fitch and any legal advisor, auditor and accountant, appointed by the Issuer or the Security Trustee, (ii) fees and expenses due to the Paying Agent and the Reference Agent under the Paying Agency Agreement and (iii) the Cash Advance Facility Commitment Fee under the Cash Advance Facility Agreement;
- (d) *fourth*, (i) in or towards satisfaction of any amounts due and payable to the Cash Advance Facility Provider under the Cash Advance Facility Agreement, other than the Cash Advance Facility Commitment Fee, or (ii) following a Cash Advance Facility Stand-by Drawing, in or towards satisfaction of sums to be credited to the Cash Advance Facility Stand-by Ledger, but excluding any gross-up amounts or additional amounts due under the Cash Advance Facility Agreement payable under sub-paragraph (l) below;
- (e) *fifth*, in or towards satisfaction of amounts, if any, due but unpaid under the Swap Agreement (except for 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 (as defined in the Swap Agreement) relating to the credit rating of the Swap Counterparty (as such terms are defined in the Swap Agreement), including a Settlement Amount (as defined in the Swap Agreement) (a "**Swap Counterparty Default Payment**"));
- (f) *sixth*, in or towards satisfaction of all amounts of interest due but unpaid in respect of the Senior Class A Notes;
- (g) *seventh*, in or towards satisfaction of sums to be credited to the Class A Principal Deficiency Ledger (defined below) until the debit balance, if any, on the Class A Principal Deficiency Ledger is reduced to zero;
- (h) *eighth*, in or towards satisfaction of interest due or accrued due but unpaid on the Subordinated Class B Notes;

- (i) *ninth*, in or towards satisfaction of sums to be credited to the Class B Principal Deficiency Ledger until the debit balance, if any, on the Class B Principal Deficiency Ledger is reduced to zero;
- (j) *tenth*, in or towards satisfaction of any sums required to fund or replenish the Trigger Reserve Fund up to the Trigger Reserve Fund Required Amount;
- (k) *eleventh*, in or towards satisfaction of the Swap Counterparty Default Payment payable to the Swap Counterparty under the terms of the Swap Agreement;
- (l) *twelfth*, in or towards satisfaction of gross-up amounts or additional amounts due, if any, to the Cash Advance Facility Provider pursuant to the Cash Advance Facility Agreement; and
- (m) *thirteenth*, in or towards satisfaction of a Deferred Purchase Price Instalment to the Sellers.

#### **Priority of Payments in respect of principal**

Prior to the delivery of an Enforcement Notice by the Security Trustee, the sum of the following amounts, calculated as at any Calculation Date and which have been received during the immediately preceding Calculation Period (items (i) up to and including (vii) hereinafter referred to as the "**Redemption Available Amount**");

- (i) as repayment and prepayment of principal under the Mortgage Receivables, excluding prepayment penalties, if any, less with respect to each Savings Mortgage Receivable with the Savings Alternative, the Participation in such Savings Mortgage Receivable;
- (ii) as Net Proceeds on any Mortgage Receivable to the extent such proceeds relate to principal, less with respect to each Savings Mortgage Receivable with the Savings Alternative, the Participation in such Savings Mortgage Receivable;
- (iii) as amounts received in connection with a repurchase of 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, less with respect to each Savings Mortgage Receivable with the Savings Alternative, the Participation in such Savings Mortgage Receivable;
- (iv) as amounts received in connection with a sale of Mortgage Receivables pursuant to the Trust Deed to the extent such amounts relate to principal, less with respect to each Savings Mortgage Receivable with the Savings Alternative, the Participation in such Savings Mortgage Receivable;
- (v) as amounts to be credited to the Principal Deficiency Ledger on the immediately succeeding Payment Date in accordance with the Administration Agreement;
- (vi) as Participation Increase and as amounts to be received as Initial Participation on the immediately succeeding Payment Date pursuant to the Sub-Participation Agreement; and
- (vii) as amounts equal to the excess (if any) of (a) the sum of the aggregate proceeds of the issue of the Notes and the Initial Participation in respect of the Savings Mortgage Receivables purchased on the Closing Date over (b) the Initial Purchase Price of the Mortgage Receivables purchased on the Closing Date

will pursuant to the terms of the Trust Deed be applied by the Issuer on the immediately succeeding 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 purchase price of any Substitute Mortgage Receivables (see *Substitution in Mortgage Receivables Purchase Agreement*);
- (b) *second*, in or towards satisfaction of principal amounts due under the Senior Class A Notes;
- (c) *third*, in or towards satisfaction of principal amounts due under the Subordinated Class B Notes;
- (d) *fourth*, in or towards satisfaction of a Deferred Purchase Price Instalment to the Sellers.

#### **Priority of Payments upon Enforcement**

Following delivery of an Enforcement Notice any amounts payable by the Security Trustee under the Trust Deed, other than in respect of the Participations, will be paid to the Secured Parties (including the Noteholders, but excluding the Savings Insurance Company, which shall be entitled to receive an amount equal to the Participation in each of the Savings Mortgage Receivables with the Savings Alternative or if the amount recovered, which amount will not be part of this Priority of Payments upon Enforcement, is less than the Participation, then an amount equal to the amount actually



recovered) in the following order of priority (after deduction of costs incurred by the Security Trustee, which will include, *inter alia*, fees and expenses of Moody's, Fitch and any legal advisor, auditor and accountant appointed by the Security Trustee) (and in each case only if and to the extent payments of a higher priority have been made in full) (the "**Priority of Payments upon Enforcement**"):

- (a) *first*, in or towards satisfaction, *pro rata*, according to the respective amounts thereof, of (i) the fees or other remuneration due to the Directors, (ii) the fees and expenses of the Paying Agent and the Reference Agent incurred under the provisions of the Paying Agency Agreement and (iii) the fees and expenses of the Pool Servicers and the Issuer Administrator under the Administration Agreement;
- (b) *second*, to the Cash Advance Facility Provider, in or towards satisfaction of any sums due or accrued due but unpaid under the Cash Advance Facility Agreement, but excluding any gross-up amounts or additional amounts due under the Cash Advance Facility Agreement payable under sub-paragraph (i) below;
- (c) *third*, in or towards satisfaction, of amounts, if any, due but unpaid to the Swap Counterparty under the Swap Agreement, including Settlement Amounts (as defined in the Swap Agreement) to be paid by the Issuer upon early termination of the Swap Agreement (as determined in accordance with its terms), but excluding any other costs to be paid by the Issuer on such early termination payable under subparagraph (h) below;
- (d) *fourth*, in or towards satisfaction of all amounts of interest due but unpaid in respect of the Senior Class A Notes;
- (e) *fifth*, in or towards satisfaction of all amounts of principal and any other amount due but unpaid in respect of the Senior Class A Notes;
- (f) *sixth*, in or towards satisfaction of all amounts of interest due or accrued due but unpaid in respect of the Subordinated Class B Notes;
- (g) *seventh*, in or towards satisfaction of all amounts of principal and any other amount due but unpaid in respect of the Subordinated Class B Notes;
- (h) *eighth*, to the Swap Counterparty in or towards payment of any amounts due under the Swap Agreement in connection with the Issuer's obligations in respect of the costs (other than Settlement Amounts) to be paid by the Issuer upon an early termination of the Swap Agreement, as determined in accordance with its terms;
- (i) *ninth*, in or towards satisfaction of gross-up amounts or additional amounts due, if any, to the Cash Advance Facility Provider pursuant to the Cash Advance Facility Agreement; and
- (j) *tenth*, in or towards satisfaction of the Deferred Purchase Price Instalment to the Sellers.

#### **Cash Advance Facility**

On the Closing Date, the Issuer will enter into the Cash Advance Facility Agreement with the Cash Advance Facility Provider. The Issuer will be entitled on any Payment Date (other than (x) a Payment Date if and to the extent that on such date the Notes are redeemed in full and (y) the Final Maturity Date) to make drawings under the Cash Advance Facility up to the Cash Advance Facility Maximum Amount. The Cash Advance Facility Agreement is for a term of 364 days. The commitment of the Cash Advance Facility Provider is extendable at its option. Any drawing under the Cash Advance Facility by the Issuer shall only be made on a Payment Date if and to the extent that without taking into account any drawing under the Cash Advance Facility Agreement, there is a shortfall in the Interest Available Amount to meet items (a) to (h) (inclusive) (but not item (g)), in the Interest Priority of Payments in full on that Payment Date. The Cash Advance Facility Provider will rank in priority in respect of payments and security to the Notes.

If, at any time, (i) the short-term unsecured, unsubordinated and unguaranteed debt obligations of the Cash Advance Facility Provider are assigned a rating of less than 'Prime-1' by Moody's and/or 'F1' by Fitch or any such rating is withdrawn by Moody's or Fitch, (ii) the Cash Advance Facility is not replaced by the Issuer with a suitable alternative Cash Advance Facility Provider acceptable to Moody's or Fitch within 30 days of such downgrading or withdrawal and (iii) no other actions agreed with Moody's and Fitch at that time have been implemented, the Issuer will be required forthwith to draw down the entirety of the undrawn portion of the Cash Advance Facility (a "**Cash Advance Facility Stand-by Drawing**") and credit such amount to the Floating Rate GIC Account with a corresponding credit to a ledger to be known as the "**Cash Advance Facility Stand-by Ledger**". Amounts so credited to the Floating Rate GIC Account may be utilised by the Issuer in the same

manner as a drawing under the Cash Advance Facility if the Cash Advance Facility had not been so drawn. A Cash Advance Facility Stand-by Drawing shall also be made if the Cash Advance Facility is not renewed following its commitment termination date.

For these purposes, "**Cash Advance Facility Maximum Amount**" means the higher of (i) 2.25 per cent. of the Principal Amount Outstanding of the Notes at the commencement of the relevant Calculation Period and (ii) 1.00 per cent. of the aggregate Principal Amount Outstanding of the Notes at the Closing Date.

#### **Trigger Reserve Fund**

The Trigger Reserve Fund will be funded or replenished, as the case may be, by the amount, if any, by which on any Calculation Date the Interest Available Amount exceeds the amounts required to meet items (a) up to and including (i) of the Interest Priority of Payments up to the Trigger Reserve Fund Required Amount.

The Trigger Reserve Fund consists of funds credited to the Floating Rate GIC Account and will be recorded on a ledger (the "**Trigger Reserve Fund Ledger**") and does not constitute an asset which is separated from the other assets of the Issuer.

The Trigger Reserve Fund Required Amount (the "**Trigger Reserve Fund Required Amount**") shall on any Calculation Date be equal to zero, except if, the long-term, unsecured and subordinated debt obligations of the Seller cease to be rated at least as high as Baa1 by Moody's or such rating is withdrawn, in which case the Trigger Reserve Fund Required Amount shall be equal to 1 per cent. of the Principal Amount Outstanding of the Notes on the relevant Calculation Date.

Amounts credited to the Trigger Reserve Fund Ledger will be available on any Payment Date to meet items (a) to (i) (inclusive) of the Interest Priority of Payments, before application of any funds drawn under the Cash Advance Facility.

To the extent that the balance standing to the credit of the Trigger Reserve Fund Ledger on any Calculation Date exceeds the Trigger Reserve Fund Required Amount, such excess shall be drawn from the Floating Rate GIC Account (with a corresponding debit to the Trigger Reserve Fund Ledger) on the immediately succeeding Payment Date and shall form part of the Interest Available Amount on that Payment Date.

On the Payment Date on which all amounts of interest and principal due in respect of the Notes, have been or will be paid, the Trigger Reserve Fund Required Amount will, if and to the extent such amount is higher than zero at such time, be reduced to zero and any amount standing to the credit of the Trigger Reserve Fund Ledger will thereafter form part of the Interest Available Amount and will be available for all items in the Interest Priority of Payments ranking below item (i).

#### **Principal Deficiency Ledger**

A Principal Deficiency Ledger comprising two sub-ledgers, known as (the "**Class A Principal Deficiency Ledger**" and the "**Class B Principal Deficiency Ledger**") (together the "**Principal Deficiency Ledger**") will be established by or on behalf of the Issuer in order to record any Realised Losses on the Mortgage Receivables (each respectively the "**Class A Principal Deficiency**" and the "**Class B Principal Deficiency**", and together a "**Principal Deficiency**"). Any Realised Losses shall be debited to the Class B Principal Deficiency Ledger (such debit items being reccredited at item (i) of the Interest Priority of Payments, so long as the debit balance on such sub ledger is less than the Principal Amount Outstanding of the Subordinated Class B Notes (the "**Class B Principal Deficiency Limit**") and thereafter such amounts shall be debited to the Class A Principal Deficiency Ledger (such debit items being reccredited at item (g) of the Interest Priority of Payments).

"**Realised Losses**" means, on any relevant Calculation Date, the sum of (a) the amount of the difference between (i) the aggregate outstanding principal amount of all Mortgage Receivables less, with respect to the Savings Mortgage Receivables with the Savings Alternative, the Participations, in respect of which the relevant Seller, the relevant Pool Servicer on behalf of the Issuer, the Issuer or the Security Trustee has foreclosed from the Closing Date up to and including such Calculation Date and

(ii) the amount of the Net Proceeds applied to reduce the outstanding principal amount of the Mortgage Receivables and (b), with respect to the Mortgage Receivables sold by the Issuer, the amount of the difference, if any, between (i) the aggregate outstanding principal amount in respect of such Mortgage Receivables, less, with respect to Savings Mortgage Receivables with the Savings Alternative, the Participations, and (ii) the purchase price of the Mortgage Receivables sold to the extent relating to principal, less, with respect to the Savings Mortgage Receivables with the Savings Alternative, the Participations, whereby, in case of items (a) and (b), for the purpose of establishing the outstanding principal amount in case of set-off or defence to payments asserted by Borrowers any amount by which the Mortgage Receivables have been extinguished ("*teniet gegaan*") will be disregarded.

### **Interest Rate Hedging**

The Mortgage Loan Criteria require that all Mortgage Receivables sold and assigned to the Issuer at Closing either bear (i) a fixed rate of interest, (ii) a floating rate of interest or (iii) slight variations to any of the above (as further described in *Description of the Mortgage Loans* below). The Mortgage Loan Criteria permit Mortgage Receivables bearing alternative types of interest offered by the relevant Seller. The interest rate payable by the Issuer with respect to the Notes is calculated as a margin over Euribor. 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 on each Payment Date amounts equal to the scheduled interest on the Mortgage Receivables less, with respect to each Savings Mortgage Receivable with the Savings Alternative, an amount equal to the scheduled interest multiplied by the Participation Fraction, plus the interest accrued on the Floating Rate GIC Account and any prepayment penalties received less (i) an excess margin of 0.25 per cent. per annum applied to the outstanding principal amount of the Mortgage Receivables as of the first day of the immediately preceding Calculation Period, (ii) an amount equal to the expenses as described under (a), (b) and (c) of the Interest Priority of Payments on the first day of the relevant Interest Period. Under the Swap Agreement, the Issuer will also agree to pay on each Payment Date a swap fee equal to 0.01 per cent. per annum, applied to the outstanding principal amount of the Mortgage Receivables on the first day of the immediately preceding Calculation Period.

The Swap Counterparty will agree to pay on each Payment Date amounts equal to the aggregate scheduled interest due under the Notes on such Payment Date, and calculated by reference to the Floating Rate of Interest for each Class of Notes applied to an amount equal to: (i) the Principal Amount Outstanding of the relevant Class of Notes on the first day of the relevant Interest Period, less (ii) for each of the Senior Class A Notes and Subordinated Class B Notes an amount equal to the balance standing on the relevant sub-ledger of the Principal Deficiency Ledger if any, on the first day of the relevant Interest Period.

Payments under the Swap Agreement will be netted.

The Swap Agreement will be documented under an ISDA Master Agreement. The Swap Agreement may be terminated in accordance with Events of Default and Termination Events (each as defined in the relevant ISDA Master Agreement) commonly found in standard ISDA documentation. 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 cease to be rated at least as high as A2 by Moody's and A by Fitch or (ii) the short-term unsecured, unsubordinated and unguaranteed debt obligation of the Swap Counterparty cease to be rated at least as high as Prime-1 by Moody's and F-1 by Fitch (the "**Swap Required Ratings**"), 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 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 and the Swap Counterparty have entered into a Credit Support Annex to the Swap Agreement on the basis of the standard ISDA documentation, which provides for requirements relating to the providing of collateral by the Swap Counterparty if it 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 Secured Parties.

#### **Sale of Mortgage Receivables**

Under the terms of the Trust Deed, the Issuer will have the right to sell and assign all but not some of the Mortgage Receivables on each Optional Redemption Date, provided that the Issuer shall apply the proceeds of such sale to redeem the Notes (see Condition 6(e)) (see also *Risk that the Issuer will not exercise its right to redeem the Notes at the Optional Redemption Dates* in *Risk Factors* above). Under the terms of the Trust Deed, the Issuer will also have the right to sell and assign all, but not some, of the Mortgage Receivables, if the Issuer exercises its option to redeem the Notes for tax reasons in accordance with Condition 6(i). Furthermore, under the terms of the Mortgage Receivables Purchase Agreement, the Issuer shall be obliged to sell and assign the Mortgage Receivables to the relevant Seller, or any third party appointed by the relevant Seller at its sole discretion, if the Sellers, acting jointly, exercise the Clean-Up Call Option. The purchase price of each Mortgage Receivable in the event of such sale shall be equal to the outstanding principal amount, together with accrued interest due but unpaid up to the Mortgage Calculation Period End Date preceding the date of such sale, if any, in respect of each Mortgage Receivable, except that with respect to Mortgage Receivables which are in arrears for a period exceeding 90 days or in respect of which an instruction has been given to the civil-law notary to start foreclosure proceedings, the purchase price shall be at least the lesser of (i) the sum of (a) an amount equal to the indexed foreclosure value of the Mortgaged Assets and (b) the amount claimable under the NHG Guarantee, and (ii) the sum of the outstanding principal amount of the Mortgage Receivable, together with accrued interest due but unpaid, if any, and any other amounts due under the Mortgage Receivable.

## OVERVIEW OF THE DUTCH RESIDENTIAL MORTGAGE MARKET

### Market

One of the most important factors influencing the Dutch residential mortgage market is the fiscal policy. In the Netherlands, interest on mortgage loans is tax deductible if the mortgage loan proceeds are used for the purchase or improvement of the first home. The mortgage interest is deductible for a period of 30 years. As a result of this tax treatment many borrowers choose to fully benefit from the tax deductibility and take out the maximum possible mortgage loan. This results in a relative high outstanding mortgage debt per capita.

### Lenders

Banks are the main mortgages lenders in the Netherlands, followed by insurers and other financial institutions such as pension funds and building funds. The top twelve lenders provide more than 80 per cent. of the mortgage loans. These mortgages are offered through branches, call centres, the internet and to an increasing extent via intermediaries.

### Mortgage products

In the Netherlands, the typical (legal) term of a mortgage loan is 30 years. It is very common that the mortgage loan consists of several mortgage parts, each of which has its own characteristics. Because of the fiscal treatment, mortgage loans with no redemption on the principal such as investment-based mortgages, savings mortgages and interest-only mortgages are most popular. Under these mortgages no principal is repaid during the term of the contract. Instead, the Borrower makes payments in a saving account, endowment insurance or investment fund. Upon maturity the loan is repaid with the money in the savings account, the insurance contract or the investment fund respectively.

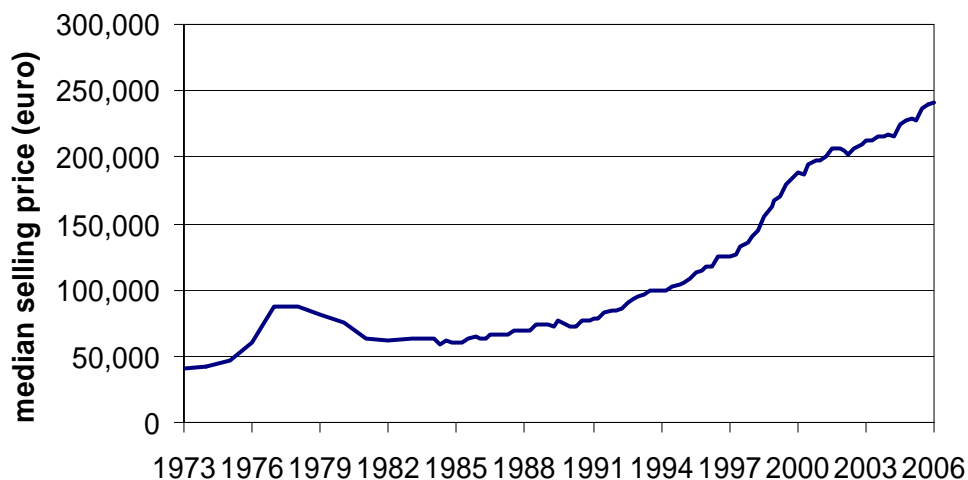
### Interest type

Although the 5 and 10-year fixed interest rate have been most popular, there is an increasing appetite for other types, like short term fixed rates and variable rates. Some lenders also offer capped and collar type of interest rates.

### House price developments

Fiscal benefits, economic growth and demographic factors (decreasing number of persons per household) have caused an increasing demand for Dutch houses. Along with the declining interest rates in the past decade, this has resulted in a strong upward trend for Dutch house prices as is illustrated in the graph below. Although the average house price has increased less rapidly in the past two to three years compared to the years before, there is still a positive trend.

**House Price Development**



*Source: Dutch Association of Real Estate Agencies ("Nederlandse Vereniging van Makelaars")*

**Prepayment**

Borrowers are allowed to prepay between 10 to 20 per cent. free of penalty per year. In addition full prepayment without penalty can only be made at times of interest rate resetting, on sale of the property or in case of death of the borrower. Otherwise a penalty is calculated as the net present value of the difference between the contract rate and the applicable market rate. Interest rates have decreased over the past decade, which has made it attractive for borrowers to refinance their mortgage loans. The increasing role of intermediaries also had a stimulating effect on prepayments.

**Default losses have been relatively low**

Despite the relatively high loan-to-foreclosure value ("**LtFV**") ratios, default losses have always been relatively low. During the decrease in house prices (1978-1982) losses peaked up to 30 basis points on an annual basis. In the following years losses have been negligibly low. Currently default losses are showing an upward trend due to a weakening economy during recent years and a slowdown in house price increases.

In the Netherlands the value of the property is measured as the foreclosure value, which is the estimated forced sale value. The foreclosure value is about 85 to 90 per cent. of the market value with a maximum LtFV of 125-130 per cent.

**Bureau for credit registration (BKR)**

The Bureau for Credit Registration ("*Bureau Krediet Registratie*", or "**BKR**") was founded in 1965 by financial institutions to take care of central credit registration. At BKR almost all credit obligations of retail clients in the Netherlands are registered. Credits are registered as of origination until a period of five years after maturity. Before providing a mortgage loan, lenders are obligated to check the history of the borrower in order to prevent overborrowing from the client and to limit the risks for the lender.

## SNS BANK N.V.

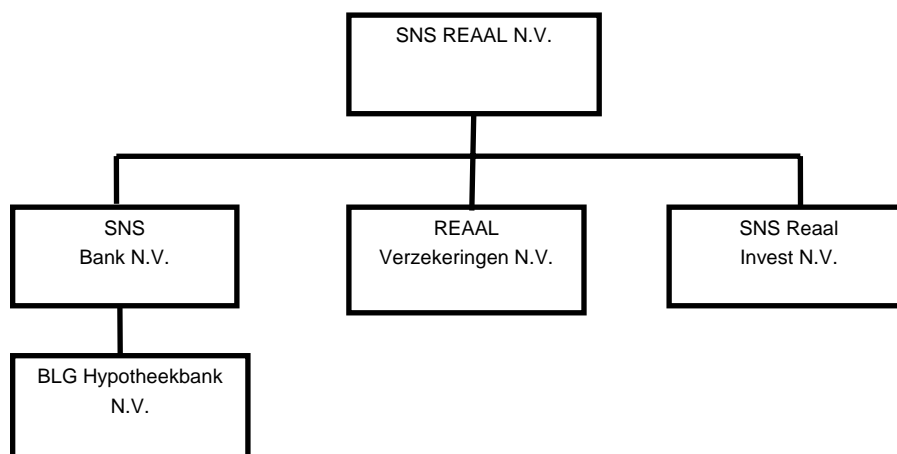
### Incorporation

SNS Bank N.V. a public limited liability company ("*naamloze vennootschap*") was incorporated under Dutch law on 18th December, 1990 as a result of the merger of several regional savings banks. The corporate seat of SNS Bank is in Utrecht, The Netherlands. The registered office of SNS Bank is Croeselaan 1, 3521 BJ, Utrecht and SNS Bank is registered in the Commercial Register of the Utrecht Chamber of Commerce ("*handelsregister van de Kamer van Koophandel en Fabrieken in Utrecht*"), under number 16062338. The telephone number of SNS Bank is +31(0)30 291 5100. The Articles of Association of SNS Bank were lastly amended by notarial deed on 13 January 2003 before a duly authorised substitute of Mr. P. Klemann, civil law notary in Amsterdam, the draft of these articles having received the approval of the Minister of Justice, number 394.723.

### Ownership

SNS Bank is a 100% subsidiary of SNS REAAL N.V. ("**SNS REAAL**") and is part of the group formed by SNS REAAL and its subsidiaries ("**SNS REAAL Group**"). SNS REAAL is the result of a merger in May 1997 between SNS Groep N.V. (primarily a banking group) and Reaal Groep N.V. (primarily an insurance group). As of 27 July 2005 all of the shares issued by SNS REAAL were held by Stichting Beheer SNS REAAL. Prior thereto all but one of the shares issued by SNS REAAL were held by Stichting Administratiekantoor SNS Reaal, a trust office. All of the non-voting depositary receipts issued by Stichting Administratiekantoor SNS Reaal and one priority share issued by SNS REAAL were owned by Stichting Beheer SNS REAAL.

SNS REAAL was of the view that the certification of its shares was no longer in keeping with the spirit of our times as reflected by the Dutch Corporate Governance Code (*Code Tabaksblat*), among other things. SNS REAAL has therefore decided to deregister the depositary receipts. Stichting Administratiekantoor SNS Reaal has ceased to exist, after decertification of the shares. The priority share was converted into one ordinary share by amendment of the articles of association of SNS REAAL on 3 May 2006. SNS REAAL's share capital is currently comprised of ordinary shares only.



On 18 May 2006 the ordinary shares ("**Shares**") of SNS REAAL were listed on Eurolist by Euronext Amsterdam as part of the initial public offering ("**IPO**") of SNS REAAL. The IPO consisted of an offering by SNS REAAL of 24,496,210 new Shares and an offering by the selling shareholder, Stichting Beheer SNS REAAL, of 45,492,962 existing Shares. On 22 May 2006, the underwriters of the IPO, fully exercised the over-allotment option to require the selling shareholder, Stichting Beheer SNS REAAL, to sell an additional 10,498,376 existing ordinary Shares.

Stichting Beheer SNS REAAL owns approximately 65.5% of SNS REAAL's outstanding share capital after the exercise of the over-allotment option. The total number of ordinary shares offered in the course of the IPO was therefore 80,487,548, consisting of 24,496,210 new ordinary shares and 55,991,338 existing ordinary shares. Immediately after the IPO, SNS REAAL had 233,297,240 ordinary shares outstanding. As a consequence of the payment of interim dividend by SNS REAAL on 7 September 2006, the number of ordinary shares of SNS REAAL outstanding has been increased with 1,464,044 new ordinary shares. Stichting Beheer SNS REAAL obtained 958,949 of these new ordinary shares. As of 7 September 2006, SNS REAAL has 234,761,284 ordinary shares outstanding.

SNS REAAL raised approximately €416 million of gross proceeds from the IPO. The net proceeds from the offering were used for the acquisition of Bouwfonds Property Finance B.V. (renamed to SNS Property Finance B.V.).

SNS REAAL, as 403-Guarantor, has deposited a statement pursuant to Section 2:403 of the Netherlands Civil Code (the "**403-Declaration**") with the Commercial Register of the Chamber of Commerce in Maastricht, in which it has declared to be jointly and severally liable for the debts resulting from the legal acts of BLG Hypotheekbank, which acts as Seller.

#### **SNS REAAL Group**

SNS REAAL Group, the combination of SNS Bank and REAAL Verzekeringen N.V. ("**REAAL**") forms one of the major financial institutions in the Netherlands, with total assets of €79,7 billion (31 December 2006). As a bank and insurer, SNS REAAL Group holds a distinct position in its market by quickly and effectively translating client needs into accessible and transparent products. In-depth knowledge of products and efficient processes lead to effective standardisations and combination options within product and client groups. SNS REAAL Group is a decisive and flexible organisation that through its core brands SNS Bank and REAAL and specialised sales labels enjoys strong positions in the Dutch market. Furthermore the combination has involved the following:

- A single group management centre has been established in Utrecht, and board linkages have been created between the banking and insurance operations - the chairmen of each are also the deputy chairmen of the other;
- Centralisation of staff departments within the SNS REAAL Group such as risk management, audit, finance, legal compliance, fiscal affairs and human resources; and
- Creation of centralised competence centres and service centres.

#### **Company Structure and Profile SNS Bank N.V.**

SNS Bank N.V. is a Dutch branch-based retail banking organisation, concentrating on savings, mortgages and services to small and medium sized enterprises (SMEs) in the Netherlands. Besides a network of 146 branches SNS Bank uses intermediaries, a call centre, and the internet to generate business. Its focus is the domestic retail market plus small and medium size companies and institutions with a local or domestic scope. SNS Bank offers a full range of banking and insurance products and services to its clients. In terms of volume, residential mortgages form the major part of SNS Bank's assets. Due to innovative mortgage products SNS Bank has shown a good performance in terms of relative growth of the mortgage business during recent years. SNS Bank also shows an increasing sales of insurance products through its branch network. Professional wholesale activities have been developed within SNS Securities N.V. After the merger of SNS Groep N.V. with REAAL Groep N.V. all asset management activities have been concentrated in SNS Asset Management N.V., an affiliate and former business unit of SNS Bank, managing a total of €16.4 billion, 15% more than at the end of 2005. BLG Hypotheekbank N.V., Algemene Spaarbank voor Nederland ASN N.V. and CVB Bank N.V. are legal entities 100% owned by SNS Bank. These companies operate in niche markets or for specific distribution channels and use the centralized service centres of SNS Bank.

As of 1 December 2006 SNS Property Finance B.V. ("**SNS PF**"), renamed from Bouwfonds Property



Finance B.V., is a 100% subsidiary of SNS Bank. SNS PF operates in the mortgage backed commercial (business-to-business) market, which includes real estate project finance, lease finance and real estate investment finance. Commercial property finance activities of SNS Bank will be integrated into SNS PF. With SNS PF, SNS Bank has gained a leading position in the property finance market in the Netherlands, in which it has been active for several years. SNS PF generates approximately 77% of its income in the Netherlands with the remaining 23% being generated by international activities consisting primarily of property finance for Dutch clients abroad.

#### **Company Structure and Profile BLG Hypotheekbank N.V.**

BLG Hypotheekbank N.V. is a public limited liability company ("*naamloze vennootschap*") with its corporate seat and registered office in Geleen, the Netherlands. BLG Hypotheekbank N.V. is a wholly owned subsidiary of SNS Bank, acquired by SNS Bank in 1993. BLG Hypotheekbank N.V., with origins dating back to 1954, is the result of a merger of BLG Hypotheekbank Holding N.V., BLG Hypotheekbank N.V., Bouwfonds Limburg N.V. and Bouwfonds Limburg II N.V. on 10 October 2003.

BLG Hypotheekbank is active in mortgages only, offered exclusively through intermediaries. Its unique marketing strategy of originating mortgages through intermediaries caters to a niche market in the south of the Netherlands. The mortgages BLG Hypotheekbank offers are similar to those offered by SNS Bank. BLG Hypotheekbank offers a full range of mortgage products, varying from the typical Dutch mortgage type such as interest-only mortgages, life mortgages and savings mortgages to the more traditional mortgage types such as linear and annuity mortgages. Its innovative market development team has originated a unique product for pensioners and people close to retirement which has been nominated for the 'mortgage product of the year' award 2005.

#### **Mortgage loans**

At the end of 2006, SNS Bank's consolidated (including BLG) share of the mortgage market (new business) was 8.0 % (end of December 2005: 8.3 %). Compared to the end of 2005, the mortgage portfolio increased by €2,3 billion to €44.9 billion.

#### **Supervision**

SNS Bank is a credit institution with a full Netherlands banking license and is as such supervised by the Dutch Central Bank ("*De Nederlandsche Bank N.V.*") and by the Netherlands Authority for the Financial Markets ("*Stichting Autoriteit Financiële Markten*").

#### **Key figures**

SNS Bank N.V.	2006	2005	2004
<i>Amounts in Eur millions</i>			
Total assets	64,382	53,098	47,242
Mortgage loans	44,930	42,558	38,937
Capital base	3,545	2,590	2,480
Interest margin	567	595	571
Income other than interest	201	169	125
Net profit	214	204	151
BIS total capital ratio	11.2%	11.9%	11.7%
Tier 1 ratio	8.2%	8.7%	8.7%
Efficiency ratio	62.6%	59.8%	63.1%

SNS Bank is rated A1/P-1 by Moody's, A+/F1 by Fitch and A/A-1 by S&P.

## SNS RESIDENTIAL MORTGAGE BUSINESS

### A. Mortgage Origination

SNS Bank originates mortgage loans through two separate channels:

- directly; and
- through independent agents, such as estate agents, financial advisers and insurance intermediaries.

The origination process is identical for both direct and agent-sourced business, although agents will typically receive assistance from SNS Bank in the provision of advice to clients. Emphasis is placed on direct client contact and an advisory based approach.

#### *Loan-to-Foreclosure Value Ratio*

The loan-to-foreclosure value ratio of a mortgage loan (the "**LtFV Ratio**") is determined by calculating the ratio of the principal amount of the loan to the estimated foreclosure value of the relevant property at a public sale (the "**Foreclosure Value**"). The Foreclosure Value is established by an independent qualified valuer or, in certain cases, on the basis of an assessment by the Netherlands tax authorities. The Foreclosure Value is typically in the region of 85 per cent. to 90 per cent. of the open market value of a property. Under SNS Bank's guidelines the maximum LtFV Ratio is 125 per cent.

#### *Borrower Income Requirements*

The maximum amount that can be borrowed depends on, *inter alia*, the Borrower's income. SNS Bank calculates the maximum proportion of a Borrower's income that may be applied to service principal and interest on the mortgage loan and all of the Borrower's other financial commitments. This maximum proportion can vary between 20 per cent. and 36 per cent. of the gross income of the relevant Borrower.

#### *Other Conditions*

The following general conditions also apply to all mortgage loans offered by SNS Bank:

- The borrowers must be at least 18 years old;
- Self employed and contractors are subject to additional income tests;
- Credit assessment of the borrower is required, and
- Insurance in respect of the property against risk of fire and other accidental damage for its full restitution value is required.

### B. SNS Residential Mortgage Products

SNS Bank offers a full range of mortgage products with various interest rate and repayment mechanisms. The Issuer will only purchase Mortgage Receivables in respect of certain specified mortgage products. The characteristics of these products are described further below.

#### *Legal Form*

Details of all land and properties are recorded in public registers in the Netherlands. All Mortgage Loans are secured by a mortgage evidenced by a notarial mortgage deed recorded in these registers. Although other legal forms of mortgage loans are available in the Netherlands, all Mortgage Receivables purchased by the Issuer are "Bank Mortgages". A Bank Mortgage is a mortgage that secures not only the loan granted to finance a property, long lease or apartment right, but also any other liabilities owed at any time by the relevant Borrower to SNS Bank. Accordingly, the Mortgaged Asset provides security for all debts up to a maximum amount as registered in the relevant public registry. For a further description of Bank Mortgages see *Risk Factors* above.

#### *Mortgaged Assets*

The mortgage rights securing the Mortgage Loans are vested on (i) a real property ("*onroerende zaak*"), (ii) an apartment right ("*appartementsrecht*") or (iii) a long lease ("*erfpacht*"). For over a century different municipalities and other public bodies in the Netherlands have used the long lease ("*erfpacht*") as a system to provide land without giving up the ownership of it. There are three types of long lease: temporary ("*tijdelijk*"), ongoing ("*voortdurend*") and perpetual ("*eeuwigdurend*"). A long lease is a right in rem ("*zakelijk recht*") which entitles the leaseholder ("*erfpachter*") to hold and use a

real property ("*onroerende zaak*") owned by another party, usually a municipality. The long lease can be transferred by the leaseholder without permission from the landowner being required, unless the lease conditions provide otherwise and it passes to the heirs of the leaseholder in case of his death. Usually a remuneration ("*canon*") will be due by the leaseholder to the landowner for the long lease.

#### *Repayment Mechanism*

##### Savings Mortgage Loans ("*spaarhypotheek*")

A Savings Mortgage Loan consists of a Mortgage Loan entered into by SNS Bank and the relevant Borrower, which has the benefit of a Savings Insurance Policy taken out by the Borrower with the Savings Insurance Company. A Savings Insurance Policy is a combined risk and capital insurance policy. Under the Savings Mortgage Loan no principal is paid by the Borrower prior to maturity of the Mortgage Loan. Instead, the Borrower/insured pays on a monthly basis premium, which consists of a risk element and the Savings Premium. The Savings Premium is deposited by the Savings Insurance Company in a savings account held with SNS Bank. The Savings Premium is calculated in such a manner that, on an annuity basis, the proceeds of the Savings Insurance Policy are equal to the amount due by the Borrower to SNS Bank at maturity of the Savings Mortgage Loan. The proceeds of the Savings Insurance Policy will be used to redeem the Savings Mortgage Loan. The insurance proceeds are due either at the end of the Savings Insurance Policy or, if earlier, upon death of the Borrower.

Most of the Saving Mortgage Loans in the portfolio are documented as Savings Plus Mortgage Loans ("*Spaar Plus hypotheek*"), whereby the Savings Premium under the Savings Insurance Policy is either (i) deposited by the Savings Insurance Company in a savings account held with SNS Bank (the "**Savings Alternative**") or (ii), at the option of the Borrower, invested in certain investment funds offered by SNS Beleggingsfondsen N.V. (the "**Investment Alternative**"). Furthermore, the terms and conditions of the Savings Insurance Policy in connection with the Savings Plus Mortgage Loans provide that on each interest rate reset date the Borrower can (i) switch whole or part of the premia accumulated in the relevant Savings Insurance Policy with the Savings Alternative into the Investment Alternative (the "**Savings Switch**") and (ii) switch whole or part of the value of the investments of the Investment Alternative into the Savings Alternative.

##### Interest-only Mortgage Loans ("*aflossingsvrije hypotheek*")

Principal is repaid at final maturity of the mortgage. The Interest-only Mortgage Loans, to the extent compulsory under the relevant acceptance conditions, have the benefit of combined risk and capital life insurance policies taken out by Borrowers with an insurance company.

##### Linear Mortgage Loans ("*lineaire hypotheek*")

Scheduled (usually monthly) repayments of principal are fixed over the term of the mortgage.

##### Annuity Mortgage Loans ("*annuïteitenhypotheek*")

Scheduled (usually monthly) repayments of principal plus interest are fixed (provided that the interest rates do not change).

##### Investment-based Mortgage Loans ("*beleggingshypotheek*")

The Borrower repays the principal in full at maturity with funds which have been accumulated through investments. The Borrower does not pay principal prior to maturity of the Mortgage Loan, but undertakes to invest, whether on a lump sum basis or on an instalment basis, by applying his own funds or (part of) the proceeds of the Investment-based Mortgage Loan by means of an '*SNS Rendementrekening*', an investment account held with SNS Bank (the "**Investment Account**") in certain investment funds of SNS Beleggingsfondsen N.V. (the "**Investment Funds**"). The investments in Investment Funds are effectuated by the Borrowers paying the relevant amount from the Investment Account to an account held with SNS Bank, designated by SNS Bank for the purchasing of securities of Investment Funds by Stichting SNS Beleggersgiro ("**SNS Beleggersgiro**"). The securities purchased by SNS Beleggersgiro, will be in the form of "*Wge-effecten*" (securities regulated under the Dutch Securities Giro Transfer Act, "*Wet giraal effectenverkeer*") and will be administrated on the Investment Account.

##### Combined Mortgage Loans ("*combinatiehypotheek*")

In order to tailor a Mortgage Loan to meet as closely as possible the specific fiscal and economic needs of a Borrower, it is common for a Mortgage Loan to be constructed from a combination of mortgage

types.

SNS Bank also offers several other product types. The Issuer will not purchase receivables relating to such mortgage loans.

#### *Interest Rate*

The mortgage loans bear interest on the basis of any of the following alternatives:

- fixed rate, whereby the interest rates can be fixed for a specific period between 1 to 30 years;
- floating rate; or
- any other type of interest alternatives offered by SNS Bank, including:
  - Stable Interest ("*Stabiel Rente*"). In such case, the interest payable by the Borrower is determined on an annual basis, whereby the Borrower chooses a bandwidth between 1.0 per cent. and 3.5 per cent., (increased by steps of 0.5 per cent.) at the beginning of the Mortgage Loan. At any time, the Borrower is entitled to choose another bandwidth, subject to payment of certain administrative costs. Each bandwidth has its own SNS Stable Interest rate. Every year the interest rate in the contract ("*contractrente*") will be compared with the actual SNS Stable Interest rate ("*toetsrente*") for the applicable bandwidth. When the difference falls within the bandwidth, the interest rate for that year will be fixed at the interest rate equal to the interest rate in the contract of the Borrower ("*contractrente*"). When the difference falls outside the bandwidth, the interest rate for that year will be fixed at the interest rate equal to the interest rate in the contract of the Borrower ("*contractrente*") adjusted for the percentage which did fall outside the bandwidth.
  - Ideal Interest ("*Ideaal Rente*"). The interest rate is the average interest rate over five years. The interest payable by the Borrower is determined using a fraction in which the numerator is the sum of five interest percentages determined by SNS as the Ideal Interest and in which the denominator is five. In the first year, the numerator equals the Ideal Interest percentage for that year multiplied by five. In the second year the numerator equals the Ideal Interest percentage for year one multiplied by four plus the Ideal Interest percentage for year two. In the years thereafter, the most recent Ideal Interest percentage is included and the oldest Ideal Interest percentage is excluded from the numerator.
  - Ceiling Interest ("*Plafond Rente*"). The interest payable by the Borrower is a floating interest rate with a cap. The Borrower can choose a Ceiling Interest for five or ten years. In this period the borrower pays the floating Ceiling Interest rate with an agreed maximum ("*plafond*") interest rate.
  - Interest Dampner ("*Rente Demper*"). The interest payable by the Borrower equals the interest as described under Stable Interest with the difference that the bandwidth is not fixed for 30 years but, at the option of the Borrower, for 5, 10 or 15 years.

#### *Prepayments*

Annual prepayments of not more than 20 per cent. of the original mortgage loan are allowed without a penalty being due. In addition, full prepayments can be made without penalty in specific situations:

- at the time of rate resetting;
- on sale or destruction of the property;
- if the Borrower dies.

In other cases, except for Ceiling Interest mortgage loans, penalty charges apply which are calculated as the net present value of the difference between the fixed rate being paid and the current mortgage rate, if lower, for the remaining term of the fixed period. For mortgage loans with a Ceiling Interest, the penalty is calculated by multiplying an agreed percentage with the remaining term of the Ceiling Interest and the loan balance.

### **C. Mortgage Administration**

#### *Collection Procedures*

Once a mortgage offer has been accepted, the applicant, if not already a client of SNS Bank, is encouraged to open an account with SNS Bank, although this is not obligatory. If a client has given direct debit instructions, interest payments and repayments due will be debited directly from this account.

The loan administration system calculates the repayment schedules and reconciles collected funds with the appropriate account. A range of exception reports are automatically produced and are used by

regional credit and administration departments to monitor the status of individual loans.

#### *Arrears Management*

Approximately 78 per cent. of the payments in respect of the Mortgage Loans in the portfolio are made by direct debit from an account with SNS Bank. Payments in arrears will be collected automatically on a daily basis. The remaining Borrowers make payments into a designated account of SNS Bank by direct debit from an account at another bank. All payments made to SNS Bank are made into the SNS Collection Account.

SNS Bank has installed arrears management procedures for the monitoring and collection of late payments.

Specific action is taken when loan payments become overdue:

*From the 1st day:* signal in system.

*After 10 days:* a reminder letter is generated automatically and sent to the Borrower.

*After 20 days:* a second reminder letter is generated automatically and sent to the Borrower.

*After 45 days:* the delinquency will be brought to the attention of the administration and support department which will start managing the delinquency by sending a last notification.

*After 65 days:* if all negotiations with the Borrower fail and forced sale is necessary, foreclosure procedures will be started:

- SNS Bank instructs the civil-law notary initially involved in the purchase of the property to sell the house within a given time period;
- the civil-law notary will approach the relevant Borrower in an attempt to reach an agreement;
- the civil-law notary will try a private sale;
- should this fail as well, then the civil-law notary will organise a forced sale by way of public auction.

In addition to the above mentioned actions, for SNS Bank, all clients in arrears are divided (on basis of Basel II probability of default and loss given default) in three categories: High Risk / Medium Risk / Low Risk. The high risk clients will be contacted by telephone in the first week of the month. If the arrear is not solved within 90 days, the client will be forced to sell the property involved or foreclosure procedures will be started.

The main purpose of the phone-call is to discover the reason for the non-payment, the shortening of the time-frame in which the debtor is contacted, the directness of the personal contact and limiting the overdue payments to one month.

#### *Rate re-setting procedures*

35 days prior to the reset date, the loan administration system automatically generates a letter to the Borrower advising that a rate re-setting is imminent and, in addition, listing the rate(s) that would apply. The Borrower does not have to choose the same fixed rate period as the previous one. If there is no response from the Borrower before the rate re-setting date, the rate is automatically reset for a one-year term.

## BLG RESIDENTIAL MORTGAGE BUSINESS

### A. Mortgage Origination

BLG Hypotheekbank originates mortgage loans through independent agents only, such as financial advisers and insurance intermediaries.

#### *Loan-to-Foreclosure Value Ratio*

The loan-to-foreclosure value ratio of a mortgage loan (the "**LtFV Ratio**") is determined by calculating the ratio of the principal amount of the loan to the estimated foreclosure value of the relevant property at a public sale (the "**Foreclosure Value**"). The Foreclosure Value is established by an independent qualified valuer or, in certain cases, on the basis of an assessment by the Netherlands tax authorities. The Foreclosure Value is typically in the region of 85 per cent. to 90 per cent. of the open market value of a property. Under BLG Hypotheekbank's guidelines the maximum LtFV Ratio is 125 per cent. Under certain circumstances, BLG Hypotheekbank allows a higher LtFV.

#### *Borrower Income Requirements*

The maximum amount that can be borrowed depends on, *inter alia*, the Borrower's income. BLG Hypotheekbank calculates the maximum proportion of a Borrower's income that may be applied to service principal and interest on the mortgage loan and all of the Borrower's other financial commitments. This maximum proportion can vary between 30 per cent. and 36 per cent. of the gross income of the relevant Borrower.

#### *Other Conditions*

The following general conditions also apply to all mortgage loans offered by BLG Hypotheekbank:

- The borrowers must be at least 18 years old;
- Self employed and contractors are subject to additional income tests;
- Credit assessment of the borrower is required, and
- Insurance in respect of the property against risk of fire and other accidental damage for its full restitution value is required.

### B. BLG Residential Mortgage Products

BLG Hypotheekbank offers a full range of mortgage products with various interest rate and repayment mechanisms. The Issuer will only purchase Mortgage Receivables in respect of certain specified mortgage products. The characteristics of these products are described further below.

#### *Legal Form*

Details of all land and properties are recorded in public registers in the Netherlands. All Mortgage Loans are secured by a mortgage evidenced by a notarial mortgage deed recorded in these registers.

Although other legal forms of mortgage loans are available in the Netherlands, all Mortgage Receivables purchased by the Issuer are "Bank Mortgages". A Bank Mortgage is a mortgage that secures not only the loan granted to finance a property, long lease or apartment right, but also any other liabilities owed at any time by the relevant Borrower to BLG Hypotheekbank. Accordingly, the Mortgaged Asset provides security for all debts up to a maximum amount as registered in the relevant public registry. For a further description of Bank Mortgages see *Risk Factors* above.

#### *Mortgaged Assets*

The mortgage rights securing the Mortgage Loans are vested on (i) a real property ("*onroerende zaak*"), (ii) an apartment right ("*appartementsrecht*") or (iii) a long lease ("*erfpacht*"). For over a century different municipalities and other public bodies in the Netherlands have used the long lease ("*erfpacht*") as a system to provide land without giving up the ownership of it. There are three types of long lease: temporary ("*tijdelijk*"), ongoing ("*voortdurend*") and perpetual ("*eeuwigdurend*"). A long lease is a right in rem ("*zakelijk recht*") which entitles the leaseholder ("*erfpachter*") to hold and use a real property ("*onroerende zaak*") owned by another party, usually a municipality. The long lease can be transferred by the leaseholder without permission from the landowner being required, unless the lease conditions provide otherwise and it passes to the heirs of the leaseholder in case of his death. Usually a remuneration ("*canon*") will be due by the leaseholder to the landowner for the long lease.

#### *Repayment Mechanism*

#### Interest-only Mortgage Loans ("aflossingsvrije hypotheek")

Principal is repaid at final maturity of the mortgage. The Interest-only Mortgage Loans, to the extent compulsory under the relevant acceptance conditions, have the benefit of combined risk and capital life insurance policies taken out by Borrowers with an insurance company.

#### Annuity Mortgage Loans ("annuïteitenhypotheek")

Scheduled (usually monthly) repayments of principal plus interest are fixed (provided that the interest rates do not change).

#### Life Mortgage Loans ("levenhypotheek")

An Interest-only Mortgage Loan linked to a life insurance policy. Principal repayments will be paid out from the proceeds of the life insurance policy. The policy is assigned to BLG.

#### Investment-based Mortgage Loans ("beleggingshypotheek")

An Interest-only Mortgage Loan whereby the Borrower repays the principal in full at maturity with funds which have been accumulated through investments funds or securities selected by the Borrower out of a range of investment funds or other securities agreed with the relevant bank or investment firm ("beleggingsonderneming"), hereinafter the "**Investment Firm**". The Borrower undertakes to invest, whether on a lump sum basis or on an instalment basis, by applying an agreed amount in certain investment funds or certain other securities selected by the Borrower out of a range of investment funds and/or securities offered by the relevant Investment Firm. The Investment Firm is notified of the fact that the Borrower is only allowed to purchase investment funds and/or securities selected by BLG Hypotheekbank. The securities purchased will be administrated on an investment account held with a bank or a beleggersgiro in the Netherlands.

#### Combined Mortgage Loans ("combinatiehypotheek")

In order to tailor a Mortgage Loan to meet as closely as possible the specific fiscal and economic needs of a Borrower, it is common for a Mortgage Loan to be constructed from a combination of mortgage types.

BLG Hypotheekbank also offers several other product types. The Issuer will not purchase receivables relating to such mortgage loans.

#### *Interest Rate*

The mortgage loans bear interest on the basis of any of the following alternatives:

- fixed rate, whereby the interest rates can be fixed for a specific period between 1 to 30 years;
- floating rate; or
- any other type of interest alternatives offered by BLG Hypotheekbank, including:
  - Middle Interest ("*Middelrente*"). The interest rate is the average interest rate over ten years. The interest payable by the Borrower is determined using a fraction in which the numerator is the sum of ten interest percentages determined by BLG as the Ideal Interest and in which the denominator is ten. In the first year, the numerator equals the Middle Interest percentage for that year multiplied by ten. In the second year the numerator equals the Middle Interest percentage for year one multiplied by nine plus the Middle Interest percentage for year two. In the years thereafter, the most recent Middle Interest percentage is included and the oldest Ideal Interest percentage is excluded from the numerator.

#### *Prepayments*

Annual prepayments of not more than 10 per cent. of the original mortgage loan are allowed without a penalty being due. In addition, full prepayments can be made without penalty in specific situations:

- at the time of rate resetting;
- on sale or destruction of the property;
- if the Borrower dies.

In other cases, penalty charges apply which are calculated as the net present value of the difference between the fixed rate being paid and the current mortgage rate, if lower, for the remaining term of the fixed period.

### **C. Mortgage Administration**

#### *Collection Procedures*

Once a mortgage offer has been accepted, the applicant, if not already a client of BLG Hypotheekbank, is encouraged to open an account with BLG Hypotheekbank, although this is not obligatory. If a client has given direct debit instructions, interest payments and repayments due will be debited directly from this account.

The loan administration system calculates the repayment schedules and reconciles collected funds with the appropriate account. A range of exception reports are automatically produced and are used by regional credit and administration departments to monitor the status of individual loans.

#### *Arrears Management*

Approximately 5 percent. of the payments in respect of the Mortgage Loans in the portfolio are made by direct debit from an account with SNS Bank. Payments in arrears will be collected automatically on a daily basis. The remaining Borrowers make payments into a designated account of BLG Hypotheekbank by direct debit from an account at another bank. All payments made to BLG Hypotheekbank are made into BLG Collection Account.

BLG Hypotheekbank has installed arrears management procedures for the monitoring and collection of late payments.

Specific actions are taken when loan payments become overdue:

*From the 1st day:* signal in system.

*After 10 days:* a reminder letter is generated automatically and sent to the Borrower.

*After 44 days:* a second reminder letter is generated automatically and sent to the Borrower.

*After 75 days:* the delinquency will be brought to the attention of the administration and support department which will start managing the delinquency by sending a last notification.

If all negotiations with the Borrower fail and forced sale is necessary, foreclosure procedures will be started

- BLG will approach the relevant Borrower in an attempt to reach an agreement;
- BLG will try a private sale;
- should this fail as well, then BLG contacts a civil-law notary, who will then organise a forced sale by way of public auction.

#### *Rate re-setting procedures*

35 days prior to the reset date, the loan administration system automatically generates a letter to the Borrower advising that a rate re-setting is imminent and, in addition, listing the rate(s) that would apply. The Borrower does not have to choose the same fixed rate period as the previous one. If there is no response from the Borrower before the rate re-setting date, the rate is automatically reset for a one-year term.



## DESCRIPTION OF MORTGAGE LOANS

The Mortgage Receivables to be sold and assigned to the Issuer on the Closing Date represent the rights (whether actual or contingent) of the relevant Seller against any Borrower under or in connection with the Mortgage Loans (the "**Final Portfolio**") selected by agreement between the Sellers and the Issuer.

The Mortgage Loans are loans secured by a mortgage, evidenced by notarial mortgage deeds ("*notariële akten van hypotheekstelling*") each entered into by the relevant Seller and the relevant Borrowers. The Mortgage Loans are all in the form of Bank Mortgages. See *Risk that the Bank Security Rights will not follow the Mortgage Receivables upon assignment to the Issuer* in Risk Factors above.

The Mortgage Loans in the Final Portfolio will be selected from a provisional pool of mortgage loans (the "**Provisional Pool**") that have been selected in accordance with the criteria set forth in the Mortgage Receivables Purchase Agreement and will be selected in accordance with such agreement on the Closing Date. The Final Portfolio will have the same general characteristics as the Provisional Pool.

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 the Provisional Pool which was selected on 30 April 2007. Therefore, the information set out below in relation to the Provisional Pool may not necessarily correspond to that of the Mortgage Receivables actually sold on the Closing Date. After the Closing Date, the portfolio will change from time to time as a result of repayment, prepayment, amendment and repurchase of Mortgage Receivables.

### Key Characteristics of the Provisional Pool

Outstanding principal balance(€)	1,148,713,216.20
Outstanding savings balance(€)	10,825,544.35
Outstanding net balance(€)	1,137,887,671.85
Number of mortgages	7,491
Number of mortgage parts	14,387
Average outstanding principal balance(€)	151,900.64
Minimum outstanding principal balance(€)	17,523.43
Maximum outstanding principal balance(€)	250,000.00
Maximum current interest rate(%)	7.50
Minimum current interest rate(%)	2.70
Weighted average current interest rate(%)	4.22
Current Loan to Original Foreclosure Value ratio(%)	94.4
Weighed average loan to market value (%)*	83
Weighted average loan to indexed foreclosure value (%)	85
Weighted average loan to indexed market value (%)*	74
Weighted average seasoning (months)	25
Weighted average current remaining Term to Maturity (yrs)	27.2
* assuming that the foreclosure value is equal to 87.5% of the market value	

<b>Table 1: Mortgage size</b>				
Size of outstanding loan balance	Net balance		Number of mortgages	
(euro)	(euro)	% of total		% of total
0-50000	3,893,041.27	0.34%	95	1.27%
50000-100000	85,442,890.44	7.51%	1,069	14.27%
100000-150000	305,197,972.25	26.82%	2,416	32.25%
150000-200000	442,089,770.14	38.85%	2,543	33.95%
200000-250000	301,263,997.75	26.48%	1,368	18.26%
<b>Total</b>	<b>1,137,887,671.85</b>	<b>100.00%</b>	<b>7,491</b>	<b>100.00%</b>

<b>Table 2: Mortgage type</b>				
Repayment type	Net balance		Number of parts	
	(euro)	% of total		% of total
Annuity	11,494,748.52	1.01%	276	1.92%
Interest only	809,640,638.24	71.15%	10,614	73.77%
Investment-based	175,665,359.78	15.44%	1,698	11.80%
Linear	913,030.00	0.08%	18	0.13%
Savings	140,173,895.31	12.32%	1,781	12.38%
<b>Total</b>	<b>1,137,887,671.85</b>	<b>100.00%</b>	<b>14,387</b>	<b>100.00%</b>

<b>Table 3: Interest type</b>				
Interest type	Net balance		Number of parts	
	(euro)	% of total		% of total
1 yr fixed	29,815,468.73	2.62%	422	2.93%
3 yr fixed	5,702,931.78	0.50%	75	0.52%
5 yr fixed	93,236,672.76	8.19%	1,238	8.60%
5 yr fixed + 2 yr refixing period	18,853,987.47	1.66%	236	1.64%

10 yr fixed	502,528,341.92	44.16%	6,134	42.64%
10 yr fixed + 2 yr refixing period	1,761,341.35	0.15%	32	0.22%
12 yr fixed	4,383,681.73	0.39%	61	0.42%
15 yr fixed	25,226,008.13	2.22%	344	2.39%
20 yr fixed	35,450,571.65	3.12%	468	3.25%
"Stabielrente" 1% band	13,655,180.35	1.20%	194	1.35%
"Stabielrente" 1,5% band	605,924.35	0.05%	7	0.05%
"Stabielrente" 2% band	2,677,285.73	0.24%	42	0.29%
"Stabielrente" 2,5% band	304,691.62	0.03%	3	0.02%
"Stabielrente" 3% band	292,688.24	0.03%	3	0.02%
5 yr "plafondrente"	24,163,541.02	2.12%	301	2.09%
10 yr "plafondrente"	40,605,325.36	3.57%	513	3.57%
Ideaal	5,640,567.60	0.50%	77	0.54%
Variable	40,558,141.84	3.56%	568	3.95%
6 yr fixed	239,525,542.55	21.05%	2,995	20.82%
"VariRust" 1% band	238,336.00	0.02%	3	0.02%
4 yr fixed + 1 yr refixing period	4,614,195.71	0.41%	72	0.50%
9 yr fixed + 1 yr refixing period	3,523,554.87	0.31%	60	0.42%
14 yr fixed + 1 yr refixing period	616,470.00	0.05%	9	0.06%
24 months "instaprente"	793,577.87	0.07%	13	0.09%
"rentedemper" 5 year, 1% band	14,378,080.83	1.26%	162	1.13%
"rentedemper" 10 year, 2% band	16,060,385.59	1.41%	179	1.24%
"rentedemper" 15 year, 3% band	3,430,591.15	0.30%	42	0.29%
"rentedemper" 10 year, 3% band	5,648,375.37	0.50%	77	0.54%
"rentedemper" 5 year, 3% band	250,032.89	0.02%	3	0.02%
"rentedemper" 5 year, 2% band	195,870.84	0.02%	2	0.01%
1 yr fixed + 1 yr refixing period	1,923,903.86	0.17%	29	0.20%
Average interest rate	1,226,402.69	0.11%	23	0.16%
<b>Total</b>	<b>1,137,887,671.85</b>	<b>100.00%</b>	<b>14,387</b>	<b>100.00%</b>

<b>Table 4: Interest rate</b>				
Interest rate(%)	Net balance		Number of parts	
	(euro)	% of total		% of total
<3	441,109.70	0.04%	6	0.04%
3-3.5	49,129,763.79	4.32%	617	4.29%
3.5-4	292,872,339.63	25.74%	3,670	25.51%
4-4.5	497,487,304.86	43.72%	6,072	42.20%
4.5-5	180,240,130.31	15.84%	2,419	16.81%
5-5.5	73,082,412.97	6.42%	979	6.80%
5.5-6	33,203,651.03	2.92%	454	3.16%
6-6.5	9,629,897.46	0.85%	141	0.98%
6.5-7	1,756,077.98	0.15%	28	0.19%
7-7.5	44,984.12	0.00%	1	0.01%
<b>Total</b>	<b>1,137,887,671.85</b>	<b>100.00%</b>	<b>14,387</b>	<b>100.00%</b>

<b>Table 5: Seasoning</b>				
Origination Dates	Net balance		Number of parts	
	(euro)	% of total		% of total
1999	11,113,823.26	0.98%	180	1.25%
2000	22,771,488.02	2.00%	315	2.19%
2001	17,347,149.63	1.52%	252	1.75%
2002	47,533,263.19	4.18%	649	4.51%
2003	98,884,178.42	8.69%	1,268	8.81%
2004	209,670,358.27	18.43%	2,746	19.09%
2005	290,313,933.29	25.51%	3,727	25.91%
2006	428,158,376.66	37.63%	5,108	35.50%
2007	12,095,101.11	1.06%	142	0.99%
<b>Total</b>	<b>1,137,887,671.85</b>	<b>100.00%</b>	<b>14,387</b>	<b>100.00%</b>

<b>Table 6: Types of property</b>			
Property type	Net balance		Number of mortgages
	(euro)	% of total	% of total

Apartment	161,957,803.93	14.23%	1,217	16.25%
House	975,929,867.92	85.77%	6,274	83.75%
<b>Total</b>	<b>1,137,887,671.85</b>	<b>100.00%</b>	<b>7,491</b>	<b>100.00%</b>

**Table 7: Geographical distribution**

Region	Net balance		Number of mortgages	
	(euro)	% of total		% of total
Drenthe	37,621,416.90	3.31%	274	3.66%
Flevoland	37,384,382.41	3.29%	243	3.24%
Friesland	25,925,778.16	2.28%	178	2.38%
Gelderland	156,883,934.56	13.79%	966	12.90%
Groningen	57,153,947.90	5.02%	451	6.02%
Limburg	218,194,450.00	19.18%	1,558	20.80%
Noord-Brabant	141,790,326.25	12.46%	866	11.56%
Noord-Holland	87,805,928.52	7.72%	526	7.02%
Overijssel	108,793,625.52	9.56%	704	9.40%
Utrecht	66,500,085.64	5.84%	391	5.22%
Zeeland	26,280,634.64	2.31%	189	2.52%
Zuid-Holland	173,553,161.35	15.25%	1,145	15.29%
<b>Total</b>	<b>1,137,887,671.85</b>	<b>100.00%</b>	<b>7,491</b>	<b>100.00%</b>

**Table 8: Loan-to-Foreclosure Value Ratio**

Current LtFV (%)	Net balance		Number of mortgages	
	(euro)	% of total		% of total
0-9	95,742.03	0.01%	2	0.03%
10-19	2,655,924.60	0.23%	50	0.67%
20-29	10,297,386.31	0.90%	140	1.87%
30-39	27,225,501.93	2.39%	289	3.86%
40-49	41,482,521.43	3.65%	369	4.93%
50-59	62,291,244.15	5.47%	496	6.62%

60-69	63,374,197.33	5.57%	466	6.22%
70-79	86,802,277.45	7.63%	586	7.82%
80-89	98,982,091.38	8.70%	630	8.41%
90-99	123,246,878.39	10.83%	757	10.11%
100-109	251,478,676.68	22.10%	1,528	20.40%
110-119	227,311,297.04	19.98%	1,344	17.94%
120-125	142,643,933.13	12.54%	834	11.13%
<b>Total</b>	<b>1,137,887,671.85</b>	<b>100.00%</b>	<b>7,491</b>	<b>100.00%</b>

**Table 9: Legal final maturity of mortgages**

Year	Net balance		Number of parts	
	(euro)	% of total		% of total
2008	78,800.00	0.01%	2	0.01%
2009	77,264.29	0.01%	6	0.04%
2010	5,910.06	0.00%	1	0.01%
2011	103,956.96	0.01%	6	0.04%
2012	156,549.26	0.01%	5	0.03%
2013	166,298.75	0.01%	5	0.03%
2014	428,868.26	0.04%	16	0.11%
2015	718,516.22	0.06%	16	0.11%
2016	1,059,812.89	0.09%	24	0.17%
2017	596,301.41	0.05%	17	0.12%
2018	1,106,908.46	0.10%	23	0.16%
2019	1,257,236.80	0.11%	30	0.21%
2020	2,577,717.91	0.23%	46	0.32%
2021	2,381,084.70	0.21%	43	0.30%
2022	2,554,911.36	0.22%	43	0.30%
2023	3,116,131.25	0.27%	61	0.42%
2024	4,566,867.87	0.40%	79	0.55%
2025	5,777,497.62	0.51%	98	0.68%
2026	8,151,160.35	0.72%	133	0.92%
2027	7,628,490.74	0.67%	108	0.75%
2028	13,052,029.05	1.15%	185	1.29%
2029	23,694,175.58	2.08%	343	2.38%
2030	43,114,174.29	3.79%	566	3.93%
2031	42,181,489.72	3.71%	543	3.77%
2032	61,205,782.17	5.38%	786	5.46%
2033	95,817,009.62	8.42%	1,189	8.26%
2034	164,862,416.21	14.49%	2,133	14.83%
2035	245,637,937.89	21.59%	3,099	21.54%

2036	378,814,591.22	33.29%	4,462	31.01%
2037	26,997,780.94	2.37%	319	2.22%
<b>Total</b>	<b>1,137,887,671.85</b>	<b>100.00%</b>	<b>14,387</b>	<b>100.00%</b>

**Table 10: Bank distribution**

Bank	Net balance		Number of parts	
	(euro)	% of total		% of total
SNS	721,407,728.68	63.40%	8,977	62.40%
BLG	416,479,943.17	36.60%	5,410	37.60%
<b>Total</b>	<b>1,137,887,671.85</b>	<b>100.00%</b>	<b>14,387</b>	<b>100.00%</b>

## 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 authorised 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 (principal and interest) as if the mortgage loan were being repaid on a thirty year annuity basis. In respect of each mortgage loan, the NHG Guarantee reduces further to take account of scheduled repayments and prepayments under such mortgage loan (See *Risk Factors*).

### Financing of the WEW

The WEW finances itself, inter alia, by a one-off charge to the borrower of 0.40 per cent. 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 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.

### Terms and conditions of the NHG Guarantee

Under the NHG scheme, the lender is responsible for ensuring that the guarantee application meets the NHG terms and 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 NHG 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 terms and conditions of the NHG Guarantee, 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 NHG Guarantees, such as eligible income, purchasing or building costs etc., are set forth in published documents by WEW.

The NHG 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.

A NHG Guarantee can be issued up to a maximum of EUR 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 4 months, a lender informs the WEW in writing within 30 days 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. When the borrower is in arrears 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 unless sold for an amount higher than the foreclosure value. 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 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 months.

Within three 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 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 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, on 1 July 2005 provisions were added to the NHG Conditions 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 years, be used for, *inter alia*, payment of the amounts which are 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.

#### **Main NHG Underwriting Criteria ("*Normen*") per 2007**

With respect to a borrower, the underwriting criteria include but are not limited to:

- The lender has to perform a BKR check. "A" and "A1" registrations are allowed in certain circumstances.

- As a valid source of income the following applies: indefinite contract of employment, temporarily contract of employment if the employer states that the employee will be provided an indefinite contract of employment in case of equal performance of the employee and equal business circumstances, for flexworkers a three year history of income statements, for self employed three year annual statements.
- The maximum loan based on the income will be based on the "woonquote" tables and an annuity style redemption (even if the actual loan is (partially) interest only). The interest rate to be used is at least 6% for loans with a fixed interest rate period less than or equal to 5 years and the actual interest rate for loans with a fixed interest rate period in excess of 5 years.

With respect to the loan, the underwriting criteria include but are not limited to:

- The absolute maximum loan amount is EUR 265,000. The loan amount is also limited by the amount of income and the market value of the property. With respect to the latter:
  - For the purchase of existing properties, the loan amount is broadly based on the sum of (i) the lower of the purchase price and the market value based on a valuation report, (ii) the costs of improvements, (iii) 12 per cent of the amount under (i) plus (ii). In case an existing property can be bought without paying stampduty ("*vrij op naam*"), the purchase amount under (i) is multiplied by 93 per cent..
  - For the purchase of a properties to be built, the maximum loan amount is broadly based on the sum of (i) purchase-/construction cost increased with a number of costs such as the cost of construction interest, VAT and architects (to the extent not included already in the purchase-/construction cost), (ii) 8 per cent of the amount under (i).
- The maximum loan amount that is interest only is 50% of the market value of the property.
- The Risk Insurance Policy should at a minimum cover the loan amount in excess of 80% of the market value.

## MORTGAGE RECEIVABLES PURCHASE AGREEMENT

Under the Mortgage Receivables Purchase Agreement, the Issuer will purchase the Mortgage Receivables and will, on the Closing Date, accept the assignment of the Mortgage Receivables and the Beneficiary Rights relating thereto from each Seller 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 Relevant Mortgage Receivables and the Beneficiary Rights relating thereto from each Seller to the Issuer will not be notified to the Borrowers, except upon the occurrence of special events as further described below under Assignment Notification Events. Until such notification the Borrowers will only be entitled to validly pay ("*bevrijdend betalen*") to the relevant Seller. The Issuer will be entitled to all proceeds in respect of the Mortgage Receivables as of 1 June 2007 (the "**Cut-off Date**"). Each Seller will pay to the Issuer on each Mortgage Payment Date all proceeds received during the immediately preceding Mortgage Calculation Period in respect of the Mortgage Receivables.

### Purchase Price

The purchase price for the Mortgage Receivables shall consist of an initial purchase price, which shall be payable on the Closing Date or, in case of Substitute Mortgage Receivables, on the relevant Payment Date (the "**Initial Purchase Price**"), and a deferred purchase price (the "**Deferred Purchase Price**"). The Initial Purchase Price in respect of the Mortgage Receivables purchased on the Closing Date will be euro 815,825,419.27, which is equal to the aggregate outstanding principal amount of the Mortgage Receivables at the Cut-off Date. The Deferred Purchase Price shall be equal to the sum of all instalments in respect of the Deferred Purchase Price and each instalment (each a "**Deferred Purchase Price Instalment**") will, with respect to a Payment Date, be equal to (A) prior to the Enforcement Date, the sum of (i) the positive difference, if any, between the Interest Available Amount and the sum of all amounts payable by the Issuer as set forth in the Interest Priority of Payments under (a) up to and including (l) and (ii) subject to the Notes having been repaid in full, the positive difference, if any, between the Redemption Available Amount and the sum of all amounts payable by the Issuer as set forth in the Principal Priority of Payments under (a) up to and including (c) on such date or (B), after the Enforcement Date, the amount remaining after all payments as set forth in the Priority of Payments upon Enforcement under (a) up to and including (i) have been made (see *Credit Structure* above).

### Representations and Warranties

Each Seller represents and warrants with respect to the Mortgage Receivables that it will sell (the "**Relevant Mortgage Receivables**") and the Mortgage Loans to which such Mortgage Receivables relate (the "**Relevant Mortgage Loans**") and the Beneficiary Rights relating thereto that on the Closing Date, *inter alia*:

- (a) each of the Relevant Mortgage Receivables and the Beneficiary Rights relating thereto is duly and validly existing;
- (b) the relevant Seller has full right and title to the Relevant Mortgage Receivables and the Beneficiary Rights relating thereto and no restrictions on the sale and assignment of the Relevant Mortgage Receivables and the Beneficiary Rights relating thereto are in effect and the Relevant Mortgage Receivables and the Beneficiary Rights relating thereto are capable of being assigned, save that for assignment and pledge of the Savings Mortgage Receivables the consent of the Savings Insurance Company is required;
- (c) the relevant Seller has power ("*is beschikkingsbevoegd*") to sell and assign the Relevant Mortgage Receivables and the Beneficiary Rights relating thereto;
- (d) the Relevant Mortgage Receivables and the Beneficiary Rights relating thereto are free and clear of any encumbrances and attachments and no option rights to acquire the Relevant Mortgage Receivables and the Beneficiary Rights relating thereto have been granted by the relevant Seller in favour of any third party with regard to the Relevant Mortgage Receivables and the Beneficiary Rights relating thereto;
- (e) each Relevant Mortgage Receivable is secured by a mortgage right on a Mortgaged Asset used for a residential purpose in the Netherlands and is governed by Netherlands law;
- (f) (i) all Mortgage Loans entered into by BLG Hypotheekbank and all Mortgage Loans entered into by SNS Bank before the end of 2005 provide that in case of assignment or pledge of the receivable the assignee or pledgee will have the benefit of the mortgage right if this has been stipulated upon the assignment or pledge and that in such event the mortgage right no longer

secures the other claims of the relevant Seller, and (ii) all Mortgage Loans entered into by SNS Bank after the end of 2005 provide that in case of assignment or pledge of the receivable the Borrower and SNS Bank have the explicit intention that the assignee or pledgee will have the benefit of (a pro rata of) the mortgage rights and rights of pledge securing such receivable, unless SNS Bank determines otherwise prior to the assignment or pledge;

- (g) each Mortgaged Asset concerned was valued (i) by an independent qualified valuer, or (ii) on the basis of an assessment by the Netherlands tax authorities on the basis of the Act on Valuation of Real Property ("*Wet Waardering Onroerende Zaken*"). Valuations by an independent qualified valuer are not older than twelve months prior to the date of the mortgage application by the Borrower. In certain cases, newly built Mortgaged Assets are exempted from valuation requirements. No revaluation of the Mortgaged Assets has been made for the purpose of this transaction;
- (h) each Relevant Mortgage Receivable and the mortgage right and the right of pledge, if any, securing such receivable constitute legal, valid, binding and enforceable obligations of the relevant Borrower vis-à-vis the relevant Seller, subject to any limitations arising from bankruptcy, insolvency and any other laws of general application relating to or affecting the rights of creditors. The binding effect and enforceability of the obligations of a Borrower may be affected by rules of Dutch law which generally apply to contractual arrangements, including (without limitation) the requirements of reasonableness and fairness ("*redelijkheid en billijkheid*") and rules relating to force majeure;
- (i) all mortgage rights and rights of pledge granted to secure the Relevant Mortgage Receivables (i) constitute valid mortgage rights ("*hypotheekrechten*") and rights of pledge ("*pandrechten*") respectively on the Mortgaged Assets and the assets which are the subject of the rights of pledge respectively and, to the extent relating to the mortgage rights, entered into the appropriate public register ("*Dienst van het Kadaster en de Openbare Registers*"), (ii) have first priority and (iii) were vested for a principal sum which is, (x) with respect to Mortgage Loans originated by SNS Bank at least equal to the outstanding principal amount of the Relevant Mortgage Loan when originated, increased with interest, penalties, costs and any insurance premium paid by the relevant Seller on behalf of the Borrower, up to an amount equal to 50 per cent. of such outstanding principal amount, therefore in total up to a maximum amount equal to 150 per cent. of the outstanding principal amount of the Relevant Mortgage Receivable and (y) with respect to Mortgage Loans originated by BLG Hypotheekbank at least equal to the outstanding principal amount of the Relevant Mortgage Loan when originated, increased with interest, penalties, costs and any insurance premium paid by the relevant Seller on behalf of the Borrower, up to an amount equal to 45 per cent. of such outstanding principal amount, therefore in total up to a maximum amount equal to 145 per cent. of the outstanding principal amount of the Relevant Mortgage Receivable;
- (j) each of the Relevant Mortgage Loans and, if offered by the relevant Seller, the Insurance Policy connected thereto, has been granted, in all material respects, in accordance with all applicable legal requirements prevailing at the time of origination, and the Code of Conduct on Mortgage Loans ("*Gedragcode Hypothecaire Financieringen*") and the relevant Seller's standard underwriting criteria and procedures, including borrower income requirements, prevailing at that time and these underwriting criteria and procedures are in a form as may reasonably be expected from a lender of Netherlands residential mortgages;
- (k) each of the Mortgage Loans originated by SNS Bank with a tenor of more than thirty years or without a maturity date will have a Life Insurance Policy or a Savings Insurance Policy attached to it in the form of a combined risk and capital policy which, as far as the risk element is concerned, pays out upon death of the insured and, as far as the capital element is concerned, upon maturity of the Life Insurance Policy and each of the Life Insurance Policies has a term not exceeding thirty years from the date the Mortgage Loan was granted;
- (l) the general conditions applicable to the Mortgage Loans originated by SNS Bank provide that the principal sum, increased with interest, reimbursements, costs and amounts paid by SNS Bank on behalf of the Borrower and any other amounts due by the Borrowers to SNS Bank will become due and payable, *inter alia*, if the Life Insurance Policy belonging to the Mortgage Loan is invalid and/or payment of premium under the Life Insurance Policy is suspended ("*premievrij*") and/or the Life Insurance Company makes a payment under the Life Insurance Policy;

- (m) as at the Closing Date or in case of Substitution, the relevant Payment Date, no amounts due and payable under any of the Relevant Mortgage Receivables will be unpaid for a period exceeding one month;
- (n) with respect to Relevant Mortgage Loans, whereby it is a condition for the granting of the relevant Mortgage Loan that a Life Insurance Policy is entered into by the Borrower (i) a Borrower Insurance Pledge is granted on the rights under such policy in favour of the relevant Seller (see Mortgage Loan Criteria (ix) below), (ii) the Mortgage Loan and the Life Insurance Policy are in the relevant Seller's or the Life Insurance Company's promotional materials not offered as one product, under one name and (iii) the Borrowers are not obliged to enter into the Life Insurance Policy with a Life Insurance Company which is a group company of the relevant Seller;
- (o) with respect to Investment-based Mortgage Loans ("*beleggingshypotheken*") originated by SNS Bank after 31 December 2002, the relevant Borrowers and SNS Bank entered into an agreement for the brokerage of securities ("*Overeenkomst tot Effectenbemiddeling*"), in which the general conditions for the provision of securities services ("*Algemene Voorwaarden Effectendienstverlening*" and the "*Reglement SNS Beleggersgiro*") are declared applicable between the Borrowers and SNS Bank;
- (p) each receivable under a mortgage loan ("*hypothecaire lening*") which is secured by the same mortgage right is sold and assigned to the Issuer pursuant to the Mortgage Receivables Purchase Agreement;
- (q) each Relevant Mortgage Loan constitutes the entire mortgage loan granted to the relevant Borrower and not merely one or more loan parts ("*leningdelen*");
- (r) to the best knowledge of the relevant Seller, the Borrowers are not in any material breach of any provision of their Mortgage Loans;
- (s) the mortgage conditions of the Mortgage Loans originated by SNS Bank provide that all payments by the Borrowers should be made without any deduction or set-off;
- (t) each Relevant Mortgage Loan was originated by the relevant Seller;
- (u) each Relevant Mortgage Loan was granted by the relevant Seller to private individuals only;
- (v) each Mortgage Loan has the benefit of an NHG Guarantee and (i) each NHG Guarantee connected to the relevant Mortgage Loan was granted for the full amount of the relevant Mortgage Loan at origination and constitutes legal, valid and binding obligations of *Stichting Waarborgfonds Eigen Woningen*, enforceable in accordance with their terms, (ii) all terms and conditions ("*voorwaarden en normen*") applicable to the NHG Guarantee at the time of origination of the Mortgage Loans were complied with and (iii) the relevant Seller is not aware of any reason why any claim made in accordance with the requirements pertaining thereto under any NHG Guarantee in respect of any Mortgage Loan should not be met in full and in a timely manner; and
- (w) each Mortgage Loan meets the Mortgage Loan Criteria as set forth below.

#### **Mortgage Loan Criteria**

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

- (i) the Mortgage Loans are either:
  - a. Interest-only mortgage loans ("*aflossingsvrije hypotheken*");
  - b. Linear mortgage loans ("*lineaire hypotheken*");
  - c. Annuity mortgage loans ("*annuïteitenhypotheken*");
  - d. Investment-based mortgage loans ("*beleggingshypotheken*");
  - e. Savings mortgage loans ("*spaarhypotheken*") (only for SNS Bank);
  - f. Life mortgage loans ("*levenhypotheken*") (only for BLG Hypotheekbank); or
  - g. Mortgage loans which combine any of the above mentioned types of mortgage loans ("*combinatiehypotheken*");
- (ii) the Borrower is a resident of the Netherlands and not an employee of any Seller;
- (iii) the Borrower has made at least one monthly payment under the relevant Mortgage Loan;
- (iv) the interest of each Mortgage Receivable is either (i) fixed rate whereby the interest rates can be fixed for a specific period between 1 to 30 years; (ii) floating rate, or (iii) any other type of interest alternatives offered by the relevant Seller;

- (v) each Mortgaged Asset is not the subject of residential letting and is occupied by the Borrower at the moment of (or shortly after) origination;
- (vi) each Mortgage Loan has been entered into after 31 December 1998;
- (vii) interest payments are scheduled to be made monthly;
- (viii) the maximum outstanding principal amount of each Mortgage Receivable, or all Mortgage Receivables secured on the same Mortgaged Assets together, did not exceed 125 per cent. of the Foreclosure Value of the Mortgaged Assets upon origination of the Mortgage Receivable or Mortgage Receivables;
- (ix) where compulsory under the acceptance conditions used by the relevant Seller, each Mortgage Loan has a Life Insurance Policy or Risk Insurance Policy attached to it;
- (x) each Interest-only Mortgage Loan, originated after 1 October 2003 has a legal maturity of not more than thirty (30) years;
- (xi) each Mortgage Receivable is secured by a first ranking mortgage right;
- (xii) each Mortgaged Asset is located in the Netherlands;
- (xiii) all Mortgage Loans are fully disbursed (no "*bouwhypotheeken*");
- (xiv) each Investment-based Mortgage Loan originated by SNS Bank will be in the form of an interest-only mortgage loan, whereby the Borrower does not repay principal prior to maturity of the Mortgage Loan, but undertakes to invest, whether on a lump sum basis or on an instalment basis, an agreed amount in certain investment funds selected by the Borrower out of a range of investment funds of SNS Beleggingsfondsen N.V.;
- (xv) the securities held by Stichting SNS Beleggersgiro and booked in a securities account in the name of SNS Beleggersgiro with SNS Bank will be in the form of "*Wge-effecten*" (securities regulated under the Dutch Securities Giro Transfer Act, "*Wet giraal effectenverkeer*");
- (xvi) each Investment-based Mortgage Loan originated by BLG Hypotheekbank will be in the form of an interest-only mortgage loan whereby the Borrower undertakes to invest, whether on a lump sum basis or on an instalment basis, an agreed amount in certain investment funds or other securities selected by the Borrower out of a range of investment funds or securities agreed with the relevant bank or investment firm ("*beleggingsonderneming*"); and
- (xvii) each Mortgage Loan has the benefit of a NHG Guarantee.

The Mortgage Loan Criteria apply also to the selection of Relevant Substitute Mortgage Receivables.

### **Repurchase**

If at any time any of the representations and warranties relating to the Relevant Mortgage Loans and the Relevant Mortgage Receivables given by the relevant Seller proves to have been untrue or incorrect in any material respect, the relevant Seller shall within 14 days of receipt of written notice thereof from the Issuer remedy the matter giving rise thereto, or if such matter is not capable of being remedied or is not remedied within the said period of 14 days, the relevant Seller shall repurchase and accept re-assignment of the Relevant Mortgage Receivable at the immediately succeeding Mortgage Payment Date.

If the relevant Seller agrees with a Borrower to make a Mortgage Loan Further Advance prior to the occurrence of an Assignment Notification Event and partial termination of the relevant mortgage right (see *Assignment Notification Events* below), the relevant Seller shall repurchase and accept re-assignment of the Relevant Mortgage Receivable at the immediately succeeding Mortgage Payment Date.

No repurchase and re-assignment of the Relevant Mortgage Receivable is required if the relevant Seller agrees with a Borrower to grant (i) a new mortgage loan secured by a new mortgage right which is lower-ranking than the mortgage right which secures the Mortgage Receivable or (ii) a loan or credit to a Borrower other than a mortgage loan, including, without limitation, by means of a personal loan, a home improvement loan or a current account facility (see also *Substitution* below).

If the relevant Seller agrees with a Borrower to amend the terms of the Relevant Mortgage Loan, or part of such Mortgage Loan, as a result of which the Relevant Mortgage Loan no longer meets the representations and warranties, including the Mortgage Loans Criteria of the Mortgage Receivables Purchase Agreement (as set out above), the Seller shall also repurchase and accept re-assignment of such Mortgage Receivable on the immediately succeeding Mortgage Payment Date. If the relevant Mortgage Loan no longer has the benefit of the NHG Guarantee as a result of action taken or omitted to be taken by the Seller, the relevant Seller shall also repurchase and accept re-assignment of such Mortgage Receivable on the immediately succeeding Mortgage Payment Date.

If on the Mortgage Payment Date immediately following the date on which SNS Bank or the Savings Insurance Company complies with a request from the Borrower under the terms of a Savings Mortgage Loan with a Savings Alternative to switch whole or part of the premia accumulated in the relevant Savings Insurance Policy with the Savings Alternative into the Investment Alternative (the "**Savings Switch**"), SNS Bank shall also repurchase and accept re-assignment of the Relevant Mortgage Receivable on the immediately succeeding Mortgage Payment Date (see also *Substitution* below).

The purchase price for the Mortgage Receivable in such events will be equal to the outstanding principal amount of the Mortgage Receivable, together with due and overdue interest and reasonable costs, if any (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 except if:

- (i) it concerns a Mortgage Loan Amendment, and
- (ii) such Mortgage Receivable is either in arrears for a period exceeding 90 days or in respect of such Mortgage Receivable an instruction has been given to the civil-law notary to publicly sell the Mortgaged Assets,

the purchase price shall be at least the lesser of (i) the sum of (a) an amount equal to the indexed foreclosure value of the Mortgaged Assets and (b) the amount claimable under the NHG Guarantee, and (ii) the sum of the outstanding principal amount of the Mortgage Receivable, together with accrued interest due but unpaid, if any, and any other amounts due under the Mortgage Receivable.

Other than in the events set out above, neither Seller will be obliged to repurchase any Mortgage Receivables from the Issuer.

#### **Clean-Up Call Option**

On each Payment Date the Sellers, acting jointly, have the right to exercise the Clean-Up Call Option.

The Issuer has undertaken in the Mortgage Receivables Purchase Agreement to sell and assign the Relevant Mortgage Receivables to the relevant Seller, or any third party appointed by the relevant Seller at its sole discretion, in case the Sellers, acting jointly, exercise the Clean-Up Call Option. See also *Sale of Mortgage Receivables* above.

#### **Assignment Notification Events**

The Mortgage Receivables Purchase Agreement provides that if, *inter alia*:

- (a) a default is made by any Seller in the payment on the due date of any amount due and payable by it under the Mortgage Receivables Purchase Agreement or under any Relevant Document to which it is a party and such failure is not remedied within 10 business days after notice thereof has been given by the Issuer or the Security Trustee to the relevant Seller; or
- (b) any Seller fails to duly perform or comply with any of its obligations under the Mortgage Receivables Purchase Agreement or under any Relevant Document to which it is a party and, if such failure is capable of being remedied, such failure is not remedied within 10 business days after notice thereof has been given by the Issuer or the Security Trustee to the relevant Seller; or
- (c) any Seller takes any corporate action or other steps are taken or legal proceedings are started or threatened against it for its dissolution ("*ontbinding*") and liquidation ("*vereffening*") or legal demerger ("*juridische splitsing*") involving the relevant Seller or its assets are placed under administration ("*onder bewind gesteld*"); or

- (d) any Seller has taken any corporate action or any steps have been taken or legal proceedings have been instituted or threatened against it for its entering into emergency regulations ("*noodregeling*") as referred to in Chapter 3 of the Act on Financial Supervision ("*Wet op het financieel toezicht*" or "*Wft*") as amended from time to time, or for bankruptcy or for any analogous insolvency proceedings under any applicable law or for the appointment of a receiver or a similar officer of it or of any or all of its assets; or
- (e) the credit rating of SNS Bank's long term unsecured, unsubordinated and unguaranteed debt obligations falls below "Baa1" by Moody's or such rating is withdrawn and/or falls below "A-" by Fitch or such rating is withdrawn, or
- (f) SNS Bank ceases to hold at least 51% of the shares in BLG Hypotheekbank, or
- (g) SNS REAAL withdraws its 403-Declaration,

(each an "**Assignment Notification Event**") then the Seller to which the Assignment Notification Event relates or, as the case may be, the Sellers, shall, unless the Security Trustee, after having received confirmation from S&P, Moody's and Fitch that no downgrading of the Notes will occur as a result of not giving notice as described below, instructs it otherwise, forthwith

- (x) notify the Borrowers and the Insurance Companies, respectively, and any other relevant parties indicated by the Issuer and/or the Security Trustee of (i) the partial termination in respect of the Relevant Mortgage Loans originated by SNS Bank after the end of 2005 of (x) the mortgage rights and the rights of pledge, (y) in respect of the Relevant Mortgage Loans originated by SNS Bank before the end of 2005, the rights of pledge and, (z) in respect of the Relevant Mortgage Loans originated by BLG Hypotheekbank, the rights of pledge in as far as these mortgage rights and rights of pledge secure other debts than the Relevant Mortgage Receivables and (ii) the assignment of the Relevant Mortgage Receivables and the Beneficiary Rights relating thereto to the Issuer or, at its option, the Issuer shall be entitled to make such notifications itself;
- (y) release the Borrower Insurance Pledge in respect of the Insurance Policies and undertake its reasonable efforts to the effect that a first ranking right of pledge is created on the right of the Borrowers/insured under the Insurance Policies in favour of (i) the Issuer subject to the dissolving condition of the occurrence of a Security Trustee Pledge Notification Event relating to the Issuer and (ii) the Security Trustee subject to the condition precedent of the occurrence of a Security Trustee Pledge Notification Event relating to the Issuer; and
- (z) with regard to the Investment based Mortgage Loans, release the right of pledge in favour of the relevant Seller on the relevant securities, if any, and undertake to use its best efforts to create a first ranking pledge on the relevant securities in favour of (x) the Issuer subject to the dissolving condition of the occurrence of a Security Trustee Pledge Notification Event relating to the Issuer and (y) the Security Trustee subject to the condition precedent of the occurrence of a Security Trustee Pledge Notification Event relating to the Issuer.

In addition, pursuant to the Beneficiary Waiver Agreement, SNS Bank waives its right as beneficiary under the Savings Insurance Policies, subject to the condition precedent of the occurrence of an Assignment Notification Event, and appoints as first beneficiary (x) the Issuer subject to the dissolving condition of the occurrence of an Security Trustee Pledge Notification Event and (y) the Security Trustee under the condition precedent of the occurrence of an Security Trustee Pledge Notification Event.

Furthermore, pursuant to the Beneficiary Waiver Agreement, to the extent that the waiver and appointment referred to above are not effective in respect of the Savings Insurance Policies and furthermore in respect of the Life Insurance Policies, the relevant Seller and in respect of Savings Insurance Policies, the Savings Insurance Company shall upon the occurrence of an Assignment Notification Event (a) use their best efforts to terminate the appointment of the relevant Seller as beneficiary under the Insurance Policies and to appoint as first beneficiary under the Insurance Policies (x) the Issuer under the dissolving condition of the occurrence of a Security Trustee Pledge Notification Event and (y) the Security Trustee under the condition precedent of the occurrence of a Security Trustee Pledge Notification Event and (b) with respect to Insurance Policies where a Borrower Insurance Proceeds Instruction has been given, use their best efforts to withdraw the Borrower Insurance Proceeds Instruction in favour of the relevant Seller and to issue such instruction



in favour of (x) the Issuer under the dissolving condition of the occurrence of a Security Trustee Pledge Notification Event and (y) the Security Trustee under the condition precedent of the occurrence of a Security Trustee Pledge Notification Event.

### **Substitution**

The Mortgage Receivables Purchase Agreement provides that the Issuer shall (i) on each Payment Date up to (and including) the Payment Date falling in June 2014 use the Redemption Available Amount, and (ii) thereafter, on each Payment Date immediately up to and including the Payment Date preceding the Final Maturity Date use the sum of (a) any amounts received as a result of the repurchase by the relevant Seller of Mortgage Receivables in connection with (x) the granting of a Mortgage Loan Further Advance or (y) the Savings Switch, to the extent such amounts relate to principal, less, with respect to each Savings Mortgage Receivable with the Savings Alternative, the Participation and (b) the amount of the Initial Participation in respect of any Substitute Savings Mortgage Receivables purchased on such Payment Date (the "**Substitution Available Amount**") to purchase Relevant Substitute Mortgage Receivables and the Beneficiary Rights relating thereto from the relevant Seller if and to the extent offered by the relevant Seller. The purchase price payable by the Issuer as consideration for any Relevant Substitute Mortgage Receivables and the Beneficiary Rights relating thereto shall consist of the Initial Purchase Price in respect thereof and the relevant part of the Deferred Purchase Price at the date of completion of the sale and purchase thereof.

The purchase by the Issuer of Substitute Mortgage Receivables and the Beneficiary Rights relating thereto will be subject to a number of conditions, which include, *inter alia*, the conditions that on the relevant Payment Date:

- (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 Mortgage Loans, the Mortgage Receivables and the relevant Seller in the Mortgage Receivables Purchase Agreement with respect to the Relevant Substitute Mortgage Receivables sold and relating to the relevant Seller (with certain exceptions to reflect that the Relevant Substitute Mortgage Receivables are sold and may have been originated after the Closing Date);
- (b) no Assignment Notification Event relating to the relevant Seller has occurred and is continuing on such Payment Date;
- (c) not more than 2.25 per cent. of the aggregate outstanding principal amount of the Mortgage Receivables is in arrears for a period exceeding 60 days;
- (d) there has been no failure by the relevant Seller to repurchase any Relevant Mortgage Receivable which it is required to repurchase pursuant to the Mortgage Receivables Purchase Agreement;
- (e) the Substitution Available Amount is sufficient to pay the Initial Purchase Price for the Substitute Mortgage Receivables;
- (f) the then current ratings assigned to the Notes by Moody's and Fitch is not adversely affected as a result of such substitution;
- (g) the weighted average LtFV Ratio of all Mortgage Receivables, including the Substitute Mortgage Receivables, does not exceed 95.4 per cent.;
- (h) there is no debit balance on the Principal Deficiency Ledger;
- (i) no drawing is made under the Cash Advance Facility that has not been repaid and no drawing is made under the Cash Advance Facility on the relevant date of completion;
- (j) the aggregate outstanding principal amount of the Substitute Mortgage Receivables purchased on this Payment Date and the three immediately preceding Payment Dates does not exceed 20 per cent. of the aggregate outstanding principal amount of all Mortgage Loans on each Payment Date. The Issuer and each Seller may agree to a higher percentage, subject to the confirmation of Moody's and Fitch that the ratings will not be adversely affected as a result thereof ;
- (k) the aggregate outstanding principal amount of all Interest-only Mortgage Loans does not exceed 74.1 per cent. of the aggregate outstanding principal amount of all Mortgage Loans including the Mortgage Loans to which the Substitute Mortgage Receivables purchased on that Payment Date relate; and
- (l) the cumulative Realised Losses on the Mortgage Receivables do not exceed 0.2 per cent. of the aggregate outstanding principal amount of the Mortgage Receivables as of the Closing Date for a period as of the Closing Date up to and including the Payment Date in June 2012,

and thereafter the cumulative Realised Losses on the Mortgage Receivables do not exceed 0.5 per cent. of the aggregate outstanding principal amount of the Mortgage Receivables as of the Closing Date.

**Consent of the Savings Insurance Company**

The Savings Insurance Company has, pursuant to each mortgage deed relating to a Savings Mortgage Loan, granted its consent ("*goedkeuring*") to (i) the sale and assignment of the Savings Mortgage Receivables and any Substitute Savings Mortgage Receivables by SNS Bank to the Issuer in accordance with the Mortgage Receivables Purchase Agreement and (ii) the pledge thereof by the Issuer to the Security Trustee in accordance with the Security Trustee Receivables Pledge Agreement.

**Set-off by Borrowers**

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 is entitled to receive in respect of such Mortgage Receivable, the relevant Seller will pay to the Issuer an amount equal to the difference between the amount which the Issuer would have received in respect of the Relevant Mortgage Receivable if no set-off had taken place and the amount actually received by the Issuer in respect of such Mortgage Receivable.

## SUB-PARTICIPATION AGREEMENT

Under the Sub-Participation Agreement the Issuer will grant to the Savings Insurance Company a sub-participation in the Savings Mortgage Receivables with the Savings Alternative.

### Savings Premium

The conditions applicable to the Savings Mortgage Loans to which a Savings Insurance Policy with the Savings Alternative is connected, stipulate that the Savings Premium paid by the Borrowers/insured will be deposited by the Savings Insurance Company on a savings account held with SNS Bank.

SNS Bank has agreed with the Savings Insurance Company that it shall on-lend to the Savings Insurance Company amounts equal to the Savings Premium deposited on the savings account in order to facilitate the Savings Insurance Company in meeting its obligations under the Sub-Participation Agreement. However, the obligations of the Savings Insurance Company under the Sub-Participation Agreement are not conditional upon the receipt of such amounts from SNS Bank.

### Participation

In the Sub-Participation Agreement the Savings Insurance Company will undertake to pay to the Issuer:

- (i) at (a) in respect of Savings Mortgage Receivables the Closing Date, or (b) thereafter in each case of the purchase and assignment of substitute savings mortgage receivables by the Issuer on the relevant Payment Date (the "**Substitute Savings Mortgage Receivables**") or (c) in respect of a Savings Switch, the next succeeding Mortgage Payment Date, an amount equal to the sum of the Savings Premium received by the Savings Insurance Company with accrued interest up to the first day of the month in which the Closing Date falls, respectively, the relevant Payment Date, respectively, the relevant Mortgage Payment Date (the "**Initial Participation**") in relation to each of the Savings Mortgage Receivables with the Savings Alternative;
- (ii) on each Mortgage Payment Date an amount equal to the amount received by the Savings Insurance Company as Savings Premium during the Mortgage Calculation Period then ended in respect of the relevant Savings Insurance Policies with the Savings Alternative, provided that in respect of each relevant Savings Mortgage Receivable with the Savings Alternative no amounts will be paid to the extent that, as a result thereof, the Participation in such relevant Savings Mortgage Receivable would exceed the outstanding principal amount of the relevant Savings Mortgage Receivable with the Savings Alternative.

As a consequence of such payments the Savings Insurance Company will acquire a participation (the "**Participation**") in each of the relevant Savings Mortgage Receivables with the Savings Alternative, which is equal to the Initial Participation in respect of the relevant Savings Mortgage Receivables with the Savings Alternative increased during each Mortgage Calculation Period on the basis of the following formula (the "**Participation Increase**"):

$(P/H \times R) + S$ , whereby

P = the Participation on the first day of the relevant Mortgage Calculation Period in the Savings Mortgage Receivable with the Savings Alternative;

S = the amount received by the Issuer from the Savings Insurance Company in such Mortgage Calculation Period in respect of the relevant Savings Mortgage Receivable with the Savings Alternative pursuant to the Sub-Participation Agreement;

H = the principal sum outstanding on the Savings Mortgage Receivable with the Savings Alternative on the first day of the relevant Mortgage Calculation Period;

R = the amount of interest, due by the Borrower on the Savings Mortgage Receivable with the Savings Alternative and actually received by the Issuer in such Mortgage Calculation Period.

In consideration for the undertakings of the Savings Insurance Company described above, the Issuer will undertake to pay to the Savings Insurance Company on each Mortgage Payment Date an amount equal to the Participation in each of the Savings Mortgage Receivables with the Savings Alternative in respect of which amounts have been received during the relevant Mortgage Calculation Period or, in

the case of the first Mortgage Payment Date, during the period which commences on the Cut-off Date and ends on the last day of the Mortgage Calculation Period immediately preceding such first Mortgage Payment Date (i) by means of repayment and prepayment under the relevant Savings Mortgage Receivables with the Savings Alternative, but excluding any prepayment penalties and interest penalties, if any, and, furthermore, excluding amounts paid as partial prepayments on the Savings Mortgage Receivable with the Savings Alternative, (ii) in connection with a repurchase of Savings Mortgage Receivables with the Savings Alternative pursuant to the Mortgage Receivables Purchase Agreement to the extent such amounts relate to principal, (iii) in connection with a sale of Savings Mortgage Receivables with the Savings Alternative pursuant to the Trust Deed and to the extent such amounts relate to principal and (iv) as Net Proceeds on any Savings Mortgage Receivables with the Savings Alternative to the extent such amounts relate to principal (the "**Participation Redemption Available Amount**").

#### **Reduction of Participation**

If a Borrower invokes a defence, including but not limited to a right of set-off or counterclaim against any person in respect of the relevant Savings Mortgage Receivables with the Savings Alternative if, for whatever reason, the Savings Insurance Company does not pay the insurance proceeds when due and payable, whether in full or in part, under the relevant Savings Insurance Policy with the Savings Alternative and, as a consequence thereof, the Issuer will not have received any amount outstanding prior to such event in respect of such Savings Mortgage Receivable with the Savings Alternative, the Participation of the Savings Insurance Company in respect of such Savings Mortgage Receivable with the Savings Alternative, will be reduced by an amount equal to the amount which the Issuer has failed to so receive and the calculation of the 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 the Savings Insurance Company may, and if so directed by the Savings Insurance Company shall, by notice to the Issuer:

- (i) declare that the obligations of the Savings Insurance Company under the Sub-Participation Agreement are terminated;
- (ii) declare the Participation to be immediately due and payable, whereupon it shall become so due and payable, but such payment obligations shall be limited to the Participation Redemption Available Amount received or collected by the Issuer or, in case of enforcement, the Security Trustee under the Savings Mortgage Receivables with the Savings Alternative.

#### **Termination**

If one or more of the Savings Mortgage Receivables with the Savings Alternative are (i) repurchased by SNS Bank 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 Participation in such Savings Mortgage Receivables with the Savings Alternative will terminate and the Participation Redemption Available Amount in respect of the Savings Mortgage Receivables with the Savings Alternative will be paid by the Issuer to the Savings Insurance Company. If so requested by the Savings Insurance Company, the Issuer will use its best efforts to ensure that the acquirer of the Savings Mortgage Receivables with the Savings Alternative will enter into a Sub-Participation Agreement with the Savings Insurance Company in a form similar to the Sub-Participation Agreement. Furthermore, the Participation envisaged in the Sub-Participation Agreement shall terminate if at the close of business of any Mortgage Payment Date the Savings Insurance Company has received the Participation in respect of the relevant Savings Mortgage Receivable with the Savings Alternative.

## ADMINISTRATION AGREEMENT

### Services

In the Administration Agreement the Pool Servicers will agree (i) to provide administration and management services to the Issuer on a day-to-day basis in relation to the Relevant Mortgage Loans and the Relevant Mortgage Receivables, including, without limitation, the collection and recording of payments of principal, interest and other amounts in respect of the Mortgage Receivables and the implementation of arrears procedures including the enforcement of mortgage rights (see further *Mortgage Administration* in *SNS Residential Mortgage Business* and in *BLG Residential Mortgage Business* above); (ii) to communicate with the Borrowers and (iii) to investigate payment delinquencies. The Issuer Administrator will agree to provide certain administration, calculation and cash management services to the Issuer, including (a) the direction of amounts received by the relevant Seller to the Floating Rate GIC Account and the production of monthly reports in relation thereto, (b) drawings (if any) to be made by the Issuer under the Cash Advance Facility, (c) all payments to be made by the Issuer under the Swap Agreement, (d) all payments to be made by the Issuer under the Notes in accordance with the Paying Agency Agreement and the Conditions of the Notes, (e) the maintaining of all required ledgers in connection with the above and (f) all calculations to be made pursuant to the Conditions under the Notes.

Each Pool Servicer will be obliged to administer the Relevant Mortgage Loans and the Relevant Mortgage Receivables with the same level of skill, care and diligence as mortgage loans in its own portfolio.

### Termination

The Administration Agreement may be terminated by the Security Trustee or the Issuer (with the consent of the Security Trustee) in certain circumstances, including (a) a default by any of the Pool Servicers and/or the Issuer Administrator in the payment on the due date of any payment due and payable by it under the Administration Agreement, (b) a default is made by any of the Pool Servicers and/or the Issuer Administrator in the performance or observance of any of its other covenants and obligations under the Administration Agreement, (c) any of the Pool Servicers and/or the Issuer Administrator has taken any corporate action or any steps have been taken or legal proceedings have been instituted or threatened against it for its entering into emergency regulations ("*noodregeling*") as referred to in Chapter 3 of the Act on Financial Supervision ("*Wet op het financieel toezicht*") or for any analogous insolvency proceedings under any applicable law or for bankruptcy or for the appointment of a receiver or a similar officer of its or any or all of its assets or (d) any of the Pool Servicers no longer holds a licence as intermediary ("*bemiddelaar*") or offeror ("*aanbieder*") under the Act on Financial Supervision.

Upon termination of the Administration Agreement, the Security Trustee and the Issuer shall use their best efforts to appoint a substitute issuer administrator and/or pool servicer, as the case may be, and such substitute issuer administrator and/or pool servicer, as the case may be, shall enter into an agreement with the Issuer and the Security Trustee substantially on the terms of the Administration Agreement, provided that such substitute issuer administrator and/or pool servicer, as the case may be, shall have the benefit of a servicing fee and an administration fee at a level to be then determined. Any such substitute pool servicer must (i) have experience of administering mortgage loans and mortgages of residential property in the Netherlands and (ii) hold a licence under the Act on Financial Supervision. 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 Security Trustee Assets Pledge Agreement, *mutatis mutandis*, to the satisfaction of the Security Trustee.

The Administration Agreement may be terminated by each Pool Servicer or the Issuer Administrator upon the expiry of not less than 12 months' notice of termination given by the relevant Pool Servicer or the Issuer Administrator to each of the Issuer and the Security Trustee provided that – *inter alia* – (a) the Security Trustee consents in writing to such termination and (b) a substitute issuer administrator and/or pool servicer, as the case may be, shall be appointed, such appointment to be effective not later than the date of termination of the Administration Agreement and the Pool Servicers and the Issuer Administrator shall not be released from its obligations under the Administration Agreement until such substitute administrator has entered into such new agreement.

## THE ISSUER

PEARL Mortgage Backed Securities 2 B.V. (the "**Issuer**") was incorporated with limited liability under the laws of the Netherlands on 24 April 2007 under number B.V. 1429083. The corporate seat ("*statutaire zetel*") of the Issuer is in Amsterdam, the Netherlands. The Issuer operates on a cross-border basis when offering the Notes in certain countries. The registered office of the Issuer is at Frederik Roeskestraat 123, 1076 EE Amsterdam and its telephone number is +31 20 5771 177. The Issuer is registered with the Commercial Register of the Chamber of Commerce of Amsterdam under number 34272699.

The Issuer is a special purpose vehicle, which objectives are (a) to acquire, purchase, conduct the management of, dispose of and encumber receivables ("*vorderingen op naam*") and to exercise any rights connected to such receivables, (b) to take up loans by way of issue of securities or by entering into loan agreements to acquire the assets mentioned under (a), (c) to invest and on-lend any funds held by the Issuer, (d) to hedge interest rate and other financial risks amongst others by entering into derivative agreements, such as swaps and options, (e) if incidental to the foregoing, to take up loans amongst others to repay the principal sum of the securities mentioned under (b), and 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 has an authorised share capital of euro 90,000, of which euro 18,000 has been issued and is fully paid. All shares of the Issuer are held by Stichting Holland Euro-Denominated Mortgage-Backed Series (Hermes) Holding.

Stichting Holland Euro-Denominated Mortgage-Backed Series (Hermes) Holding is a foundation ("*stichting*") incorporated under the laws of the Netherlands on 19 June 2001. The objects of Stichting Holland Euro-Denominated Mortgage-Backed Series (Hermes) Holding are, *inter alia*, to incorporate, acquire and to hold shares in the share capital of the Issuer and comparable companies and to exercise all rights attached to such shares and to dispose of and encumber such shares. The sole managing director of Stichting Holland Euro-Denominated Mortgage-Backed Series (Hermes) Holding is ATC Corporate Services (Netherlands) B.V.

### **Statement by managing director of the Issuer**

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 Prospectus, (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 Issuer has the corporate power and capacity to issue the Notes, to acquire the Mortgage Receivables and to enter into and perform its obligations under the Relevant Documents (see further *Terms and Conditions of the Notes* below).

The sole managing director of the Issuer is ATC Management B.V. The managing directors of ATC Management B.V. are J.H. Scholts and A.G.M. Nagelmaker. The managing directors of ATC Management B.V. have chosen domicile at the office address of ATC Management B.V., being Frederik Roeskestraat 123, 1076 EE Amsterdam.

ATC Management B.V. belongs to the same group of companies as ATC Corporate Services (Netherlands) B.V. The sole shareholder of ATC Management B.V. and ATC Corporate Services (Netherlands) B.V. is Amsterdam Trust Corporation B.V. 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. The objectives of ATC Corporate Services (Netherlands) B.V. are (a) to represent financial, economic and administrative interests (b) to act as trust office (c) to participate in, to finance, to collaborate with, to conduct the management of companies and other enterprises and

provide advice and other services (d) to acquire and use property and property rights (e) to invest funds (f) to provide security for debts of legal entities.

Each of the managing directors of Stichting Holland Euro-Denominated Mortgage-Backed Series (Hermes) Holding and the Issuer has entered into a management agreement with the entity of which it has been appointed managing director. In these management agreements each of the managing directors agrees and undertakes to, *inter alia*, (i) do all that an adequate managing director should do and refrain from what an adequate managing director should not do, and (ii) refrain from taking any action detrimental to the obligations under any of the Relevant Documents or the then current ratings assigned to the Notes outstanding. In addition each of the managing directors agrees in the relevant management agreement that it will not enter into any agreement in relation to the Issuer other than the Relevant Documents to which it is a party, without the prior written consent of the Security Trustee and after having received written confirmation by the Rating Agencies that there will be no adverse effect on the ratings assigned to the Notes outstanding.

There are no potential conflicts of interest between any duties to the Issuer of its managing director and private interests or other duties of the managing director.

The financial year of the Issuer coincides with the calendar year. The first financial year will end on 31 December 2007.

### **Capitalisation**

The following table shows the capitalisation of the Issuer as of 8 June 2007 as adjusted to give effect to the issue of the Notes:

#### **Share Capital**

Authorised Share Capital	euro	90,000
Issued Share Capital	euro	18,000

#### **Borrowings**

Senior Class A Notes	euro	800,000,000
Subordinated Class B Notes	euro	8,100,000
Initial Participation	euro	7,725,419

## AUDITOR'S REPORT

### Auditors' Report

The following is the text of a report received by the Board of Managing Directors of the Issuer from KPMG ACCOUNTANTS N.V., the auditors to the Issuer:

"To the Directors of PEARL Mortgage Backed Securities 2 B.V.

Dear Sirs,

PEARL Mortgage Backed Securities 2 B.V. (the "**Issuer**") was incorporated on 24 April 2007 under number B.V 1429083 with an issued share capital of euro 18,000. The Issuer has not yet filed any financial statements.

Amstelveen, 6 June 2007  
KPMG ACCOUNTANTS N.V.  
J.G.J.F. Oudejans RA"

The undersigned is a registered accountant ("*registeraccountant*") and is a member of the Netherlands Institute for Registered Accountants ("*NIVRA*").

KPMG ACCOUNTANTS N.V. does not have any material interest in the Issuer and does not have any connection with the Issuer other than the connection between the Issuer and KPMG resulting from the fact that KPMG are auditors to the Issuer.



## **USE OF PROCEEDS**

The net proceeds of the Notes, to be issued on the Closing Date amount to euro 807,857,570. The net proceeds will be applied on the Closing Date to pay (part of) the Initial Purchase Price for the Mortgage Receivables purchased on such date under the Mortgage Receivables Purchase Agreement.

An amount of euro 7,725,419 will be received by the Issuer on the Closing Date as consideration for the Initial Participation granted to the Savings Insurance Company in the Savings Mortgage Receivables with the Savings Alternative. The Issuer will apply this amount towards payment of the remaining part of the Initial Purchase Price for the Mortgage Receivables purchased on the Closing Date.

## DESCRIPTION OF SECURITY

In the Parallel Debt Agreement the Issuer will irrevocably and unconditionally undertake to pay to the Security Trustee (the "**Parallel Debt**") an amount equal to the aggregate amount due ("*verschuldigd*") by the Issuer (i) as fees or other remuneration to the Directors under the Management Agreements, (ii) as fees and expenses to the Pool Servicers and the Issuer Administrator under the Administration Agreement, (iii) as fees and expenses to the Paying Agent and the Reference Agent under the Paying Agency Agreement, (iv) to the Cash Advance Facility Provider under the Cash Advance Facility Agreement, (v) to the Swap Counterparty under the Swap Agreement, (vi) to the Noteholders under the Notes, (vii) to each Seller under the Mortgage Receivables Purchase Agreement and (viii) to the Savings Insurance Company under the Sub-Participation Agreement (the parties referred to in items (i) through (viii) together the "**Secured Parties**"). The Parallel Debt constitutes a separate and independent obligation of the Issuer and constitutes the Security Trustee's own separate and independent claim ("*eigen en zelfstandige vordering*") to receive payment of the Parallel Debt from the Issuer. Upon receipt by the Security Trustee of any amount in payment of the Parallel Debt, the payment obligations of the Issuer to the Secured Parties shall be reduced by an amount equal to the amount so received.

To the extent that the Security Trustee irrevocably and unconditionally receives any amount in payment of the Parallel Debt, the Security Trustee shall distribute such amount among the Secured Parties in accordance with the Priority of Payments upon Enforcement, save for amounts due to the Savings Insurance Company in connection with the Participations. The amounts due to the Secured Parties, other than the Savings Insurance Company, will, broadly, be equal to amounts recovered ("*verhaald*") by the Security Trustee on (i) the Mortgage Receivables (other than Savings Mortgage Receivables with the Savings Alternative) and other assets pledged to the Security Trustee under the Security Trustee Receivables Pledge Agreement and the Security Trustee Asset Pledge Agreement and (ii) on each of the Savings Mortgage Receivables with the Savings Alternative to the extent the amount exceeds the Participation in the relevant Savings Mortgage Receivables with the Savings Alternative.

The amounts due to the Savings Insurance Company will be equal to the Participation in each of the Savings Mortgage Receivables with the Savings Alternative or if the amount recovered is less than the Participation in such Savings Mortgage Receivable with the Savings Alternative the amount equal to the amount actually recovered.

The Issuer will vest a right of pledge (the "**Security Trustee Receivables Pledge Agreement** ") in favour of the Security Trustee on the Mortgage Receivables and the Beneficiary Rights on the Closing Date and in respect of any Substitute Mortgage Receivables undertakes to grant a first ranking right of pledge on the relevant Substitute Mortgage Receivables and, if applicable, the Beneficiary Rights on the Payment Date on which they are acquired, which will secure the payment obligations of the Issuer to the Security Trustee under the Parallel Debt Agreement and any other Relevant Documents. The pledge on the Mortgage Receivables will not be notified to the Borrowers and the Insurance Companies, respectively, except in the event that certain notification events occur relating to the Issuer, including the issuing of an Enforcement Notice by the Security Trustee (the "**Security Trustee Pledge Notification Events**"). Prior to notification of the pledge to the Borrowers or the Insurance Companies, the pledge will be a "silent" right of pledge ("*stil pandrecht*") within the meaning of section 3:239 of the Netherlands Civil Code.

In addition, a right of pledge (the "**Security Trustee Assets Pledge Agreement** ", and together with the Security Trustee Receivables Pledge Agreement, the "**Pledge Agreements**") will be vested by the Issuer in favour of the Security Trustee on the Closing Date over all rights of the Issuer under or in connection with (i) the Mortgage Receivables Purchase Agreement, (ii) the Administration Agreement, (iii) the Floating Rate GIC, (iv) the Cash Advance Facility Agreement, (v) the Swap Agreement and (vi) the Sub-Participation Agreement. This right of pledge will be notified to the relevant obligors and will, therefore, be a disclosed right of pledge ("*openbaar pandrecht*").

The rights of pledge created in the Pledge Agreements secure any and all liabilities of the Issuer to the Security Trustee resulting from or in connection with the Parallel Debt Agreement and any other Relevant Documents.

The security rights described above shall serve as security for the benefit of the Secured Parties, including each of the Senior Class A Noteholders and the Subordinated Class B Noteholders, but, *inter alia*, amounts owing to the Subordinated Class B Noteholders will rank in priority of payment after amounts owing to the Senior Class A Noteholders (see *Credit Structure*).

## THE SECURITY TRUSTEE

Stichting Security Trustee PEARL Mortgage Backed Securities 2 (the "**Security Trustee**") is a foundation ("*stichting*") incorporated under the laws of the Netherlands on 24 April 2007. It has its registered office in Amsterdam, the Netherlands.

The objects of the Security Trustee are (a) to act as agent and/or trustee for the benefit of the creditors of the Issuer, including the holders of the Notes to be issued by the Issuer; (b) to acquire, hold and administer security rights in its own name, and if necessary to enforce such security rights, for the benefit of the creditors of the Issuer, including the holders of the Notes to be issued by the Issuer, and to perform acts and legal acts, including the acceptance of a parallel debt obligation from the Issuer, which is conducive to the holding of the abovementioned security rights; (c) to borrow money; and (d) to perform any and all acts which are related, incidental or which may be conducive to the above.

The sole director of the Security Trustee is N.V. Algemeen Nederlands Trustkantoor ANT, having its registered office at Claude Debussylaan 24, Amsterdam, the Netherlands.

## TERMS AND CONDITIONS OF THE NOTES

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

The issue of the euro 800,000,000 Senior Class A Mortgage-Backed Notes 2007 due 2046 (the "**Senior Class A Notes**") and the euro 8,100,000 Subordinated Mortgage-Backed Class B Notes 2007 due 2046 (the "**Subordinated Class B Notes**", and together with the Senior Class A Notes, the "**Notes**") was authorised by a resolution of the managing director of PEARL Mortgage Backed Securities 2 B.V. (the "**Issuer**") passed on 8 June 2007. The Notes are issued under a trust deed to be dated 8 June 2007 (the "**Trust Deed**") between the Issuer, Stichting Security Trustee PEARL Mortgage Backed Securities 2 (the "**Security Trustee**") and Stichting Holland Euro-Denominated Mortgage-Backed Series (Hermes) Holding.

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 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, (ii) a paying agency agreement (the "**Paying Agency Agreement**") to be dated 8 June 2007 between the Issuer, the Security Trustee and ABN AMRO Bank N.V. as paying agent (the "**Paying Agent**") and reference agent (the "**Reference Agent**"), (iii) an administration agreement (the "**Administration Agreement**") to be dated 8 June 2007 between the Issuer, the Pool Servicers, the Issuer Administrator and the Security Trustee, (iv) a parallel debt agreement (the "**Parallel Debt Agreement**") to be dated 8 June 2007 between the Issuer, the Security Trustee and the Secured Parties, (v) a pledge agreement to be dated 8 June 2007 (the "**Security Trustee Receivables Agreement**") between the Issuer and the Security Trustee and (vi) a pledge agreement to be dated 8 June 2007 (the "**Security Trustee Assets Pledge Agreement**") between the Issuer, the Security Trustee and others (jointly with the other pledge agreement referred to under (v) above, the "**Pledge Agreements**").

Certain words and expressions used below are defined in a master definitions agreement (the "**Master Definitions Agreement**") to be dated 6 June 2007 and signed by the Issuer, the Security Trustee, each Seller 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 either the Senior Class A Notes or the Subordinated Class B Notes, as the case may be.

Copies of the Trust Deed, the Paying Agency Agreement, the Parallel Debt Agreement, the Pledge Agreements and the Master Definitions Agreement and certain other Relevant Documents (see under General Information) are available for inspection, free of charge, by holders of the Notes (the "**Noteholders**") at the specified office of the Paying Agent and the present office of the Security Trustee, being at the date hereof Claude Debussylaan 24, 1082 MD 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 Parallel Debt Agreement, the Pledge Agreements and the Master Definitions Agreement.

### 1. Form, Denomination and Title

The Notes will be in bearer form serially numbered with Coupons attached on issue in denomination of euro 50,000 each. Under Netherlands law, the valid transfer of Notes or Coupons 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.

### 2. Status, Relationship between the Notes and Security

- (a) 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.
- (b) In accordance with the provisions of Conditions 4, 6 and 9 and the Trust Deed payments of principal and interest on the Subordinated Class B Notes are subordinated to, *inter alia*, payments of principal and interest on the Senior Class A Notes.
- (c) The security for the obligations of the Issuer towards the Noteholders (the "**Security**") will be created pursuant to, and on the terms set out in, the Trust Deed, the Parallel Debt Agreement and the Pledge Agreements, which will create the following security rights:
  - (i) a pledge by the Issuer to the Security Trustee over the Mortgage Receivables and the Beneficiary Rights;
  - (ii) a pledge by the Issuer to the Security Trustee of the Issuer's rights under or in connection with (a) the Mortgage Receivables Purchase Agreement; (b) the Administration Agreement; (c) the Floating Rate GIC; (d) the Swap Agreement; (e) the Cash Advance Facility Agreement and (f) the Sub-Participation Agreement.
- (d) The Senior Class A Notes and the Subordinated Class B Notes will be secured (directly and/or indirectly) by the Security. The Senior Class A Notes will rank in priority to the Subordinated Class B Notes in the event of the Security being enforced. The Trust Deed contains provisions requiring the Security Trustee to have regard to the interests of the holders of the Senior Class A Notes and the Subordinated Class B Notes (the "**Noteholders**"), as regards all powers, trust, authorities, duties and discretions of the Security Trustee (except where expressly provided otherwise) but requiring the Security Trustee in any such case to have regard only to the interests of the holders of the Senior Class A Notes, if, in the Security Trustee's opinion, there is a conflict between the interests of the holders of Senior Class A Notes on the one hand and the holders of Subordinated Class B Notes on the other hand.

In addition, the Security Trustee shall have regard to the interests of the other Secured Parties, provided that, in case of a conflict of interest between the Secured Parties, the Priority of Payments upon Enforcement set forth in the Trust Deed, determines which interest of which Secured Party prevails.

### 3. Covenants of the Issuer

As long as any of the Notes remain outstanding, the Issuer shall carry out its business in accordance with proper and prudent Netherlands business practice and in accordance with the requirements of Netherlands law and accounting practice and shall not, except to the extent permitted by the Master Definitions Agreement, the Mortgage Receivables Purchase Agreement, the Administration Agreement, the Swap Agreement, the Floating Rate GIC, the Cash Advance Facility Agreement, the Pledge Agreements, the Parallel Debt Agreement, the Notes Purchase Agreement, the Sub-Participation Agreement, the Beneficiary Waiver Agreement, the Notes, the Paying Agency Agreement, the Management Agreements, the Deed of Assignment, any Deed of Purchase and Assignment of Substitute Mortgage Receivables and Reassignment of Mortgage Receivables and the Trust Deed (together the "**Relevant Documents**") or with the prior written consent of the Security Trustee:

- (a) carry out any business other than as described in the Prospectus dated 6 June 2007 relating to the issue of the Notes and as contemplated by the Relevant Documents;
- (b) incur any indebtedness in respect of borrowed money whatsoever or give any guarantee or indemnity in respect of any indebtedness;
- (c) create or promise to create any mortgage, charge, pledge, lien or other security interest whatsoever over any of its assets, or use, invest, sell, transfer or otherwise dispose of or grant any options or rights on any part of its assets;
- (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 Relevant Documents, or 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 or consent to any waiver;
- (f) have any employees or premises or have any subsidiary or subsidiary undertaking; or

- (g) have an interest in any bank account other than the Floating Rate GIC Account, unless all rights in relation to such account have been pledged to the Security Trustee as provided in Condition 2(c)(ii).

#### 4. Interest

(a) *Period of Accrual*

The Notes shall bear interest on their Principal Amount Outstanding from and including the Closing Date. Each Note (or in the case of the redemption of part only 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 judgment) 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 (including any Interest Period), such interest shall be calculated on the basis of the actual days elapsed in such period and a 360 day year.

(b) *Interest Periods and Payment Dates*

Interest on the Notes is payable by reference to successive interest periods. Each successive interest period will commence on (and include) a Payment Date and end on (but exclude) the next succeeding Payment Date, except for the first interest period which will commence on (and include) the Closing Date and end on (but exclude) the Payment Date falling in September 2007 (each an "**Interest Period**").

Interest on each of the Notes shall be payable quarterly in arrear in euros, in each case in respect of the Principal Amount Outstanding of each Class of Notes on the 18<sup>th</sup> day of March, June, September and December (or, if such day is not a Business Day, the next succeeding Business Day, unless such Business Day falls in the next succeeding calendar month in which event interest on the Notes will be payable on the Business Day immediately preceding such day) in each year (each such day being a "**Payment Date**").

A "**Business Day**" means each 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.

(c) *Interest prior to the Step-Up Date*

Up to (but excluding) the Payment Date falling in June 2014 (the "**Step-Up Date**") interest on the Notes for each Interest Period will accrue from the Closing Date at an annual rate of interest equal to the sum of the Euro Interbank Offered Rate ("**Euribor**") for three months deposits in euros (determined in accordance with paragraph (e) below) (or, in respect of the first Interest Period, the rate which represents the linear interpolation of Euribor for three and four months deposits in euro), plus:

- (i) for the Senior Class A Notes, a margin of 0.03 per cent. per annum; and
- (ii) for the Subordinated Class B Notes, a margin of 0.40 per annum.

(d) *Interest following the Step-Up Date*

If on the Step-Up Date any Class of Notes have not been redeemed in full, the rate of interest applicable to the Notes will accrue in the Interest Period commencing on the Step-Up Date and each Interest Period thereafter at an annual rate equal to the sum of Euribor for three months deposits in euros, plus

- (i) for the Senior Class A Notes, a margin of 0.25 per cent. per annum; and
- (ii) for the Subordinated Class B Notes, a margin of 1.00 per cent. per annum.

The rates of interest set forth in Conditions 4(c) and 4(d) are hereinafter referred to as the "**Rates of Interest**")

(e) *Euribor*

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

- (i) The Reference Agent will, subject to Condition 4(c) obtain for each Interest Period the rate equal to Euribor for three months deposits in euros. 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 Reuters Screen EURIBOR01, (or, if not available, any other display page on any screen service maintained by any registered information vendor for the display of the Euribor rate selected by the Reference Agent) as at or about 11.00 am (Brussels time) on the day that is two Business Days preceding the first day of each Interest Period (each an "**Euribor Interest Determination Date**").
- (ii) If, on the relevant Euribor 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 major banks in the Euro-zone interbank market (the "**Euribor Reference Banks**") 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 am (Brussels time) on the relevant Euribor 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) if at least two quotations are provided, determine the arithmetic mean (rounded, if necessary, to the fifth decimal place with 0.000005 being rounded upwards) of such quotations as provided; and
- (iii) if fewer than two 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 am (Brussels time) on the relevant Euribor 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 Interest Period shall be the rate per annum equal to Euribor for three months euro deposits as determined in accordance with this paragraph (e), provided that if the Reference Agent is unable to determine Euribor in accordance with the above provisions in relation to any Interest Period, Euribor applicable to the Senior Class A Notes and the Subordinated Class B Notes during such Interest Period will be Euribor last determined in relation thereto.

(f) *Determination of the Rates of Interest and Calculation of Interest Amounts*

The Reference Agent will, as soon as practicable after 11.00 am (Brussels time) on each Euribor Interest Determination Date, determine the Rates of Interest referred to in paragraph (c), (d) and (e) above for each Class of Notes and calculate the amount of interest payable on each of the Notes for the following Interest Period (the "**Interest Amount**") by applying, as provided in Condition 4(a), the relevant Rates of Interest to the Principal Amount Outstanding of each Class of Notes respectively. The determination of the relevant Rates of Interest and each Interest Amount by the Reference Agent shall (in the absence of manifest error) be final and binding on all parties.

(g) *Notification of Rates of Interest and Interest Amounts*

The Reference Agent will cause the relevant Rates of Interest and the relevant Interest Amount and the Payment Date applicable to each relevant Class of the Notes to be notified to the Issuer, the Security Trustee, the Paying Agent, the Issuer Administrator, Euronext Amsterdam and to the holders of such Class of Notes by an advertisement in the English language in the Euronext Daily Official List ("*Officiële Prijscourant*") of Euronext



Amsterdam for as long as the Notes are listed on Euronext Amsterdam, as soon as possible after the determination. The Rates of Interest, Interest Amount and 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 Interest Period.

(h) *Determination or Calculation by Security Trustee*

If the Reference Agent at any time for any reason does not determine the relevant Rates of Interest or fails to calculate the relevant Interest Amounts in accordance with Condition 4(f) above, the Security Trustee shall determine the relevant Rate of Interest, at such rate as, in its absolute discretion (having such regard as it shall think fit to the procedure described in Condition 4(f) above), it shall deem fair and reasonable under the circumstances, or, as the case may be, the Security Trustee shall calculate the Interest Amounts in accordance with Condition 4(f) above, and each such determination or calculation shall (in the absence of manifest error) be final and binding on all parties.

(i) *Reference Banks and Reference Agent*

The Issuer will procure that, as long as any of Notes remains outstanding, there will at all times be four Reference Banks and a Reference Agent. The Issuer has, subject to prior written consent of the Security Trustee, the right to terminate the appointment of the Reference Agent or of any Reference Bank by giving at least 90 days' notice in writing to that effect. Notice of any such termination will be given to the holders of the Notes in accordance with Condition 13. If any person shall be unable or unwilling to continue to act as a Reference Bank, or the Reference Agent (as the case may be) or if the appointment of any Reference Bank or the Reference Agent shall be terminated, the Issuer will, with the prior written consent of the Security Trustee, appoint a successor Reference Bank or 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) Payment of principal and interest in respect of Notes will be made upon presentation of the Note and against surrender of the relevant Coupon appertaining thereto at any specified office of the Paying Agent in cash or by transfer to an euro account, as the holder may specify. All such payments are subject to any fiscal or other laws and regulations applicable in the place of payment.
- (b) At the Final Maturity Date, or such earlier date the Notes become due and payable, the 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 years following the due date for payment of such principal (whether or not such Coupons would have become void pursuant to Condition 8).
- (c) If the relevant Payment Date is not a day on which banks are open for business in the place of presentation of the relevant Note or Coupon, the holder thereof shall not be entitled to payment until the next following day on which banks are open for business in the place of presentation, or to any interest or other payment in respect of such delay, provided that in the case of payment by transfer to an euro account as referred to above, the Paying Agent shall not be obliged to credit such account until the day on which banks in the place of such account are open for business following the day on which banks are open for business in the Netherlands.
- (d) 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 agents 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 a European city which, for as long as the Notes are listed on Eurolist by Euronext Amsterdam, shall be located in Amsterdam, the Netherlands. 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) *Final redemption*

If and to the extent not otherwise redeemed, the Issuer will, subject to Condition 9(b), redeem the Notes at their respective Principal Amount Outstanding on the Payment Date falling in June 2046 (the "**Final Maturity Date**").

### (b) *Mandatory redemption*

Provided that no Enforcement Notice has been served in accordance with Condition 10, the Issuer shall be obliged to apply the Redemption Available Amount, if and to the extent such amount has not been applied to purchase Substitute Mortgage Receivables, to redeem, whether in full or in part, at their respective Principal Amount Outstanding the Notes on the Step-Up Date and on each Payment Date thereafter, on a *pro rata* basis in the following order, (i) firstly, the Senior Class A Notes until fully redeemed and thereafter, (ii) the Subordinated Class B Notes until fully redeemed.

The principal amount so redeemable in respect of each relevant Note, (each a "**Principal Redemption Amount**") on the relevant Payment Date shall be the Redemption Available Amount (as applicable to each Class of Notes) on the Calculation Date relating to that Payment Date 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 of the relevant Class. Following application of the Principal Redemption Amount to redeem a Note, the Principal Amount Outstanding of such Note shall be reduced accordingly.

### (c) *Definitions*

For the purposes of these Conditions the following terms shall have the following meanings: "**Principal Amount Outstanding**" of any Note on any Calculation Date, shall be the principal amount of that Note upon issue less the aggregate amount of all Principal Redemption Amounts that have become due and payable prior to such Payment Date, provided that for the purpose of Conditions 4, 6 and 10 all Principal Redemption Amounts that have become due and not been paid shall not be so deducted.

"**Redemption Available Amount**" shall mean on any Calculation Date the aggregate amount received by the Issuer during the immediately preceding Calculation Period:

- (a) as repayment and prepayment of principal under the Mortgage Receivables, but excluding prepayment penalties less, with respect to each Savings Mortgage Receivable with the Savings Alternative, the Participation in such Savings Mortgage Receivable;
- (b) as Net Proceeds on any Mortgage Receivable to the extent such proceeds relate to principal less, with respect to each Savings Mortgage Receivable with the Savings Alternative, the Participation in such Savings Mortgage Receivable;
- (c) as amounts received in connection with a repurchase of 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 less, with respect to each Savings Mortgage Receivable with the Savings Alternative, the Participation in such Savings Mortgage Receivable;
- (d) as amounts received in connection with a sale of Mortgage Receivables pursuant to the Trust Deed to the extent such amounts relate to principal less, with respect to each Savings Mortgage Receivable with the Savings Alternative, the Participation in such Savings Mortgage Receivable;
- (e) as amounts to be credited to the Principal Deficiency Ledger on the immediately succeeding Payment Date in accordance with the Administration Agreement;

- (f) as Participation Increase and as amounts to be received as Initial Participation on the immediately succeeding Payment Date pursuant to the Sub-Participation Agreement; and
- (g) as amounts equal to the excess (if any) of (a) the sum of the aggregate proceeds of the issue of the Notes and the Initial Participation in respect of the Savings Mortgage Receivables purchased on the Closing Date over (b) the Initial Purchase Price of the Mortgage Receivables purchased on the Closing Date;

**"Net Proceeds"** shall mean the sum of (a) the proceeds of a foreclosure on the mortgage right, (b) the proceeds of foreclosure on any other collateral securing the Mortgage Receivable, (c) the proceeds, if any, of collection of any insurance policies in connection with the Mortgage Receivable, including but not limited to life insurance and fire insurance, (d) the proceeds of the NHG Guarantees and any other guarantees or sureties, and (e) the proceeds of foreclosure on any other assets of the relevant debtor, after deduction of foreclosure costs.

**"Calculation Date"** means, in relation to a Calculation Period, the second business day prior to each Payment Date.

**"Calculation Period"** means, in relation to a Calculation Date, the three successive Mortgage Calculation Periods immediately preceding such Calculation Date.

**"Mortgage Calculation Period"** means the period commencing on (and including) the first day of each calendar month and ending on (and including) the last day of such calendar month, except for the first Mortgage Calculation Period which will commence on (and includes) the Cut-off Date and ends on (and includes) 30 June 2007.

(d) *Determination of the Principal Redemption Amount, the Redemption Available Amount and the Principal Amount Outstanding*

- (i) On each Calculation Date, the Issuer shall determine (or cause the Issuer Administrator to determine) (x) the Redemption Available Amount and (y) the Principal Redemption Amount due for the relevant Class of Notes on the Payment Date and (z) the Principal Amount Outstanding of the relevant Note on the first day following the Payment Date. Each such determination by or on behalf of the Issuer shall in each case (in the absence of manifest error) be final and binding on all persons.
- (ii) The Issuer or the Issuer Administrator on its behalf will on each Calculation Date cause each determination of (x) the Redemption Available Amount and (y) the Principal Redemption Amount due for the relevant Class of Notes on the Payment Date and (z) the Principal Amount Outstanding of the Notes to be notified forthwith to the Security Trustee, the Paying Agent, the Reference Agent, Euroclear and Clearstream, Luxembourg, Euronext Amsterdam and to the holders of Notes by an advertisement in the English language in the Euronext Daily Official List ("*Officiële Prijscourant*") of Euronext Amsterdam, for as long as the Notes are listed on Euronext Amsterdam. If no Principal Redemption Amount is due to be made on the Notes on any applicable Payment Date, a notice to this effect will be given to the Noteholders in accordance with Condition 13.
- (iii) If the Issuer or the Issuer Administrator on its behalf does not at any time for any reason determine (x) the Redemption Available Amount and (y) the Principal Redemption Amount due for the relevant Class of Notes on the Payment Date and due for the relevant Class of Notes on the Payment Date, and (z) the Principal Amount Outstanding of the Notes, such (x) Redemption Available Amount and (y) Principal Redemption Amount due for the relevant Class of Notes on the Payment Date and (z) Principal Amount Outstanding of the Notes shall be determined by the Security Trustee in accordance with Condition 6(a), (b) and (c) (but based upon the information in its possession as to the Principal Redemption Amount due for the relevant Class of Notes on the Payment Date) and each such determination or calculation shall be deemed to

have been made by the Issuer and shall in each case (in the absence of manifest error) be final and binding on all persons.

(e) *Optional Redemption*

Unless previously redeemed in full, the Issuer may, at its option, on giving not more than 60 nor less than 30 days written notice to the Security Trustee and the Noteholders in accordance with Condition 13, on the Payment Date falling in June 2014 and on any Payment Date thereafter (each an "**Optional Redemption Date**") redeem all (but not some only) Notes at their Principal Amount Outstanding on such date if the Issuer has sufficient funds available to it for this purpose, less in the case of the Subordinated Class B Notes, a Subordinated Class B Principal Shortfall (if any).

(f) *Clean-up call*

If on any Payment Date the aggregate outstanding principal amount of the Mortgage Receivables is equal to or less than ten (10) per cent. of the aggregate outstanding principal amount of the Mortgage Receivables on the Closing Date, the Issuer has the option (but not the obligation) to redeem all of the Notes, in whole but not in part at their Principal Amount Outstanding, subject to and in accordance with Condition 9(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 the same time.

The Issuer shall notify the exercise of such option by giving not more than 60 nor less than 30 days notice to the Noteholders and the Security Trustee prior to the relevant Payment Date.

(g) *Redemption for tax reasons*

The Notes may be redeemed at the option of the Issuer, in whole, but not in part, at their Principal Amount Outstanding, subject to Condition 9(b), on any Payment Date, on giving not less than 30 nor more than 60 days' notice to the Noteholders and the Security Trustee at their Principal Amount Outstanding, if, immediately prior to giving such notice, the Issuer has satisfied the Security Trustee that:

- (a) the Issuer is or will be obliged to make any withholding or deduction for, or on account of, any taxes, duties, or charges of whatsoever nature from payments in respect of any Class of Notes as a result of any charge in, or amendment to, the application of the laws or regulations of the Netherlands (including any guidelines issued by the tax authorities) or any other jurisdiction or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which becomes effective on or after the Closing Date and such obligation cannot be avoided by the Issuer taking reasonable measures available to it; and
- (b) the Issuer will have sufficient funds available on the Calculation Date immediately preceding such Payment Date to discharge all amounts of principal and interest due in respect of the Notes and any amounts required to be paid in priority or *pari passu* with each Class of Notes in accordance with the Trust Deed.

No Class of Notes may be redeemed under such circumstances unless all Classes of Notes (or such of them as are then outstanding) are also redeemed in full at the same time.

## 7. **Taxation**

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 pay any additional amounts to such Noteholders. In particular, but without limitation, no additional amounts shall be payable in respect of any Note or Coupon presented for payment where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to the European Union Directive on the taxation of

savings that was adopted on 3 June 2003 or any law implementing or complying with, or introduced in order to conform to, such Directive.

## **8. Prescription**

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

## **9. Subordination**

### **(a) Interest**

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

In the event that on any Calculation Date the Issuer has insufficient funds available to it to satisfy its obligations in respect of amounts of interest due on the Subordinated Class B Notes on the next Payment Date, the amount available (if any) shall be applied *pro rata* to the amount of interest due on such Payment Date to the holders of the Subordinated Class B Notes. In the event of a shortfall, the Issuer shall credit the Subordinated Class B Notes Interest Shortfall Ledger (as defined in the Master Definitions Agreement), with an amount equal to the amount by which the aggregate amount of interest paid on the Subordinated Class B Notes on any Payment Date in accordance with this Condition falls short of the aggregate amount of interest payable on the Subordinated Class B Notes on that date pursuant to Condition 4. Such shortfall shall not be treated as due on that date for the purposes of Condition 4, but shall accrue interest as long as it remains outstanding at the rate of interest applicable to the Subordinated Class B Notes for such period, and a *pro rata* share of such shortfall and accrued interest thereon shall be aggregated with the amount of, and treated for the purpose of these Conditions as if it were interest due, subject to this Condition, on each Subordinated Class B Note on the next succeeding Payment Date.

### **(b) Principal**

Until the date on which the Principal Amount Outstanding of all Senior Class A Notes is reduced to zero, the Subordinated Class B Noteholders will not be entitled to any repayment of principal in respect of the Subordinated Class B Notes. If on any Payment Date, there is a balance on the Class B Principal Deficiency Ledger, then notwithstanding any other provisions of these Conditions, the principal amount payable on redemption of each Subordinated Class B Note on such Payment Date shall not exceed its Principal Amount Outstanding less the Subordinated Class B Principal Shortfall on such Payment Date. The "**Subordinated Class B Principal Shortfall**" shall mean an amount equal to the balance on the Class B Principal Deficiency Ledger divided by the number of Subordinated Class B Notes outstanding on such Payment Date. The Subordinated Class B Noteholders shall have no further claim against the Issuer for the Principal Amount Outstanding on the Subordinated Class B Notes after the earlier of (i) the Final Maturity Date or (ii) the date on which the Issuer no longer holds any Mortgage Receivables and there are no balances standing to the credit of the Floating Rate GIC Account.

### **(c) 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 a Class of Notes are insufficient to pay in full all principal and interest and other amounts whatsoever due in respect of such Class of Notes, the Noteholders of the relevant Class of Notes 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, and 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 Subordinated Class B 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 (b) 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) default is made for a period of 7 days in the payment of the principal of, or default is made for a period of 14 days in the payment of interest on, the Notes of the Relevant Class when and as the same ought to be paid in accordance with these Conditions; 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 21 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 21 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 or 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,

provided that, if more than one Class of Notes is outstanding, no Enforcement Notice may or shall be given by the Security Trustee to the Issuer in respect of any Class of Notes ranking junior to the Senior Class A Notes irrespective of whether an Extraordinary Resolution is passed by the holders of such Class or Classes of Notes ranking junior to the Senior Class A Notes, 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 holders of any Class of Notes ranking junior to the Senior Class A Notes.

## 11. **Enforcement**

- (a) At any time after an Enforcement Notice has been given and 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 terms of the Parallel Debt Agreement, including the making of a demand for payment thereunder, the Trust Deed, the Pledge Agreements and the Notes and Coupons, 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 Subordinated Class B Noteholders and (ii) it shall have been indemnified to its satisfaction.
- (b) 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) 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 year after the latest maturing Note is paid in full. 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 in the circumstances set out therein and for its relief from responsibility.

## **13. Notices**

With the exception of the publications from the Reference Agent in Condition 4 and from the Issuer in Condition 6, all notices to the Noteholders will only be valid if published in the English language in at least one daily newspaper of wide circulation in the Netherlands, or, if such newspaper 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 are listed on Eurolist by Euronext Amsterdam, in the English language in the Euronext Daily Official List ("*Officiële Prijscourant*") of Euronext Amsterdam. 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) The Trust Deed contains provisions for convening separate meetings of the Senior Class A Noteholders and the Subordinated Class B 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 Relevant 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 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 unless such Basic Terms Change is sanctioned by Extraordinary Resolution of the Noteholders of the relevant Class of Notes, 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, no such Extraordinary Resolution of the Noteholders of the relevant Class of Notes is required.

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 is 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 Principal Amount Outstanding of the Notes of the relevant Class and the majority required shall be at least 75 per cent. of the amount of the validly cast votes at such meeting relating to an 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 is adopted with not less than a two-thirds majority of the validly cast votes, except that for an Extraordinary Resolution including a sanctioning of a Basic Terms Change, the majority required shall be 75 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 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.

No Extraordinary Resolution to sanction a change which would have the effect of accelerating or extending the maturity of a Class of Notes, or any date for payment of interest thereon, increasing the amount of principal or the rate of interest payable in respect of a Class of

Notes, shall take effect unless it shall have been sanctioned by an Extraordinary Resolution of the holders of all Notes ranking junior to the Senior Class A Notes.

An Extraordinary Resolution of the Subordinated Class B Noteholders shall only be effective when the Security Trustee is of the opinion that it will not be materially prejudicial to the interests of the Senior Class A Noteholders or it is sanctioned by an Extraordinary Resolution of the Senior Class A Noteholders or, as the case may be, the Subordinated Class B Noteholders. The Trust Deed imposes no such limitations on the powers of the Senior Class A Noteholders, the exercise of which will be binding on the Subordinated Class B Noteholders irrespective of the effect on their interests.

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) The Security Trustee may agree, without the consent of the Noteholders, to (i) any modification of any of the provisions of the Relevant 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 Relevant Documents), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Relevant 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 Moody's and Fitch and (ii) Moody's and Fitch have confirmed that the then current rating of the Notes will not be adversely affected by any such modification, authorisation or waiver. For the avoidance of doubt, any such confirmation from Moody's and Fitch does not address whether such modification, authorisation or waiver is in the best interests of, or prejudicial to, some or all of the Noteholders. 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) 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 Subordinated Class B 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, 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. Any legal action or proceedings arising out of or in connection with the Notes and Coupons, shall be irrevocably submitted by the Issuer to the jurisdiction of the District Court 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 Notes shall be initially represented by (i) in the case of the Senior Class A Notes a temporary global note (the "**Temporary Global Note**") in bearer form, without coupons, in the principal amount of euro 800,000,000 and (ii) in the case of the Subordinated Class B Notes a Temporary Global Note in bearer form, without coupons, in the principal amount of euro 8,100,000. Each Temporary Global Note 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 8 June 2007. Upon deposit of each such Temporary Global Note, Euroclear and Clearstream, Luxembourg, as the case may be, will credit each purchaser of Notes represented by such Temporary Global Note with the principal amount of the relevant Class of Notes equal to the principal amount thereof for which it has purchased and paid. Interests in each Temporary Global Note will be exchangeable (provided certification of non-US beneficial ownership by the Noteholders has been received) not earlier than 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, in the principal 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 of Notes, 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 means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognized 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 Global Notes will be transferable by delivery. Each Permanent Global Note will be exchangeable for Definitive Notes only in the circumstances described below. Such Definitive Notes shall be issued in denominations of euro 50,000 or, as the case may be, in the then Principal Amount Outstanding of the Notes on such issue date. 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-US 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 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 the Notes of a particular Class 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 principal 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 principal thereon 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 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 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; and
- (ii) Subordinated Class B Notes in definitive form in exchange for the whole outstanding interest in the Permanent Global Note in respect of the Subordinated Class B Notes,

in each case within 30 days of the occurrence of the relevant event, subject in each case to certification as to non-US beneficial ownership.

## TAXATION IN THE NETHERLANDS

This section provides a general description of the main Netherlands tax issues and consequences of acquiring, holding, redeeming and/or disposing of the Notes. This summary provides general information only and is restricted to the matters of Netherlands taxation stated herein. It is intended neither as tax advice nor as a comprehensive description of all Netherlands tax issues and consequences associated with or resulting from any of the above-mentioned transactions. Prospective acquirers are urged to consult their own tax advisors concerning the detailed and overall tax consequences of acquiring, holding, redeeming and/or disposing of the Notes.

The summary provided below is based on the information provided in this Prospectus and on the Netherlands tax laws, regulations, resolutions and other public rules with legal effect, and the interpretation thereof under published case law, all as in effect on the date of this Prospectus and with the exception of subsequent amendments with retroactive effect.

Subject to the foregoing:

1. No registration, stamp, transfer or turnover taxes or other similar duties or taxes will be payable in the Netherlands in respect of the offering and the Issue of the Notes by the Issuer or in respect of the signing and delivery of the Documents.
2. No Netherlands withholding tax will be due on payments of principal and/or interest.
3. A holder of Notes (a 'Holder') will not be subject to Netherlands taxes on income or capital gains in respect of the acquisition or holding of Notes or any payment under the Notes or in respect of any gain realised on the disposal or redemption of the Notes, provided that:
  - (i) such Holder is neither a resident nor deemed to be a resident nor has opted to be treated as a resident in the Netherlands; and
  - (ii) such Holder does not have an enterprise or an interest in an enterprise that, in whole or in part, is carried on through a permanent establishment or a permanent representative in the Netherlands and to which permanent establishment or permanent representative the Notes are attributable;and, if the Holder is a legal person,
  - (iii) such Holder does not have a substantial interest\* in the share capital of the Issuer and/or any Seller or in the event that such Holder does have such an interest, such interest forms part of the assets of an enterprise; and
  - (iv) such Holder does not have a deemed Netherlands enterprise to which enterprise the Notes are attributable;and, if the Holder is a natural person,
  - (v) such Holder does not derive benefits from miscellaneous activities carried out in The Netherlands in respect of the Notes, including, without limitation, activities which are beyond the scope of active portfolio investment activities; and
  - (vi) such Holder or a person related to the Holder by law, contract, consanguinity or affinity to the degree specified in the tax laws of the Netherlands does not have, or is not deemed to have, a substantial interest\* in the share capital of the Issuer and/or any Seller.

\*Generally speaking, an interest in the share capital of the Issuer and/or any Seller should not be considered as a substantial interest if the Holder of such interest, and if the Holder is a natural person his spouse, registered partner, certain other relatives or certain persons sharing the Holder's household,

do not hold, alone or together, whether directly or indirectly, the ownership of, or certain rights over, shares or rights resembling 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 and/or any Seller.

4. There will be no Dutch gift, estate or inheritance tax levied on the acquisition of a Note by way of gift by, or on the death of a Holder, if the Holder at the time of the gift or the death is neither a resident nor a deemed resident of the Netherlands, unless:
  - (i) at the time of the gift or death, the Notes are attributable to an enterprise or part thereof, which is carried on through a permanent establishment or a permanent representative in the Netherlands; or
  - (ii) the Holder dies within 180 days of making the gift, and at the time of death is a resident or deemed resident of the Netherlands.

## PURCHASE AND SALE

Credit Suisse Securities (Europe) Limited and SNS Bank N.V. (together the "**Managers**") have pursuant to a notes purchase agreement dated 6 June 2007, among the Managers, the Issuer and the Sellers (the "**Notes Purchase Agreement**"), jointly and severally agreed with the Issuer, subject to certain conditions, to purchase the Notes at their issue price. The Issuer has agreed to indemnify each of the respective Managers against certain liabilities and expenses in connection with the issue of each of the respective Classes of Notes.

### European Economic Area

In relation to each Member State of the European Economic Area<sup>1</sup> which has implemented directive 2003/71/EC (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 the Notes to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Notes, which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of the Notes to the public in that Relevant Member State at any time: (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 (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than €43,000,000 and (iii) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or (c) in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of the 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.

### United Kingdom

Each Manager has represented and agreed that (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an 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 the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer and (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

### France

The Notes may only be offered or sold to qualified investors (*investisseurs qualifiés*) and/or to a restricted circle of investors (*cercle restreint d'investisseurs*), provided such investors act for their own account, and/or to persons providing portfolio management financial services (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*), in the Republic of France ('France'), within the meaning of Article L.411-2 of the French *Code Monétaire et Financier* (Monetary and Financial Code) and the Decree 98-880 dated 1 October 1998; neither this Prospectus, which has not been submitted to the *Autorité des Marchés Financiers*, nor any information contained therein or any offering material relating to the Notes, may be distributed or caused to be distributed to the public in France.

### Italy

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<sup>1</sup> The EU plus Iceland, Norway and Liechtenstein

No action has or will be taken by them which would allow an offering (or a "*sollecitazione all'investimento*") of the Notes to the public in the Republic of Italy unless in compliance with the relevant Italian securities, tax and other applicable laws and regulations; and no application has been filed to obtain an authorisation from the *Commissione Nazionale per le Società e la Borsa* ("**CONSOB**") for the public offering of the Notes in the Republic of Italy ("Italy").

Accordingly, the Notes cannot be offered, sold or delivered in the Republic of Italy nor may any copy of this Prospectus or any other document relating to the Notes be distributed in Italy other than:

- (i) to professional investors (*investitori professionali*) as defined in article 30, second paragraph, of Legislative Decree No. 58 of 24 February 1998 (the "**Consolidated Financial Act**"), which refers to the definition of "*operatori qualificati*" as defined in Article 31, second paragraph, of CONSOB Regulation No. 11522 of 1 July, 1998, as subsequently amended; or
- (ii) in circumstances which are exempted from the rules on solicitation of investments pursuant to article 100 of the Consolidated Financial Act and article 33, first paragraph, of CONSOB Regulation No. 11971 of 14 May, 1999.

Any offer, sale or delivery of the Notes to professional investors or distribution to the latter of copies of this Prospectus or any other document relating to the Notes in Italy must be made

- (a) by an investment firm, bank or financial intermediary enrolled in the special register provided for in Article 107 of the Consolidated Banking Act, to the extent duly authorised to engage in the placement and/or underwriting of financial instruments in the Republic of Italy in accordance with the relevant provisions of the Consolidated Financial Act;
- (b) in compliance with any other applicable laws and regulations and other possible requirements or limitations which may be imposed by Italian authorities.

The Notes cannot be offered, sold or delivered on a retail basis, either in the primary or in the secondary market, to any individuals residing in Italy.

### **United States**

The Notes have not been and will not be registered under the Securities Act and may not be offered, sold or delivered within the United States or to US persons, except in certain transactions exempt from the registration requirements of the US Securities Act. Terms used in this paragraph have the meaning given to them by Regulation S under the Securities Act. The Notes are in bearer form and are subject to US tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by US tax regulations. Terms used in this paragraph have the meanings given to them by the US Internal Revenue Code of 1986 and regulations thereunder. Each Manager has agreed that it will not offer, sell or deliver the Notes (i) as part of its distribution at any time and (ii) otherwise until 40 days after the later of the commencement of the offering on the Closing Date within the United States or to, or for the account or benefit of, US persons and it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration to which it sells Notes during the distribution compliance period (as defined in Regulation S) a confirmation or other notice setting forth the restrictions on offers and sales of the Securities within the United States or to, or for the account or benefit of, US persons.

In addition, until 40 days after the commencement of the offering, 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. Terms used in these paragraphs have the meanings given to them by Regulation S and the US Internal Revenue Code and regulations thereunder.

### **General**

The distribution of this Prospectus and the offering and sale of the Notes in certain jurisdictions may be restricted by law; persons into whose possession this Prospectus comes are required by the Issuer and the Managers to inform themselves about and to observe any such restrictions. This Prospectus or any part thereof does not constitute an offer, or an invitation to sell or a solicitation of an offer to buy the Notes in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction.

Each Manager has undertaken not to offer or sell directly or indirectly any Notes, or to distribute or publish this Prospectus or any other material relating to the Notes in or from any country or

jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

## GENERAL INFORMATION

1. The issue of the Notes has been duly authorised by a resolution of the board of directors of the Issuer passed on 1 June 2007.
2. Application has been made to list the Senior Class A Notes and the Subordinated Class B Notes on Eurolist by Euronext Amsterdam. The estimated total costs involved with such admission amount to euro 16,000.
3. The Senior Class A Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg and through the Securities Clearing Corporation of Euronext Amsterdam and will bear common code 030485459, ISIN code XS030485459 and Fondscore 88778.
4. The Subordinated Class B Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg and through the Securities Clearing Corporation of Euronext Amsterdam and will bear common code 030485769, ISIN code XS030485769 and Fondscore 88779.
5. The addresses of the clearing systems are: Euroclear, 1 Boulevard du Roi Albert II, 1210 Brussels, Belgium and Clearstream Luxembourg, 42 Avenue J.F. Kennedy, L-1855 Luxembourg.
6. KPMG ACCOUNTANTS N.V. have given and have not withdrawn their written consent to the issue of this Prospectus with their report included herein in the form and context in which it appears. The accountants of KPMG ACCOUNTANTS N.V. are members of the Royal NIVRA ("*Nederlands Instituut voor registeraccountants*"), the Dutch accountants board.
7. Copies of the following documents may be inspected at the specified offices of the Security Trustee and the Paying Agent during normal business hours:
  - (i) the Deed of Incorporation, including the Articles of Association of the Issuer;
  - (ii) the Auditor's Report;
  - (iii) the Mortgage Receivables Purchase Agreement;
  - (iv) the Deed of Assignment;
  - (v) the Notes Purchase Agreement;
  - (vi) the Paying Agency Agreement;
  - (vii) the Trust Deed;
  - (viii) the Parallel Debt Agreement;
  - (ix) the Security Trustee Receivables Pledge Agreement;
  - (x) the Security Trustee Assets Pledge Agreement;
  - (xi) the Administration Agreement;
  - (xii) the Cash Advance Facility Agreement;
  - (xiii) the Floating Rate GIC;
  - (xiv) the Swap Agreement;
  - (xv) the Sub-Participation Agreement;
  - (xvi) the Beneficiary Waiver Agreement; and
  - (xvii) the Master Definitions Agreement.
8. A copy of the Prospectus will be available (free of charge) at the registered office of the Issuer, the Security Trustee and the Paying Agent.
9. The audited annual financial statements of the Issuer will be made available, free of charge, from the specified office of the Issuer.
10. A free copy of the articles of association of the Issuer dated 24 April 2007 will be available at the registered office of the Issuer.
11. US Taxes:

The Notes will bear a legend to the following effect: "any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Section 165(j) and 1287(a) of the Internal Revenue Code".

The sections referred to in such legend provide that a United States person who holds a Note will generally not be allowed to deduct any loss realised on the sale, exchange or redemption of such Note and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.



12. 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.securitisation.nl](http://www.securitisation.nl).

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#### **ISSUER**

##### **PEARL Mortgage Backed Securities 2 B.V.**

Frederik Roeskestraat 123  
1076 EE Amsterdam  
The Netherlands

#### **SELLERS**

##### **SNS Bank N.V.**

Croeselaan 1  
3521 BJ Utrecht  
The Netherlands

##### **BLG Hypotheekbank N.V.**

Jos Klijnssenlaan 288  
6164 AZ Geleen  
The Netherlands

#### **ISSUER ADMINISTRATOR**

##### **SNS Bank N.V.**

Pettelaarpark 120  
5216 PT 's Hertogenbosch  
The Netherlands

#### **SECURITY TRUSTEE**

##### **Stichting Security Trustee PEARL Mortgage Backed Securities 2**

Claude Debussylaan 24  
1082 MD Amsterdam  
The Netherlands

#### **PAYING AGENT AND REFERENCE AGENT**

##### **ABN AMRO Bank N.V.**

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4817 ST Breda  
The Netherlands

#### **LEGAL ADVISERS**

*To the Seller and the Issuer*

##### **NautaDutilh N.V.**

Strawinskylaan 1999  
1077 XV Amsterdam  
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*To the Managers and the Security Trustee*

##### **Loyens & Loeff N.V.**

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1076 ED Amsterdam  
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#### **TAX ADVISERS**

##### **KPMG Meijburg & Co B.V.**

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1185 MC Amstelveen  
The Netherlands

#### **AUDITORS**

##### **KPMG ACCOUNTANTS N.V.**

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1185 MC Amstelveen  
The Netherlands

#### **LISTING AGENT**

##### **ABN AMRO Bank N.V.**

Gustav Mahlerlaan 10  
1082 PP Amsterdam  
The Netherlands

#### **COMMON SAFEKEEPER**

##### **Euroclear Bank S.A./N.V.**

1 Boulevard du Roi Albert II  
1210 Brussels  
Belgium