

## OFFERING CIRCULAR DATED 19 DECEMBER 2007

### Convent 2007-I B.V.

(incorporated with limited liability in the Netherlands)

**€ 456,750,000 Senior Class A Mortgage-Backed Notes due 2043, issue price 100 per cent.**  
**€ 15,750,000 Mezzanine Class B Mortgage-Backed Notes due 2043, issue price 100 per cent.**  
**€ 15,250,000 Mezzanine Class C Mortgage-Backed Notes due 2043, issue price 100 per cent.**  
**€ 12,250,000 Junior Class D Mortgage-Backed Notes due 2043, issue price 100 per cent.**  
**€ 11,000,000 Subordinated Class E Notes due 2043, issue price 100 per cent.**

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### DSB Bank N.V. as Seller

Application has been made to list the € 456,750,000 Senior Class A Mortgage-Backed Notes due 2043 (the "Senior Class A Notes"), the € 15,750,000 Mezzanine Class B Mortgage-Backed Notes due 2043 (the "Mezzanine Class B Notes"), the € 15,250,000 Mezzanine Class C Mortgage-Backed Notes due 2043 (the "Mezzanine Class C Notes"), the € 12,250,000 Junior Class D Mortgage-Backed Notes due 2043 (the "Junior Class D Notes") and the € 11,000,000 Subordinated Class E Notes due 2043 (the "Subordinated Class E Notes" and together with the Senior Class A Notes, the Mezzanine Class B Notes, the Mezzanine Class C Notes and the Junior Class D Notes, the "Notes") on Eurolist by Euronext Amsterdam N.V. ("Euronext Amsterdam"). The Notes are expected to be issued on 21 December 2007. This Offering Circular constitutes a prospectus for the purposes of Directive 2003/71/EC (the "Prospectus Directive").

The Notes will carry floating rates of interest, payable quarterly in arrear on each Quarterly Payment Date (as defined herein). The rate of interest payable on the Notes will be equal to three-months Euribor in euro (as defined in the terms and conditions of the Notes, the "Conditions") plus a margin per annum which will be 0.32 per cent. for the Senior Class A Notes, 0.60 per cent. for the Mezzanine Class B Notes, 0.84 per cent. for the Mezzanine Class C Notes, 1.44 per cent. for the Junior Class D Notes and 4.50 per cent. for the Subordinated Class E Notes. If on the Quarterly Payment Date falling in December 2012 (the "First Optional Redemption Date") the Notes of any Class have not been redeemed in full, the margin for the Notes (other than for the Subordinated Class E Notes) will increase and the interest applicable to such Notes will then be equal to three-months Euribor plus a margin per annum which will be 0.64 per cent. for the Senior Class A Notes, 1.20 per cent. for the Mezzanine Class B Notes, 1.68 per cent. for the Mezzanine Class C Notes, 2.88 per cent. for the Junior Class D Notes and 9.00 per cent. for the Subordinated Class E Notes.

Payments of principal on the Notes will be made quarterly in arrear on each Quarterly Payment Date subject to and in accordance with the Conditions through application of the Notes Redemption Available Amounts. As from the First Optional Redemption Date or any Quarterly Payment Date thereafter on which the Pro Rata Amortisation Criteria (as defined herein) are met, payments of principal on the Notes will be made, pro rata, according to their respective Principal Amount Outstanding, in the circumstances set out in, and subject to and in accordance with the Conditions. On the First Optional Redemption Date and each Quarterly Payment Date thereafter (each an "Optional Redemption Date") the Issuer will have the option to redeem all of the Notes (other than the Subordinated Class E Notes), in whole but not in part, at their Principal Amount Outstanding, subject to and in accordance with the Conditions. The Notes will mature on the Quarterly Payment Date falling in December 2043.

It is a condition precedent to issuance that, on issue, the Senior Class A Notes be assigned an 'AAA' rating by Standard & Poor's Rating Services ("S&P"), the Mezzanine Class B Notes be assigned an 'AA-' rating by S&P, the Mezzanine Class C Notes be assigned an 'A-' rating by S&P, the Junior Class D Notes be assigned a 'BBB-' rating by S&P. The Subordinated Class E Notes will not be assigned a rating. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. For a discussion of some of the risks associated with an investment in the Notes, see section Risk Factors herein.

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

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

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

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Arranger  
Merrill Lynch International

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## SUMMARY

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

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

### **Risk factors**

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

### **The Issuer**

Covent 2007-I B.V. is incorporated under the laws of the Netherlands as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) under number BV 1468839, having its corporate seat in Amsterdam, the Netherlands and registered with the Commercial Register of the Chamber of Commerce for Amsterdam under number 34288987. The entire issued share capital of the Issuer is held by Stichting Holding Convent 2007-I. The Issuer is established to issue the Notes.

### **Transaction**

On the Closing Date, the Issuer will (i) issue the Notes and (ii) apply the net proceeds of the Notes (other than the Subordinated Class E Notes) (x) towards payment of the Initial Purchase Price for the Mortgage Receivables to be purchased by the Issuer on the Closing Date, consisting of any and all rights and claims of the Seller against certain borrowers under or in connection with certain selected mortgage loans secured by a first-ranking right of mortgage (*hypotheekrecht*) or first and sequentially lower ranking rights of mortgage and the Beneficiary Rights relating thereto and (y) to make a deposit into the Pre-Funding Account. The net proceeds of the issue of the Subordinated Class E Notes will be used to fund the Reserve Account.

The Issuer will use receipts of principal and interest in respect of the Mortgage Receivables together with

amounts it receives under the Liquidity Facility Agreement, Floating Rate GIC and Swap Agreement to make payments of, *inter alia*, principal and interest due in respect of the Notes, provided that up and including the Quarterly Payment Date falling in December 2010, the Issuer will use the principal received by it in respect of the Mortgage Receivables to purchase, subject to certain conditions and to the extent offered to the Issuer by the Seller, Further Advance Receivables, Replacement Receivables and/or Replenishment Receivables and thereafter up to and including the Quarterly Payment Date immediately preceding the First Optional Redemption Date, to purchase Further Advance Receivables and/or Replacement Receivables. Furthermore, the amounts standing to the credit of the Pre-Funding Account may be used by the Issuer to purchase New Mortgage Receivables during the period from the Closing Date up to and including the Quarterly Payment Date falling in March 2008. Thereafter any remaining amounts standing to the credit of the Pre-Funding Account will form part of the Notes Principal Available Amounts.

It is of note that the obligations of the Issuer in respect of the Notes will rank behind the obligations of the Issuer in respect of certain items set forth in the applicable priority of payments and that the right to payment of principal and interest on the Mezzanine Class B Notes, the Mezzanine Class C Notes, the Junior Class D Notes and the Subordinated Class E Notes will be subordinated to the Senior Class A Notes and may be limited as more fully described herein under Terms and Conditions of the Notes.

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

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

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

### **Security structure**

The Noteholders will benefit from the security granted in favour of the Security Trustee, whereas the Notes will be secured indirectly, through the Security Trustee, by (i) a first ranking undisclosed pledge granted by the Issuer to the Security Trustee over the Mortgage Receivables, including all rights ancillary thereto in respect of the Portfolio Mortgage Loans and the Beneficiary Rights, and (ii) a first ranking disclosed pledge by the Issuer to the Security Trustee over the Issuer's rights under or in connection with the Mortgage Receivables Purchase Agreement, the Swap Agreement, the MPT Agreement, the Floating Rate GIC, the Liquidity Facility Agreement, the Beneficiary Waiver Agreement, and in respect of the Issuer Accounts.

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

the Security Beneficiaries pursuant to the relevant Transaction Documents.

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

### **Redemption of the Notes**

Unless previously redeemed, the Issuer will redeem the Notes at their Principal Amount Outstanding on the Quarterly Payment Date falling in December 2043 subject to and in accordance with the Conditions.

Provided that no Enforcement Notice has been served in accordance with Condition 10 and subject to the Notes not having been redeemed in full pursuant to Condition 6(e), 6(f), 6(g) or 6(i), the Issuer shall on each Quarterly Payment Date apply the Notes Redemption Available Amount towards redemption, at their Principal Amount Outstanding, of the Notes (other than the Subordinated Class E Notes). Payments of principal on the Subordinated Class E Notes will be made from the Notes Interest Available Amounts on each Quarterly Payment Date in accordance with the Interest Priority of Payments.

Subject to and in accordance with the Conditions, the Issuer may (but is not obliged to) redeem all of the Notes (other than the Subordinated Class E Notes, which will subsequently be redeemed in accordance with Condition 9(b) and Condition 6(h)) in whole but not in part, on the First Optional Redemption Date or any subsequent Optional Redemption Date or in the event of certain tax changes affecting the Notes at their Principal Amount Outstanding plus accrued but unpaid interest thereon, after payment of the amounts to be paid in priority of the Notes.

Finally, the Seller may upon the occurrence of certain events exercise the Seller Clean-up Call Option or Regulatory Call Option and repurchase and accept re-assignment of all (but not only part of) the Mortgage Receivables. The Issuer has undertaken to apply the proceeds of any such sale towards redemption of the Notes (other than the Subordinated Class E Notes).

## **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 the position to express a view on the likelihood of any such contingency occurring.*

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

*The Issuer believes that the factors described below represent the material risks inherent in investing in the Notes, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with the Notes may occur for other reasons and the Issuer does not represent that the statements below regarding the risks of holding any Notes are exhaustive. Additional risks or uncertainties not presently known to the Issuer or that the Issuer currently may consider immaterial may also have an adverse effect on the Issuer's ability to pay interest, principal or other amounts on or in connection with the Notes. Prospective Noteholders should read the information contained herein in conjunction with the detailed information set out elsewhere in this Offering Circular and should reach their own views prior to making any investment decision.*

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

### **Liabilities under the Notes and limited recourse**

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

The obligations of the Issuer under the Notes are limited recourse obligations and the ability of the Issuer to meet its obligations to pay the principal of and interest on the Notes will be dependent on the receipt by it of principal, interest and other amounts under the Mortgage Receivables, the proceeds of the sale of any Mortgage Receivables, payments under the Swap Agreement and the receipt by it of interest in respect of the balances standing to the credit of the Issuer Accounts, the availability of the Reserve Account, the Excess Spread Margin and the amounts to be drawn under the Liquidity Facility. See further under *Credit Structure* below.

Payment of principal and interest on the Notes will be secured indirectly by the security granted by the Issuer to

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

### **Risks inherent to the Notes**

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

#### *(i) Credit Risk*

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

- in the case of the Senior Class A Notes, the subordinated ranking of each of the other Classes of Notes;
- in the case of the Senior Class A Notes and the Mezzanine Class B Notes, the subordinated ranking of the Mezzanine Class C Notes, the Junior Class D Notes and the Subordinated Class E Notes;
- in the case of the Senior Class A Notes, the Mezzanine Class B Notes and the Mezzanine Class C Notes, the subordinated ranking of the Junior Class D Notes and the Subordinated Class E Notes;
- in the case of the Senior Class A Notes, the Mezzanine Class B Notes, the Mezzanine Class C Notes, and the Junior Class D Notes, the subordinated ranking of the Subordinated Class E Notes;
- the Reserve Account; and
- the Excess Spread Margin.

The proceeds of the Subordinated Class E Notes will be credited to the Reserve Account. Principal on the Subordinated Class E Notes will be paid out of the Notes Interest Available Amounts in accordance with the Interest Priority of Payments.

#### *(ii) Liquidity Risk*

There is a risk that interest on the underlying Mortgage Receivables is not received on time thus causing temporary liquidity problems to the Issuer, despite (i) the Excess Spread Margin, (ii) the Reserve Account (to the extent available for such payments) and (iii) in certain circumstances, the Liquidity Facility provided by the Liquidity Facility Provider.

(iii) *Prepayment Risk*

As long as the Seller on each Quarterly Payment Date up to and including the Quarterly Payment Date falling in December 2010 offers additional mortgage receivables (i.e. Replenishment Receivables) in an amount equal to the Notes Principal Available Amounts (excluding item (iv) thereof) less the Initial Purchase Price payable in respect of Further Advance Receivables and/or Replacement Receivables (if any) and less the Interest Shortfall Amount (if any), the Notes will not start redeeming until the Quarterly Payment Date falling in March 2011. However, if, *inter alia*, the Replenishment Criteria are not met or the Seller does not offer sufficient Replenishment Receivables, the Notes Principal Available Amounts (excluding item (iv) thereof) less the Initial Purchase Price payable in respect of Further Advance Receivables and/or Replacement Receivables (if any) and less the Interest Shortfall Amount (if any) will be used to redeem the Notes (other than the Subordinated Class E Notes). The level of prepayments by the Borrowers can vary and therefore, if no replenishment takes place, there is a risk that the average life of the Notes is shorter or longer than anticipated. The average lives of the Notes are subject to factors largely outside the control of the Issuer and consequently no assurance can be given that any estimates and assumptions will prove in any way to be realistic.

(iv) *Maturity Risk*

There is a risk that the Issuer will not have received sufficient principal to fully redeem the Notes at maturity. The Final Maturity Date for the Notes is the Quarterly Payment Date falling in December 2043. The Issuer has on any Optional Redemption Date the right to sell and assign all (but not only part of) the Mortgage Receivables to any party. The Issuer shall be required to apply the proceeds of such sale, to the extent relating to principal, to redeem the Notes (other than the Subordinated Class E Notes) in accordance with the Conditions. If the Issuer does not exercise this option on the First Optional Redemption Date, the margin for the Notes (other than for the Subordinated Class E Notes) will increase as set out below under *Interest Step-up* in the section *Key Parties and Summary of Principal Features* below. No guarantee can be given that the Issuer will exercise its option or that there will be a third party purchaser and therefore that the Notes will be redeemed on such First Optional Redemption Date or any Optional Redemption Date thereafter.

The ability of the Issuer to redeem the Notes (other than the Subordinated Class E Notes) in full on the Final Maturity Date or, as the case may be, the First Optional Redemption Date or any Optional Redemption Date thereafter and to pay all amounts due to the Noteholders on such date may depend on whether the value of the Mortgage Receivables is sufficient to redeem such Notes in full.

(v) *Interest Rate Risk*

There is a risk that, due to interest rate movements, the interest received on the Mortgage Receivables and the Issuer Accounts is not sufficient to pay the floating interest on the Notes. In this respect, a Swap Agreement has been entered into (see *Swap Agreement* below).



(vi) *Structural/Legal Risk*

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

**Rating of the Notes**

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

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

A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time.

**Value of the Notes and liquidity**

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

**Lack of liquidity in the secondary market may adversely affect the market value of the Notes**

The secondary mortgage markets are currently experiencing disruptions resulting from reduced investor demand for mortgage loans and mortgage-backed securities and increased investor yield requirements for those loans and securities. As a result, the secondary market for mortgage-backed securities is experiencing limited liquidity. These conditions may improve, continue or worsen in the future. Limited liquidity in the secondary market for mortgage-backed securities has had an adverse effect on the market value of mortgage-backed securities. Limited liquidity in the secondary market may continue to have an adverse effect on the market value of mortgage-backed securities, especially those securities that are more sensitive to credit or interest rate risk and those securities that have been structured to meet the investment requirements of limited categories of investors. Consequently, investors may not be able to sell their Notes readily. The market values of the Notes are likely to fluctuate. Any of these fluctuations may be significant and could result in significant losses to investors.

### **Loan to foreclosure value ratio**

The Portfolio Mortgage Loans will have a loan to foreclosure value ratio ("**LTFV**") of up to and including 160 per cent. provided that (i) the principal amount of Portfolio Mortgage Loans which consist of one loan part that qualifies as an Interest-only Mortgage Loan, or in case of Portfolio Mortgage Loans which are made up of a combination of loan types, the principal amount of the interest-only loan part thereof, will not exceed 135 per cent. of the foreclosure value of the relevant Mortgaged Asset, (ii) the principal amount of Portfolio Mortgage Loans, other than Interest-only Mortgage Loans, made to a Borrower with an adverse credit history reported on the National Credit Register (*Bureau Krediet Registratie* or "**BKR**") will not exceed 135 per cent. of the foreclosure value of the relevant Mortgaged Asset and (iii) the principal amount of the Portfolio Mortgage Loans which qualify as Interest-only Mortgage Loans, or in case of Portfolio Mortgage Loans which are made up of a combination of loan types, the principal amount of the interest-only loan part thereof, made to a Borrower with an adverse credit history reported on the BKR will not exceed 100 per cent of the foreclosure value of the relevant Mortgaged Asset. Generally, in the Dutch residential mortgage market, the foreclosure value (*executiewaarde*) is approximately between 85 and 90 per cent. of the market value (*vrije verkoopwaarde*) of the relevant mortgaged property. There can be no assurance that, on enforcement, all amounts owed by a Borrower under a Portfolio Mortgage Loan can be recovered from the proceeds of the foreclosure on the property which is subject to the Mortgage or that the proceeds upon foreclosure will be at least equal to the estimated foreclosure value of the property (see *Description of Portfolio Mortgage Loans*).

### **Trust Deed**

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

It is generally assumed that under Dutch law a right of pledge cannot be validly created in favour of a person who is not the creditor of the claim that the right of pledge purports to secure. The Parallel Covenant is included in the Trust Deed to address this issue. It is noted that there is no statutory law or case law available on the validity or enforceability of a parallel covenant such as the Parallel Covenant or the security provided for such debts. However, the Issuer has been advised that there are no reasons why a parallel covenant such as the

Parallel Covenant will not create a claim of the pledgee (the Security Trustee) thereunder which can be validly secured by a right of pledge such as the rights of pledge created pursuant to the Pledge Agreements.

### **Transfer of legal title to Mortgage Receivables**

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

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

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

### **Mortgage rights**

#### *Uncertainty whether mortgage rights will follow Mortgage Receivables*

The Mortgage Receivables sold to the Issuer by the Seller are secured by a mortgage right created under a mortgage deed in which the Borrower has given security over the mortgaged property for an amount which exceeds the amount of the initial Mortgage Loan by a maximum of 5 per cent. Pursuant to the mortgage deeds relating to such Mortgage Receivables, any Further Advances granted by the Seller to the relevant Borrowers are secured by the same mortgage rights. The Issuer has been advised that it is likely that such mortgage rights should be regarded as so-called "**Credit Mortgages**" (*krediethypotheken*).

Under Dutch law a mortgage right is an accessory right (*afhankelijk recht*) which follows by operation of law the receivable with which it is connected. Furthermore, a mortgage right is an ancillary right (*nevenrecht*) and the assignee of a receivable secured by an ancillary right will have the benefit of such right, unless the ancillary right

by its nature is, or has been construed as, a purely personal right of the assignor or such transfer is prohibited by law. However, Dutch legal commentators have different views on whether, in the event of assignment or pledge of a receivable secured by a Credit Mortgage, the mortgage will follow such receivable. Based upon case law, the prevailing view has been for a long time that a Credit Mortgage will only follow the receivable which it secures if the relationship between the bank and a borrower has been terminated in such a manner that following the transfer, the bank cannot create or obtain new receivables against the borrower. However, in recent legal literature this view is generally disputed and it is stated that, in particular where the mortgage deed indicates that the parties intended this to happen, that the Credit Mortgage will (partially) follow the receivable to the extent that it has been assigned, irrespective of whether the banking relationship between the bank and the borrower has terminated.

In the Mortgage Receivables Purchase Agreement, the Seller represents and warrants that, upon creation of the mortgage rights securing the Mortgage Receivables, the conditions applicable to the Portfolio Mortgage Loans (the "**Mortgage Conditions**") contained a provision to the effect that, upon assignment or pledge in whole of the relevant receivable, the mortgage right will *pro rata* follow such receivable as an ancillary right. This provision is a clear indication of the intentions of the parties in respect of assignment of the receivable. In the determination of whether a Credit Mortgage follows the receivable to which it is connected, the wording of the Mortgage Conditions in the relevant mortgage deed is an important factor. Whether such wording is the only and thus decisive factor, is not certain. However, the inclusion of this provision in the Mortgage Conditions provides support for the suggestion that, in this case, the mortgage right follows the Mortgage Receivable *pro rata* upon assignment or pledge as an ancillary right.

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

If (a receiver of) the Seller would, notwithstanding the arrangement set forth above, enforce the co-held Mortgages securing the Mortgage Receivables, the Issuer and/or the Security Trustee would have a claim against the Seller (or, as the case may be, its bankruptcy estate) for any damages as a result of a breach of the contractual arrangements, although such claim would be unsecured and non-preferred. A possible solution to mitigate this risk could be to convert the Credit Mortgages into Mortgages which only secure such Mortgage Receivables. This can, *inter alia*, be effectuated by partially terminating the Mortgages to the effect that the Mortgage and/or rights of pledge no longer secures other debts than the relevant Mortgage Receivable. The Seller has undertaken in the Mortgage Receivables Purchase Agreement to partially terminate (*opzeggen*) the relevant Credit Mortgages securing the Mortgage Receivables to the extent that such Credit Mortgages secure debts other than the relevant Mortgage Receivables which were sold and assigned to the Issuer pursuant to the Mortgage Receivables Purchase Agreement by giving notice of such partial termination to the relevant Borrowers prior to or at the same time as the Borrowers are notified of the assignment (see *Transfer of legal title to Mortgage Receivables* above). As a consequence of such partial termination, the Credit Mortgage would only secure the Mortgage Receivable assigned to the Issuer and would, in effect, cease to be a Credit Mortgage. The relevant statutory provisions only address termination in general, and legal commentators, although accepting the right of partial termination, do not specifically discuss partial termination of mortgage rights in the manner described above. It is therefore unclear whether such a partial termination complies with the relevant statutory requirements. Based upon a reasonable interpretation of the statutory provisions and the views expressed by legal commentators, there are strong reasons for arguing that the Seller can effectively terminate the Credit Mortgages as described above. Under Dutch law a mortgage right can be terminated by the mortgage holder provided that upon creation of the mortgage right, the mortgage holder was granted such right by the mortgage deed. The Mortgage Conditions contained in the mortgage deeds relating to the Portfolio Mortgage Loans provide for a partial as well as a general termination right in respect of the Credit Mortgages. Should the Seller be declared bankrupt or become subject to emergency regulations, its undertaking to give a notice of partial termination would no longer be enforceable and a notice of partial termination received after such date by a Borrower would not be effective.

If the Credit Mortgages would not (pro rata) have followed the relevant Mortgage Receivables upon assignment by the Seller, this means that it is uncertain, depending on the specific facts and circumstances involved, (i) whether the Issuer and, consequently, the Security Trustee (as pledgee), would have the benefit of a mortgage right securing such Mortgage Receivables, and (ii) if subsequently a Borrower fails to comply with its obligations under the relevant Portfolio Mortgage Loan, whether the Issuer or the Security Trustee (as the case may be) would be in a position to foreclose the Credit Mortgage (respectively, as legal owner and as pledgee of the relevant Mortgage Receivables). If not, the assistance of the Seller's administrator (in the case of emergency regulations) or bankruptcy trustee (in the case of bankruptcy) would be required to effect a foreclosure which would, in whole or in part, be for the benefit of the Issuer or the Security Trustee, as the case may be. It is uncertain whether such assistance would be forthcoming.

#### *Borrower Pledges*

What is stated in the various paragraphs under *Credit Mortgages* above in respect of mortgage rights applies

*mutatis mutandis* in respect of the Borrower Insurance Pledges (as defined under *Insurance Policies* below) and the rights of pledge included in the deed of mortgage, unless otherwise stipulated below and provided that in respect of such Borrower Insurance Pledges the Mortgage Conditions applicable to the Portfolio Mortgage Loans neither contain a provision to the effect that upon assignment or pledge in whole or in part of the relevant receivables, the right of pledge will follow such receivable pro rata as an ancillary right. This means that in these cases there is no clear indication of the intention of the parties. The Issuer has been advised that in such a case there are strong arguments for the view that the Borrower Insurance Pledge (partially) follows the receivable as accessory and ancillary right upon its assignment, but that there is no case law explicitly supporting this advice. Consequently, it is not certain what the Dutch courts would decide if this matter were to be submitted to them, particularly taking into account the view of Dutch legal commentators on Credit Mortgages which prevailed in the past, which view continues to be defended by some legal commentators.

### **Set-off**

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

The Mortgage Conditions provide that payments by the Borrowers should be made without set-off. Although this clause is intended as a waiver by the Borrowers of their set-off rights vis-à-vis the Seller, under Dutch law it is uncertain whether such waiver will be valid. Should such waiver be invalid, the Borrowers will have the set-off rights described above 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 prior to the assignment of the Mortgage Receivable and notification thereof to the relevant Borrower. The question whether a court will come to the conclusion that the Mortgage Receivable and the claim of the Borrower against the Seller result from the same legal relationship will depend on all relevant facts and circumstances involved. But even if these would be held to be different legal relationships, set-off will be possible if the counterclaim of the Borrower has originated (*opgekomen*) and become due (*opeisbaar*) prior to notification of the assignment, and, further, provided that all other requirements for set-off have been met (see above). A balance on a current account is due 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 at the moment of notification of the assignment. The Issuer has been informed that in most cases a balance on a deposit account

can be withdrawn at any time and, consequently, such balance is due (*opeisbaar*) at any time. If after the moment the Borrower receives notification of the 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 able 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 such moment, 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 Seller having become effective, it is defended in legal literature that the Borrower will, irrespective of the notification of the assignment, continue to have the broader set-off rights afforded to it in the Dutch Bankruptcy Code. Under the Dutch Bankruptcy Code a person which is both debtor and creditor of the bankrupt entity can set off its debt with its claim, if each claim (i) came into existence prior to the moment at which the bankruptcy 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.

The Mortgage Receivables Purchase Agreement provides that if a Borrower sets off amounts due to it by the Seller against the relevant Mortgage Receivable and, as a consequence thereof, the Issuer does not receive the amount which it would otherwise have been entitled to receive in respect of such Mortgage Receivable, the Seller will pay to the Issuer an amount equal to the difference between (i) the amount which the Issuer would have received in respect of the relevant Mortgage Receivable if no set-off had taken place and (ii) the amount actually received by the Issuer in respect of such Mortgage Receivable. This provision, however, will not be enforceable against the Seller after it has been declared bankrupt or has become subject to emergency regulations because a bankruptcy trustee or administrator can choose not to comply with this provision.

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

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

### **"Non-conforming" mortgage loans**

The Provisional Pool includes 2.16 per cent. of Portfolio Mortgage Loans made to Borrowers who (a) may have a bad credit history and may have a negative register with the BKR; or (b) have no third party verified income statements; or (c) who may have been subject to insolvency proceedings which have been discharged. The credit risks relating to the Mortgage Receivables resulting from such Portfolio Mortgage Loans may be deemed higher than in the case of any "prime" mortgage loans originated in the Netherlands and which are also comprised in the Portfolio to be held by the Issuer. The Portfolio Mortgage Loans made to Borrowers in (a), (b) or (c) above will have been underwritten in accordance with lending criteria on terms generally consistent with those used by residential mortgage lenders to borrowers who do not satisfy the requirements of "main stream

banks" originating mortgage loans in the Netherlands. However, the lending criteria applied by the Seller when originating such Portfolio Mortgage Loans take into account, *inter alia*, a potential borrower's credit history, employment history and status, repayment ability and affordability and are utilised with a view, in part, to mitigating the risks in lending to borrowers in the foregoing categories.

#### **No independent investigation as to Mortgage Receivables, Mortgage Loans, Mortgages and Mortgaged Assets by the Issuer**

None of the Issuer or the Security Trustee has undertaken or will undertake any investigations, searches or other actions in respect of the Mortgage Loans and their related Mortgages and Mortgaged Assets. Instead, each will rely on the representations and warranties to be given by the Seller in the Mortgage Receivables Purchase Agreement. The sole remedy (save as described below under *Mortgage Receivables Purchase Agreement*) of the Issuer in respect of a breach of representations and warranties by the Seller, will be to require the Seller to repurchase or procure the repurchase of, or to substitute or procure the substitution of a similar mortgage loan for, any Mortgage Receivable which is the subject of any breach of a representation of warranty. However, this will not limit any other remedies available to the Issuer and/or the Security Trustee under Dutch law if the Seller fails to repurchase, or to procure the repurchase or replacement of a Mortgage Receivable if obliged to do so. There can be no assurance that the Seller will have the financial resources to honour its obligation to repurchase any Mortgage Receivable in respect of which such a breach of representations and warranty arises.

#### **Insurance Policies**

The Life Mortgage Loans have the benefit of Life Insurance Policies, and all other Portfolio Mortgage Loans may have the benefit of a risk insurance policy (i.e. a policy relating to an insurance which pays out upon the death of the insured) (a "**Risk Insurance Policy**") and together with the Life Insurance Policies, the "**Insurance Policies**"). Such Insurance Policies are taken out by the Borrowers with several insurance companies (each an "**Insurance Company**" and collectively the "**Insurance Companies**"). The Life Mortgage Loans constitute 20.43 per cent. of the Provisional Pool. The Life Insurance Policies concluded in connection with these Life Mortgage Loans are taken out with non-affiliated Insurance Companies.

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

#### ***Borrower Insurance Pledge***

All rights of the Borrowers under the Insurance Policies have been pledged to the Seller (the "**Borrower Insurance Pledges**"). However, the Issuer has been advised that it is possible that the right to receive payment,



including the commutation payment (*afkoopsom*), under the Insurance Policies will be regarded by a Dutch court as a future right. The pledge of a future right is, under Dutch law, not effective if the pledgor is declared bankrupt, granted a suspension of payments or if emergency regulations are imposed on it, prior to the moment such right comes into existence. This means that it is uncertain whether such right of pledge will be effective. Even if the pledge over the rights under the Insurance Policies was effective, it would be uncertain whether such right of pledge would pass to the Issuer or, as the case may be, the Security Trustee upon the assignment or pledge of the Mortgage Receivables, where the Borrower Insurances Pledges secure the same liabilities as the Credit Mortgages (see above under *Mortgage Rights*).

#### *Appointment of beneficiary*

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

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

Security Trustee under the condition precedent of the occurrence of a Pledge Notification Event relating to the Issuer. If the Issuer or the Security Trustee, as the case may be, has not become beneficiary of the Insurance Policies and the pledge and the waiver of the Beneficiary Rights are not effective, any proceeds under the Insurance Policies will be payable to the Seller or to any other beneficiary, instead of the Issuer or the Security Trustee, as the case may be. If the proceeds are paid to the Seller, it will be obliged to pay the amount involved to the Issuer or the Security Trustee, as the case may be. If the proceeds are paid to the Seller and the Seller does not pay the amount involved to the Issuer or the Security Trustee, as the case may be, e.g. in the case of bankruptcy of the Seller or if the proceeds are paid to another beneficiary instead of the Issuer or the Security Trustee, as the case may be, this may result in the amount paid under the Insurance Policies not being applied in reduction of the Mortgage Receivable. This may lead to the Borrower invoking defences against the Issuer or the Security Trustee, as the case may be, for the amounts so received by the Seller as further discussed under *Set-off or defences* below.

#### *Insolvency of the Insurance Companies*

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

#### *Set-off or defences*

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

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

Furthermore, the Borrowers should have a counterclaim. If one of the Insurance Companies is declared bankrupt or is subjected to emergency regulations, the Borrower will have the right to unilaterally terminate the Insurance Policy and to receive a commutation payment (*afkoopsom*). These rights are subject to the Borrower Insurance Pledge (see *Pledge* above). However, despite this pledge it may be argued that the relevant Borrower will be

entitled to invoke a right of set-off for the commutation payment. Apart from the right to terminate the Insurance Policies, the Borrowers are also likely to have the right to rescind the Insurance Policies and to claim restitution of premiums paid and/or supplementary damages. It is uncertain whether such claim is subject to the Borrower Insurance Pledge. If not, the Borrower Insurance Pledge would not obstruct a right of set-off with such claim by the Borrowers.

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

#### *Life Mortgage Loans*

In respect of Life Mortgage Loans the Issuer has been advised that in a situation where Borrowers are not able to recover their claims under their Life Insurance Policies as a result of the relevant Insurance Company being declared bankrupt or becoming subject to emergency regulations, the risk that the courts will honour any set-off or other defences made by the Borrowers, as described above, is remote. However, the possibility that the courts nevertheless honour such set-off or other defences cannot be disregarded.

The above view is based on the fact that (i) the relevant Insurance Companies and the Seller are not the same entity; therefore, the legal requirement for set-off that both the debt and the claim are owed and due to the same entity is not met, (ii) such Insurance Companies do not form part of the same group of companies to which the Seller belong, and the statements made by the Seller that (iii) there are no marketing ties between the Seller and the Insurance Companies, (iv) the Life Mortgage Loan and the relevant Life Insurance Policy are not sold as one single package, i.e. the Borrowers have a free choice as to the Insurance Company with which they will take out a Life Insurance Policy in relation to their mortgage loan to be entered into with the Seller, provided that any such insurance company selected is established in the Netherlands (or acting through an establishment in the Netherlands) and (v) there is no connection, whether from a legal or commercial view, between the Life Mortgage Loans and the relevant Life Insurance Policies other than the relevant Borrower Insurance Pledge and Beneficiary Rights.

#### **Enforcement of Dutch security rights**

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

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

To the extent that the Mortgage 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 Issuer Rights Pledge Agreement and Issuer Accounts Pledge Agreement may be regarded as future receivables. This would for example apply to amounts paid to the Issuer Accounts following the Issuer's bankruptcy or suspension of payments. With respect to Beneficiary Rights, reference is made to the section *Appointment of beneficiary* under *Insurance Policies* above.

#### **Interest rate reset rights**

The Issuer has been advised that a good argument can be made that the right to reset the interest rate after the termination of the fixed interest period, the Portfolio 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 Seller, the co-operation of the bankruptcy trustee (in bankruptcy) or administrator (in emergency regulations) would be required to reset the interest rates. It is uncertain whether or when such co-operation will be forthcoming.

#### **Risk related to reduced value of investments and incomplete or misleading promotional materials**

The value of investments made by the Insurance Companies in connection with the Insurance Policies, may not

provide the Borrower with sufficient proceeds to fully redeem the related Mortgage Receivables at their maturity. Further, if the development of the value of the investments made under the Life Insurance Policies is not in line with the expectations of a Borrower, such Borrower may try to invoke set-off or other defences against the Sellers or the Issuer, as the case may be, by arguing that he has not been properly informed of the risks involved in the investments. The merits of any such claim will, to a large extent, depend on the manner in which the relevant Life Mortgage Loans have been marketed by the Seller and/or its intermediaries and the promotional material provided to the Borrower. In this respect it is further of note that, in the summer of 2006, the Authority for the Financial Markets has published a report on so-called unit-linked or investment insurance policies whereby the premiums are invested in certain investment funds selected by the insured. The proceeds of the insurance policy are therefore dependent on the return of such investment funds. According to the report the promotional material provided by some of the insurance companies to its customers was not complete and misleading in some respects (i.e. in respect of transparency of costs). The report was followed by a letter of the Minister of Finance and a report issued by the Committee De Ruiters in December 2006 containing recommendations to the insurance companies to improve the information provided to the customers and to compensate the customers which were misled. This may instigate customers to make claims for compensation against the relevant insurance companies or dissolving or terminating the insurance policies taken out with such insurance companies. The above mentioned investment insurance policies may also be linked to Life Mortgage Loans granted by the Seller. If any of the Borrowers under such Life Mortgage Loans makes a claim for compensation against the relevant Insurance Company and the Insurance Company does not pay such claim, the Borrower may subsequently try to invoke set-off rights against the Seller and/or the Issuer. If a Borrower, for the reasons described in this paragraph, dissolves or terminates the relevant Insurance Policy, this will affect the collateral granted to secure the relevant Life Mortgage Loans (i.e. the Borrower Insurance Pledges and the Beneficiary Rights would cease to exist).

### **Long leases**

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

### **Risks of losses associated with declining property values**

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

### **Subordination**

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

If, upon default by the Borrowers, 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 such losses on the Portfolio Mortgage Loans will be allocated as described in *Credit Structure* below.

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

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

### **Act on the Financial Supervision**

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

Portfolio Mortgage Loans to a licensed entity and, in such case, it will not hold a license itself, the Issuer will have to terminate its activities and settle (*afwikkelen*) its existing agreements. There are a number of licensed entities in the Netherlands to which the Issuer could outsource the servicing and administration activities. It cannot be said with certainty whether any of these entities will be willing to perform these activities on behalf of the Issuer if this materialises.

#### **EU Council Directive on taxation of savings income**

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

#### **Change of law**

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

#### **The Issuer will not be obliged to gross-up for taxes and may redeem the Notes**

As provided for in Condition 7, if any withholding of, or deductions for, or on account of, any present or future taxes, duties or charges of whatever kind is imposed by, or on behalf of, the Netherlands or any other jurisdiction or any political subdivision or any authority therein or thereof having power to tax, the Issuer or the Paying Agent (as applicable) will make the required withholding or deduction of such taxes, duties or charges, as the case may be, and shall not be obliged to pay any additional amount to the Noteholders. In addition, when the Issuer is required to make any withholding or deduction for, or on account of, any taxes, duties, or charges of whatsoever nature from payments with respect to any Class of Notes as a result of any change in, or amendment to, the application of the laws or regulations of the Netherlands or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax then the Issuer has the right to redeem, subject to Condition 9(b), the Notes at their Principal Amount Outstanding. If this occurs, this will have an impact on the maturity of the Notes.

#### **DSB Bank N.V. as Noteholder**

On the Closing Date, DSB Bank N.V. will purchase 100 per cent. of the Notes to be issued by the Issuer. For so

long as these Notes are held by DSB Bank N.V., it will be entitled to all of the rights to which the holders of such Notes are entitled (including, without limitation, voting rights). By reason of its roles as, *inter alia*, Seller and MPT Provider, DSB Bank N.V.'s interests, with respect to the holding of such Notes, may be different from that of other Noteholders. So long as DSB Bank N.V. continues to hold the Notes, in the exercise of the rights to which it is entitled under the Notes, it will be in its interests to minimise any adverse impact or potential adverse impact on DSB Bank N.V. in its other capacities.

### **Reliance on third parties**

Counterparties to the Issuer may not perform their obligations under the Transaction Documents, which may result in the Issuer not being able to meet its obligations. It should be noted that there is a risk that, *inter alia*, either (a) DSB Bank N.V. in its capacity as Seller and MPT Provider, (b) ABN AMRO Bank N.V., acting through its London Branch in its capacity as Swap Counterparty, (c) ING Bank N.V. in its capacity as Floating Rate GIC Provider, (d) ABN AMRO Bank N.V. in its capacity as Liquidity Facility Provider, (e) ABN AMRO Bank N.V. in its capacity as Paying Agent, will not perform its obligations vis-à-vis the Issuer and (f) Trust International Management (T.I.M.) B.V. as Director of the Issuer and Stichting Holding Convent 2007-I, Europe Management Company B.V. as Director of the Security Trustee and Trust International Management (T.I.M.) B.V. as Issuer Administrator, will not perform their obligations under the relevant Management Agreement and the Issuer Administration agreement, respectively.

### **Swap Agreement**

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

The Swap Agreement will be terminable by one party if (i) an Event of Default or Termination Event (both as defined therein) occurs in relation to the other party, (ii) it becomes unlawful for either party to perform its obligations under the Swap Agreement or (iii) an Enforcement Notice is served. Events of Default in relation to the Issuer will be limited to (i) non-payment under the Swap Agreement and (ii) insolvency events. Upon such termination the relevant party will quantify, in accordance with accepted market practice, any loss or gain which would be suffered by or accrued to it by closing out its position and a settlement payment will be made. Any such termination payment could, if interest rates have changed significantly, be substantial. As a result, unless a replacement swap is entered into, the Issuer may have insufficient funds to make payments under the Notes.



## KEY PARTIES AND SUMMARY OF PRINCIPAL FEATURES

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

### KEY PARTIES:

**Issuer:** Convent 2007-I B.V., incorporated under the laws of the Netherlands as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*), having its corporate seat in Amsterdam, the Netherlands, and registered with the Commercial Register of the Chamber of Commerce for Amsterdam under number 34288987 (the "**Issuer**"). The entire issued share capital of the Issuer is held by Stichting Holding Convent 2007-I.

**Seller:** DSB Bank N.V., incorporated under the laws of the Netherlands as a public company with limited liability (*naamloze vennootschap*), having its corporate seat in Wognum, the Netherlands and registered with the Commercial Register of the Chamber of Commerce for Noord-West Holland under number 37088128 (the "**Seller**"). The entire issued share capital of DSB Bank N.V. is held by DSB Ficoholding N.V.

### Issuer

**Administrator** Trust International Management (T.I.M.) B.V., incorporated under the laws of the Netherlands as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*), having its corporate seat in Amsterdam, the Netherlands and registered with the Commercial Register of the Chamber of Commerce for Haaglanden under number 33160097 (the "**Issuer Administrator**").

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

### Substitute MPT

**Provider:** Stater Nederland B.V., incorporated under the laws of the Netherlands as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*), having its corporate seat in Amersfoort, the Netherlands and registered with the Commercial Register of the Chamber of Commerce for Gooi- en Eemland under number 08716725 (the "**Substitute MPT Provider**").

### Security

**Trustee:** Stichting Security Trustee Convent 2007-I, established under the laws of the Netherlands as a foundation (*stichting*), having its seat in Amsterdam, the Netherlands,

and registered with the Commercial Register of the Chamber of Commerce for Amsterdam under number 34289016 (the "**Security Trustee**").

**Stichting Holding  
Convent 2007-I:**

Stichting Holding Convent 2007-I, established under the laws of the Netherlands as a foundation (*stichting*), having its corporate seat in Amsterdam, the Netherlands, and registered with the Commercial Register of the Chamber of Commerce for Amsterdam under number 34288310.

**Directors:**

Trust International Management (T.I.M.) B.V., being the sole director of each of the Issuer and Stichting Holding Convent 2007-I and Europe Management Company B.V., being the sole director of the Security Trustee (the "**Directors**"). The Directors belong to the same group of companies.

**Swap**

**Counterparty:**

ABN AMRO Bank N.V., incorporated under the laws of the Netherlands as a public company with limited liability (*naamloze vennootschap*), having its corporate seat in Amsterdam, the Netherlands and registered with the Commercial Register of the Chamber of Commerce for Amsterdam under number 33002587, acting through its London Branch (the "**Swap Counterparty**").

**Floating Rate**

**GIC Provider:**

ING Bank N.V., incorporated under the laws of the Netherlands as a public company with limited liability (*naamloze vennootschap*), having its corporate seat in Amsterdam, the Netherlands and registered with the Commercial Register of the Chamber of Commerce for Amsterdam under number 33031431 (the "**Floating Rate GIC Provider**").

**Liquidity Facility**

**Provider:**

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

**Paying Agent:**

ABN AMRO Bank N.V. (the "**Paying Agent**").

**Reference**

**Agent:**

ABN AMRO Bank N.V. (the "**Reference Agent**").

**Arranger:**

Merrill Lynch International, incorporated under the laws of England and Wales, having its registered office in London, United Kingdom (the "**Arranger**").

**Notes Purchaser:**

DSB Bank N.V. (the "**Notes Purchaser**").

**Clearing**

**Institutions:** Euroclear and Clearstream, Luxembourg (the "**Clearing Institutions**").

**Listing**

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

**Rating Agency:**

Standard & Poor's Rating Services, a division of The McGraw-Hill Group of Companies, Inc. (the "**Rating Agency**").

**THE NOTES:****Notes:**

The € 456,750,000 Senior Class A Mortgage-Backed Notes due 2043 (the "**Senior Class A Notes**"), the € 15,750,000 Mezzanine Class B Mortgage-Backed Notes due 2043 (the "**Mezzanine Class B Notes**"), the € 15,250,000 Mezzanine Class C Mortgage-Backed Notes due 2043 (the "**Mezzanine Class C Notes**"), the € 12,250,000 Junior Class D Mortgage-Backed Notes due 2043 (the "**Junior Class D Notes**") and the € 11,000,000 Subordinated Class E Notes due 2043 (the "**Subordinated Class E Notes**") and together with the Senior Class A Notes, the Mezzanine Class B Notes, the Mezzanine Class C Notes and the Junior Class D Notes, the "**Notes**") will be issued by the Issuer on 21 December 2007 (or such later date as may be agreed between the Issuer and the Notes Purchaser) (the "**Closing Date**").

**Issue Price:**

The issue price of each Class of Notes will be 100 per cent.

**Denomination:**

The Notes will be issued in denominations of € 50,000.

**Status and****Ranking:**

The Notes of each Class (as defined in the Conditions) rank *pari passu* without any preference or priority among Notes of the same Class. In accordance with the Conditions and the Trust Deed (as defined below): (i) payments of principal and interest on the Mezzanine Class B Notes are subordinated to, *inter alia*, payments of principal and interest on the Senior Class A Notes, (ii) payments of principal and interest on the Mezzanine Class C Notes are subordinated to, *inter alia*, payments of principal and interest on the Senior Class A Notes and the Mezzanine Class B Notes, (iii) payments of principal and interest on the Junior Class D Notes are subordinated to, *inter alia*, payments of principal and interest on the Senior Class A Notes, the Mezzanine Class B Notes and the Mezzanine Class C Notes, and (iv) payments of principal and interest on the Subordinated Class E Notes are subordinated to, *inter alia*, payments of principal and interest on the Senior Class A Notes, the Mezzanine Class B Notes, the Mezzanine Class C Notes and the Junior Class D Notes provided that after satisfaction of the Pro Rata Amortisation Criteria and until delivery of an Enforcement Notice payment of

principal on all Notes (other than the Subordinated Class E Notes) will be made on a pari passu and pro rata basis in accordance with the Pro Rata Amortisation Priority of Payments (as defined below). See further *Terms and Conditions of the Notes* below. The obligations of the Issuer in respect of the Notes will rank behind the obligations of the Issuer in respect of certain items set forth in the applicable priority of payments. See further *Credit Structure* below.

**Interest:**

Interest on the Notes will accrue from (and including) the Closing Date by reference to successive interest periods (each a "**Quarterly Interest Period**") and will be payable quarterly in arrear in euro in respect of the Principal Amount Outstanding (as defined in the Conditions) on the 17th day of March, June, September and December of each year, or, if such day is not a Business Day (as defined below), the next succeeding Business Day, unless such Business Day falls in the next succeeding calendar month in which event the Business Day immediately preceding such 17th day is the relevant Business Day (each such day being a "**Quarterly Payment Date**"). A "**Business Day**" means a day on which banks are open for business in Amsterdam and London, provided that such day is also a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer System ("**TARGET System**") or any successor thereto is operating credit or transfer instructions in respect of payments in euro. Each successive Quarterly Interest Period will commence on (and include) a Quarterly Payment Date and end on (but exclude) the next succeeding Quarterly Payment Date, except for the first Quarterly Interest Period which will commence on (and include) the Closing Date and end on (but exclude) the Quarterly Payment Date falling in March 2008. The interest will be calculated on the basis of the actual number of days elapsed in a Quarterly Interest Period divided by 360 days.

Interest on the Notes for the first Quarterly Interest Period will accrue from (and include) the Closing Date at an annual rate equal to the linear interpolation between the Euro Interbank Offered Rate ("**Euribor**") for two months deposits in euro and the Euribor for three-months deposits in euro (determined in accordance with Condition 4) plus a margin per annum which will be 0.32 per cent. for the Senior Class A Notes, 0.60 per cent. for the Mezzanine Class B Notes, 0.84 per cent. for the Mezzanine Class C Notes, 1.44 per cent. for the Junior Class D Notes and 4.50 per cent. for the Subordinated Class E Notes.

Interest on the Notes for each successive Quarterly Interest Period will accrue at an annual rate equal to the Euribor for three-months deposits in euro (determined in accordance with Condition 4) plus a margin per annum which will, up to (but excluding) the Quarterly Payment Date falling in December 2012 (the "**First Optional Redemption Date**"), be 0.32 per cent. for the Senior Class A Notes, 0.60 per cent. for the Mezzanine Class B Notes, 0.84 per cent. for the Mezzanine Class C Notes, 1.44 per cent. for the Junior Class D Notes and 4.50 per cent. for the Subordinated Class E Notes.

**Interest Step-up:** If on the First Optional Redemption Date, the Notes of any Class have not been redeemed in full, the margin for each Class of Notes (other than for the Subordinated Class E Notes) on such date will increase and the interest applicable to each Class of Notes will then be equal to the sum of Euribor for three-months deposits in euro, payable by reference to Quarterly Interest Periods on each Quarterly Payment Date, plus a margin per annum which is 0.64 per cent. for the Senior Class A Notes, 1.20 per cent. for the Mezzanine Class B Notes, 1.68 per cent. for the Mezzanine Class C Notes, 2.88 per cent. for the Junior Class D Notes and 9.00 per cent. for the Subordinated Class E Notes.

**Final Maturity**

**Date:** Unless previously redeemed as provided below, the Issuer will redeem any remaining Notes outstanding on the Quarterly Payment Date falling in December 2043 at their respective Principal Amount Outstanding on such date, subject to and in accordance with the Conditions.

**Payment of  
Principal on  
the Notes:**

Prior to the delivery of an Enforcement Notice (as defined below) and except in the circumstances described in the next paragraph, the Issuer shall on each Quarterly Payment Date apply the Notes Redemption Available Amounts (as defined below), subject to and in accordance with the Conditions and the Principal Priority of Payments, (i) *firstly*, towards redemption, at their respective Principal Amount Outstanding, of the Senior Class A Notes, until fully redeemed, (ii) *secondly*, towards redemption, at their respective Principal Amount Outstanding, of the Mezzanine Class B Notes, until fully redeemed, (iii) *thirdly*, towards redemption, at their respective Principal Amount Outstanding, of the Mezzanine Class C Notes, until fully redeemed, and (iv) *fourthly*, towards redemption, at their respective Principal Amount Outstanding, of the Junior Class D Notes, until fully redeemed.

However, on the First Optional Redemption Date and each Quarterly Payment Date thereafter until the delivery of an Enforcement Notice the Notes Redemption Available Amounts will be applied, *pari passu* and pro rata, towards redemption of each Class of Notes (other than the Subordinated Class E Notes), at their respective Principal Amount Outstanding (the "**Pro Rata Amortisation**"), subject to and in accordance with the Pro Rata Amortisation Priority of Payments, provided that on such Quarterly Payment Date (i) the aggregate Principal Amount Outstanding of the Notes (other than the Senior Class A Notes) relative to the aggregate Principal Amount Outstanding of the Senior Class A notes at that point in time is at least 2.5 times the aggregate Principal Amount

Outstanding of the Notes (other than the Senior Class A Notes) relative to the aggregate Principal Amount Outstanding of the Senior Class A Notes at the Closing Date, (ii) there are no balances standing to the debit of the Principal Deficiency Ledger, (as defined below), (iii) no drawings are to be made under the Liquidity Facility (as defined below), (iv) the balance standing to the credit of the Reserve Account equals the Reserve Account Target Level (both as defined below) and (v) the aggregate principal amount outstanding under the Portfolio Mortgage Loans that are in arrears for more than sixty (60) days (i.e. sixty (60) days (or more) delinquent loans) does not exceed 3.00 per cent. of the aggregate principal amount outstanding under all Portfolio Mortgage Loans (collectively the "**Pro Rata Amortisation Criteria**").

Payment of principal on the Subordinated Class E Notes will be made subject to and in accordance with the Conditions and the applicable priority of payments on each Quarterly Payment Date to the extent Notes Interest Available Amounts are available in accordance with the Interest Priority of Payments as set forth in the Trust Deed (as defined below).

**Optional  
Redemption  
of the Notes:**

The Issuer may (but is not obliged to) redeem, subject to Condition 9(b), all (but not only some of) the Notes (other than the Subordinated Class E Notes) on the First Optional Redemption Date and on each Quarterly Payment Date thereafter (each an "**Optional Redemption Date**") at their Principal Amount Outstanding (as defined in Condition 6) plus accrued but unpaid interest thereon, after payment of the amounts to be paid in priority to such Notes.

**Redemption  
following  
Seller Clean-up Call:**

In addition, on each Quarterly Payment Date following the exercise by the Seller of its Seller Clean-up Call Option (as defined below), the Issuer shall redeem, subject to Condition 9(b), all (but not only some of) the Notes (other than the Subordinated Class E Notes) at their Principal Amount Outstanding plus accrued but unpaid interest thereon, after payment of the amounts to be paid in priority to the Notes.

**Redemption  
following  
regulatory call:**

On each Quarterly Payment Date the Seller has the option but not the obligation to repurchase the Mortgage Receivables upon the occurrence of a Regulatory Change (as defined in Condition 6 (g)) (the "**Regulatory Call Option**").

The Issuer has undertaken in the Mortgage Receivables Purchase Agreement to sell

and assign the Mortgage Receivables to the Seller, or any third party appointed by the Seller at its sole discretion, in the event that the Seller exercises the Regulatory Call Option. The Initial Purchase Price will be equal to the outstanding principal amount of the Mortgage Receivables. If the Seller exercises the Regulatory Call Option, then the Issuer shall redeem, subject to Condition 9(b), all (but not only some of) the Notes (other than the Subordinated Class E Notes) at their Principal Amount Outstanding plus accrued but unpaid interest thereon up to and including the date of redemption, subject to and in accordance with the Conditions and after payment of the amounts to be paid in priority to such Notes. See *Credit Structure* below.

**Redemption  
for tax**

**reasons:**

The Issuer may (but is not obliged to) redeem all (but not only some of) the Notes (other than the Subordinated Class E Notes) at their Principal Amount Outstanding plus accrued but unpaid interest thereon up to and including the date of redemption, subject to and in accordance with the Conditions, including, without limitation, Condition 9(b), if (a) the Issuer or the Paying Agent has become or would become obligated to make any withholding or deduction from payments in respect of any of the Notes (although the Issuer will not have any obligation to pay additional amounts in respect of any such withholding or deduction) and/or (b) the Issuer has become or would become subject to any limitation of the deductibility of interest on any of the Notes, as a result of (i) a change in any laws, rules or regulations or in the interpretation or administration thereof, or (ii) any act taken by any taxing authority on or after the issue date of the Notes.

**Method of  
Payment:**

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

**Withholding  
tax:**

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

**Use of proceeds:**

The Issuer will apply the proceeds from the issue of the Notes (other than the

Subordinated Class E Notes) (i) towards payment of the Initial Purchase Price for the Mortgage Receivables (both as described below) purchased by the Issuer on the Closing Date pursuant to the provisions of an agreement (the "**Mortgage Receivables Purchase Agreement**") to be entered into on 19 December 2007 (the "**Signing Date**") and made between the Seller, the Issuer and the Security Trustee and (ii) to make a deposit into the Pre-Funding Account (as defined below). See further *Mortgage Receivables Purchase Agreement* below.

The proceeds from the issue of the Subordinated Class E Notes will be used to fund the Reserve Account (as defined below).

**Security for  
the Notes:**

The Noteholders will benefit from the security created by the Issuer in favour of the Security Trustee pursuant to the trust deed entered into on the Signing Date between the Issuer, the Security Trustee and Stichting Holding Convent 2007-I (the "**Trust Deed**") and the Pledge Agreements (as defined in *Description of Security* below) (together with the Trust Deed, the "**Security Documents**").

Under the Trust Deed, the Issuer will undertake to pay to the Security Trustee, under the same terms and conditions, an amount equal to the aggregate of all its undertakings, liabilities and obligations to the Notes Purchaser as initial Noteholder, the Directors, the MPT Provider, the Issuer Administrator, the Paying Agent, the Reference Agent, the Liquidity Facility Provider, the Swap Counterparty, the Noteholders and the Seller (the "**Security Beneficiaries**") pursuant to the relevant Transaction Documents, provided that every payment in respect of such Transaction Documents for the account of or made to the Security Beneficiaries directly shall operate in satisfaction pro tanto of the corresponding covenant in favour of the Security Trustee (such a payment undertaking and the obligations and liabilities resulting from it being referred to as the "**Parallel Covenant**").

The Notes will be secured indirectly, through the Security Trustee, by (i) a first ranking pledge granted by the Issuer to the Security Trustee over the Mortgage Receivables, including all rights ancillary thereto in respect of the Portfolio Mortgage Loans (as defined below) and the Beneficiary Rights (as defined below), and (ii) a first ranking pledge by the Issuer to the Security Trustee over the Issuer's rights under or in connection with the Mortgage Receivables Purchase Agreement, the Swap Agreement, the MPT Agreement, the Floating Rate GIC, the Liquidity Facility Agreement, the Beneficiary Waiver Agreement, and in respect of the Issuer Accounts (as defined below).

The amounts payable by the Security Trustee to the Security Beneficiaries under the



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

## **MORTGAGE RECEIVABLES AND PRINCIPAL CONTRACTS:**

### **Mortgage**

#### **Receivables:**

Under the Mortgage Receivables Purchase Agreement, the Issuer will purchase and accept the assignment of any and all rights and claims (the "**Mortgage Receivables**", which term for the avoidance of doubt will include upon purchase thereof any Further Advance Receivables, Replacement Receivables, Replenishment Receivables and New Mortgage Receivables) of the Seller against certain borrowers (the "**Borrowers**") under or in connection with certain mortgage loans (which may consist of one or more loan parts (*leningdelen*)) originated by the Seller and secured by a right of mortgage (*hypotheekrecht*) (each such right of mortgage a "**Mortgage**" and each such loan a "**Mortgage Loan**"). The Mortgage Receivables relating to Life Mortgage Loans (as defined below) will hereinafter be referred to as the "**Life Mortgage Receivables**". The Seller has the benefit of Beneficiary Rights which entitles the Seller to receive final payment under the relevant Insurance Policies, which payment is to be applied towards redemption of the Mortgage Receivables. Under the Mortgage Receivables Purchase Agreement, the Seller will assign such Beneficiary Rights to the Issuer and the Issuer will accept such assignment.

On the Closing Date the Seller will sell and assign to the Issuer and the Issuer will purchase and accept assignment of the Mortgage Receivables resulting from the Portfolio Mortgage Loans forming part of the Initial Portfolio together with the Beneficiary Rights relating thereto. The Issuer will at the same time create a first right of pledge on such Mortgage Receivables and the Beneficiary rights relating thereto in favour of the Security Trustee.

### **New Mortgage**

#### **Receivables:**

As from the Closing Date up to and including the Quarterly Payment Date falling in March 2008 (the "**Pre-Funding Period**"), the Seller may on any Business Day sell and assign to the Issuer additional Mortgage Receivables ("**New Mortgage Receivables**") to the extent the amounts standing to the credit of the Pre-Funding Account are sufficient to pay the Initial Purchase Price for such Mortgage Receivables. The Issuer shall then purchase and accept assignment of such Mortgage Receivables and the

Beneficiary Rights relating thereto, provided that certain conditions are met, including, without limitation, that each New Mortgage Receivable and the relevant Portfolio Mortgage Loan meets the Mortgage Loan Criteria (as defined below) and the Additional Purchase Criteria (as set forth under *Mortgage Receivables Purchase Agreement* below).

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

**Further Advance  
Receivables:**

The Mortgage Receivables are secured by Mortgages that will also secure any further advances to be granted by the Seller to the relevant Borrower, subject to the terms and conditions of the relevant Mortgage Loan (the "**Mortgage Conditions**") where further advances include (i) a withdrawal of monies under a Mortgage Loan which was not previously disbursed and which is secured by the same Mortgage as the loan which was previously disbursed under such Mortgage Loan (*verhoogde inschrijving*) and (ii) withdrawals of monies which were previously repaid to redeem the Mortgage Loan (*heropname*) ((i) and (ii) hereinafter collectively defined a "**Further Advance**"). The Mortgage Receivables Purchase Agreement provides that as from the Closing Date up to and including the Quarterly Payment Date immediately preceding the First Optional Redemption Date, if, subject to the Mortgage Conditions the Seller has agreed with a Borrower to grant a Further Advance, the Issuer will on the next succeeding Quarterly Payment Date apply the Notes Principal Available Amounts (excluding item (iv) thereof), up to a maximum amount equal to the Notes Principal Available Amounts (excluding item (iv) thereof) less the Interest Shortfall Amount (as defined below) (if any) and less the amounts applied towards payment of the Initial Purchase Price of any Replacement Receivables to purchase the mortgage receivables resulting from the granting of such Further Advance (the "**Further Advance Receivables**") and the Beneficiary Rights relating thereto provided, however, that the Mortgage Loan Criteria and the Further Advance Criteria are met (as described under *Mortgage Receivables Purchase Agreement* below).

When a Further Advance is granted to the relevant Borrower and the Issuer purchases and accepts assignment of the relevant Further Advance Receivable and the Beneficiary Rights relating thereto, the Issuer will at the same time create a first right of pledge on such Further Advance Receivable and Beneficiary Rights in favour of the Security Trustee.

If, *inter alia*, (i) the Further Advance Receivables do not meet the Further Advance

Criteria or (ii) the Issuer does not have sufficient funds available for payment of the Initial Purchase Price for the Further Advance Receivables, the Seller shall repurchase and accept the re-assignment of the Mortgage Receivables resulting from the Portfolio Mortgage Loan in respect of which a Further Advance is granted.

**Replacement  
Receivables:**

The Mortgage Receivables Purchase Agreement provides that if (i) any of the representations and warranties relating to the Portfolio Mortgage Loans and the Mortgage Receivables proves to have been untrue or incorrect, (ii) in respect of any Further Advance Receivables, the Mortgage Loan Criteria and/or the Further Advance Criteria are not met, or (iii) any Portfolio Mortgage Loan no longer meets the Mortgage Loan Criteria as a result of an amendment of the terms of the Portfolio Mortgage Loan, unless such amendment is made as part of the enforcement procedures or is otherwise made as part of a restructuring or renegotiation of the relevant Portfolio Mortgage Loan due to a deterioration of the credit quality of the relevant Borrower, the Seller shall, if such matter is not capable of being remedied or is not remedied, at the Seller's expense, repurchase and accept re-assignment of the relevant Mortgage Receivable for a price equal to the outstanding principal amount of such Mortgage Receivable together with interest accrued up to but excluding the date of repurchase and re-assignment (each such amount (exclusive of the interest amount and any costs) a "**Replacement Available Amount**"). From the Closing Date up to and including the Quarterly Payment Date immediately preceding the First Optional Redemption Date, the Issuer will on the Quarterly Payment Date immediately following the date of repurchase apply the Notes Principal Available Amounts (excluding item (iv) thereof) up to a maximum amount equal to the lesser of (i) the aggregate Replacement Available Amounts and (ii) the Notes Principal Available Amounts (excluding item (iv) thereof) less the Interest Shortfall Amount (if any), to purchase and accept assignment from the Seller any additional mortgage receivables ("**Replacement Receivables**") and the Beneficiary Rights relating thereto, subject to the fulfilment of certain conditions and to the extent offered by the Seller. Such conditions include, *inter alia*, the requirement that any Replacement Receivables should meet the Mortgage Loan Criteria (as defined below) set forth in the Mortgage Receivables Purchase Agreement, and that the purchase of such Replacement Receivables does not adversely affect the then current rating of the Notes (other than the Subordinated Class E Notes) by the Rating Agency (see *Mortgage Receivables Purchase Agreement*).

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

## **Replenishment**

### **Receivables:**

The Mortgage Receivables Purchase Agreement provides that as from the Closing Date up to and including the Quarterly Payment Date falling in December 2010, the Issuer will on each Quarterly Payment Date apply the Notes Principal Available Amounts (excluding item (iv) thereof), up to a maximum amount equal to the Notes Principal Available Amounts (excluding item (iv) thereof) less the Interest Shortfall Amount (if any) and less the amounts applied towards payment of the Initial Purchase Price of the Further Advance Receivables and/or Replacement Receivables (if any), to purchase any additional mortgage receivables from the Seller ("**Replenishment Receivables**") and the Beneficiary Rights relating thereto, subject to the fulfilment of certain conditions and to the extent offered by the Seller. Such conditions include, *inter alia*, the requirement that any Replenishment Receivables should meet the Mortgage Loan Criteria set forth in the Mortgage Receivables Purchase Agreement, that the Replenishment Criteria are met and that the purchase of such Replenishment Receivables does not adversely affect the then current rating of the Notes (other than the Subordinated Class E Notes) by the Rating Agency (see *Mortgage Receivables Purchase Agreement*). For the avoidance of doubt, the Seller will not be obliged to make such offer.

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

## **Mandatory repurchase of Mortgage**

### **Receivables:**

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

- (i) promptly following the expiration of the relevant remedy period (if any), if any of the representations and warranties given by the Seller in respect of the relevant Portfolio Mortgage Loan and/or the relevant Mortgage Receivable, including the representation and warranty that the Portfolio Mortgage Loan or, as the case may be, the Mortgage Receivable meets the Mortgage Loan Criteria, are untrue or incorrect;
- (ii) on the Quarterly Payment Date immediately following the date on which the Seller agrees with a Borrower to grant a Further Advance under the relevant Portfolio Mortgage Loan, *inter alia*, if and to the extent that (a) the Further Advance Receivables do not meet the Further Advance Criteria or (b) no sufficient funds are available at the Issuer for payment of the Initial Purchase Price of the relevant Further Advance Receivables; and
- (iii) on the first Business Day of the calendar month immediately following the date

on which the Seller agrees with a Borrower to amend the terms of the Portfolio Mortgage Loan and as a result thereof such Portfolio Mortgage Loan no longer meets certain criteria set forth in the Mortgage Receivables Purchase Agreement and/or the MPT Agreement, unless such amendment is made as part of the enforcement procedures to be complied with upon a default by the Borrower under the relevant Portfolio Mortgage Loan or is otherwise made as part of a restructuring or renegotiation of the relevant Portfolio Mortgage Loan due to a deterioration of the credit quality of the Borrower of such Portfolio Mortgage Loan.

In addition, the Seller may (without the obligation to do so) repurchase and accept re-assignment of all (but not only part of) the Mortgage Receivables on any Quarterly Payment Date on which the principal amount due on the Mortgage Receivables then outstanding is less than 10 per cent. of the sum of (i) the aggregate principal amount of the Mortgage Receivables outstanding on the Closing Date and (ii) the aggregate principal amount of the New Mortgage Receivables outstanding on the date such New Mortgage Receivables were purchased and assigned to the Issuer (the "**Seller Clean-up Call Option**"). The purchase price will be calculated as described in *Sale of Mortgage Receivables* below.

#### **Portfolio Mortgage Loans:**

The Mortgage Receivables to be sold by the Seller pursuant to the Mortgage Receivables Purchase Agreement will relate to Mortgage Loans secured by a first, or first and sequentially lower, ranking Mortgage over (i) real estate (*onroerende zaak*), (ii) an apartment right (*appartementsrecht*) on real property, or (iii) a long lease (*recht van erfpacht*) (each such asset, a "**Mortgaged Asset**") situated in the Netherlands and entered into by the Seller and the relevant Borrowers which meet the criteria for such Mortgage Loans set forth in the Mortgage Receivables Purchase Agreement (the "**Portfolio Mortgage Loans**"). The Portfolio Mortgage Loans, in whole or in part, will consist of (i) Interest-only Mortgage Loans (*aflossingsvrije hypotheken*), (ii) Annuity Mortgage Loans (*annuïteitenhypotheken*), or (iii) Life Mortgage Loans (*levenhypotheken*) (all as defined below). See further *Description of Portfolio Mortgage Loans* below.

Each Portfolio Mortgage Loan shall further have the benefit of a risk insurance policy (i.e. an insurance policy which pays out upon the death of the insured) (a "**Risk Insurance Policy**") taken out by the Borrower with an insurance company established in the Netherlands (each insurance company so selected an "**Insurance Company**") in the event and to the extent the relevant Portfolio Mortgage Loan exceeds 90 per cent. of the foreclosure value (*executiewaarde*). In the case of Portfolio Mortgage Loans consisting of more than one loan part including a Life Mortgage Loan, such Risk Insurance Policy

will be included in the relevant Life Insurance Policy (as defined below).

#### **Interest-only**

##### **Mortgage Loans:**

A portion of the Portfolio Mortgage Loans or parts thereof will be in the form of interest-only mortgage loans (hereinafter "**Interest-only Mortgage Loans**"). Under an Interest-only Mortgage Loan, the Borrower is not obliged to pay principal towards redemption of the relevant Mortgage Loan (or relevant part thereof) until the earlier of maturity or death of the Borrower. Interest is payable monthly and is calculated on the outstanding balance of the Mortgage Loan (or relevant part thereof).

#### **Annuity Mortgage**

##### **Loans:**

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

#### **Life Mortgage**

##### **Loans:**

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

#### **Sale of Mortgage**

##### **Receivables:**

On the First Optional Redemption Date and any subsequent Optional Redemption Date the Issuer has the right to sell and assign all (but not only part of) the Mortgage Receivables to any party. The purchase price of a Mortgage Receivable shall be at least equal to the outstanding principal amount of such Mortgage Receivable, together with accrued interest due but unpaid and any other amount due under the relevant Portfolio Mortgage Loan, 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 the lesser of (i) an amount equal to the foreclosure value of the Mortgaged Asset or, if no valuation report less than twelve (12) months old is available, the Indexed Foreclosure Value, or (ii) the sum of the outstanding principal amount together with accrued interest due but unpaid and any other amount due under the relevant Portfolio Mortgage Loan. The Issuer shall be required to apply the proceeds of such sale, to the extent relating to principal, towards redemption of the Notes (other than the Subordinated Class E Notes). For these purposes "**Indexed Foreclosure Value**" means the foreclosure value of such Mortgaged Asset as determined upon origination of the relevant Portfolio Mortgage Loan multiplied by the ratio of (i) the average housing price at the date on which the purchase price of such Mortgaged Asset is determined, over (ii) the average housing price at the time of origination of such Mortgaged Asset, as published by the Dutch Association of Real Estate Brokers and Immovable Property Experts (*Nederlandse Vereniging van Makelaars en vastgoeddeskundigen (NVM)*).

#### **MPT**

##### **Agreement:**

Under a mortgage payment transaction provider agreement to be entered into on the Signing Date between the Issuer, the MPT Provider and the Security Trustee (the "**MPT Agreement**"), the MPT Provider will agree to provide administration and management services in relation to the Portfolio Mortgage Loans on a day-to-day basis, including, without limitation, the collection of payments of principal, interest and all other amounts in respect of the Portfolio Mortgage Loans and the implementation of arrears procedures including, if applicable, the enforcement of Mortgages (see further *Mortgage Loan Underwriting and Servicing* and *MPT Agreement and Issuer Administration Agreement* below).

#### **Issuer**

##### **Administration**

##### **Agreement:**

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

#### **Management**

##### **Agreements:**

The Issuer, Stichting Holding Convent 2007-I and the Security Trustee will each enter into a management agreement (together the "**Management Agreements**") with the relevant Director in which the relevant Director will undertake to act as a director of the Issuer, Stichting Holding Convent 2007-I and, the Security Trustee, respectively, and to

perform certain services in connection therewith.

### **Security Beneficiaries**

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

### **CASH FLOW STRUCTURE:**

#### **Transaction**

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

#### **Pre-Funding**

**Account:** The Issuer shall maintain with the Floating Rate GIC Provider an account (the "**Pre-Funding Account**") to which an amount will be credited equal to the net proceeds of the Notes (other than the Subordinated Class E Notes) less the Initial Purchase Price for the Mortgage Receivables purchased by the Issuer on the Closing Date. The balance standing to the credit of the Pre-Funding Account may, subject to certain conditions, including, without limitation, that each New Mortgage Receivable and the relevant Portfolio Mortgage Loan meets the Mortgage Loan Criteria and the Additional Purchase Criteria, be used to purchase New Mortgage Receivables on any Business Day during the Pre-Funding Period. On the Quarterly Payment Date on which the Pre-Funding Period terminates, the balance standing to the credit of the Pre-Funding Account will be drawn by the Issuer to form part of the Notes Principal Available Amounts on that Quarterly Payment Date.

#### **Reserve**

**Account:** The Issuer shall maintain with the Floating Rate GIC Provider an account (the "**Reserve Account**") to which the proceeds of the Subordinated Class E Notes will be credited on the Closing Date. The purpose of the Reserve Account will be to enable the Issuer to



meet the Issuer's payment obligations under items (a) up to and including (n) of the Interest Priority of Payments (as defined below) in the event of a shortfall of the Notes Interest Available Amounts on any Quarterly Payment Date. If and to the extent that the Notes Interest Available Amounts calculated on any Notes Calculation Date exceed the amounts required to meet items (a) up to and including (n) of the Interest Priority of Payments, such excess amount will be used to deposit on the Reserve Account or, as the case may be, to replenish the Reserve Account by crediting such amount to the Reserve Account up to the Reserve Account Target Level (as defined below) on the immediately succeeding Quarterly Payment Date. See *Credit Structure* below.

### **Floating Rate**

#### **GIC:**

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

### **Liquidity Facility**

#### **Agreement:**

On the Signing Date, the Issuer will enter into a 364 day term liquidity facility agreement with the Liquidity Facility Provider (the "**Liquidity Facility Agreement**") under which the Issuer will be entitled, subject to certain conditions, to make drawings if there are shortfalls in the Notes Interest Available Amounts in order to meet items (a) up to and including (n) of the Interest Priority of Payments in full on that Quarterly Payment Date, provided that no drawings may be made to meet items (g), (i), (k) and (m) of the Interest Priority of Payments (as defined below). See *Credit Structure* below.

### **Swap**

#### **Agreement:**

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

### **OTHER:**

#### **Listing:**

Application has been made to list the Notes on Eurolist by Euronext Amsterdam. Listing is expected to take place on or about 21 December 2007.

#### **Rating:**

It is a condition precedent to issuance that, on issue, (i) the Senior Class A Notes be assigned an 'AAA' rating by S&P, (ii) the Mezzanine Class B Notes be assigned an 'AA-' rating by S&P, (iii) the Mezzanine Class C Notes be assigned an 'A-' rating by S&P and

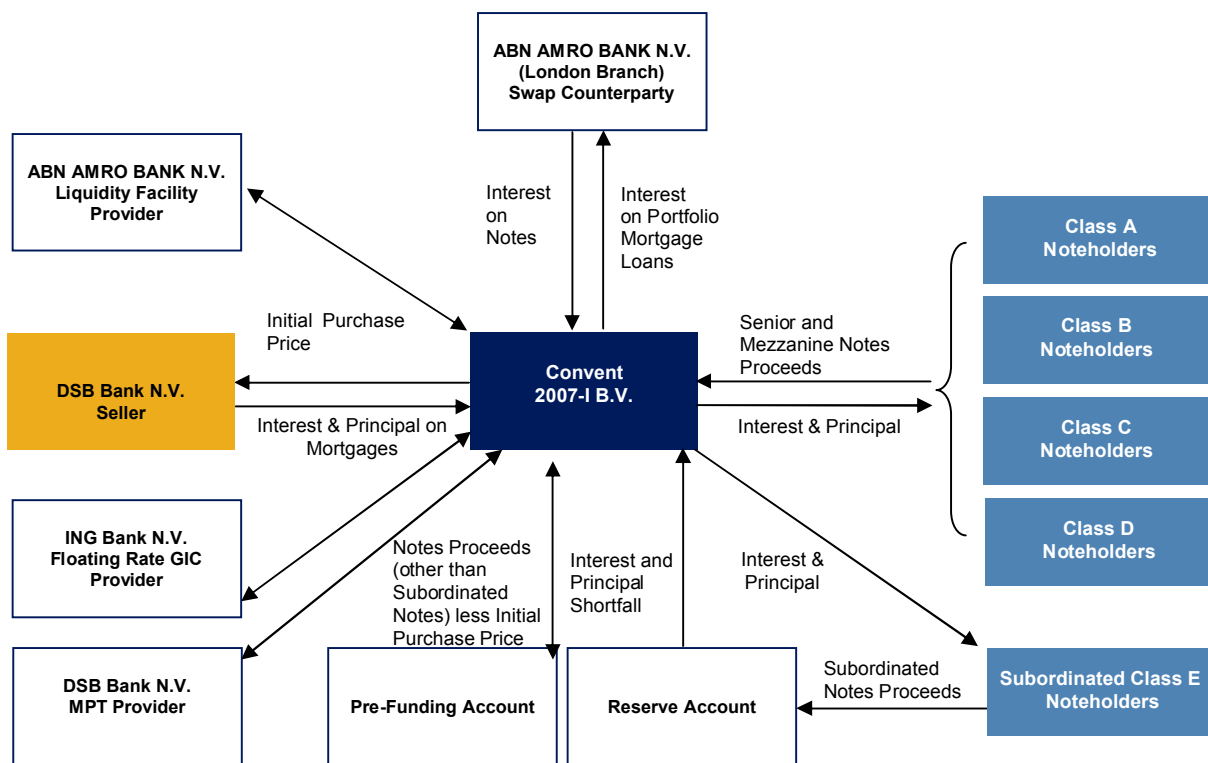
(iv) the Junior Class D Notes be assigned a 'BBB-' rating by S&P. The Subordinated Class E Notes will not be assigned a rating.

**Governing**

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

**Structure**

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



## CREDIT STRUCTURE

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

### **Use of Proceeds**

The Issuer will use the net proceeds from the issue of the Notes (other than the Subordinated Class E Notes) to pay the Initial Purchase Price for the Mortgage Receivables purchased by the Issuer on the Closing Date and to deposit the remaining amount into the Pre-Funding Account which amount may be used by the Issuer during the Pre-Funding Period to pay the Initial Purchase Price for New Mortgage Receivables. The net proceeds from the issue of the Subordinated Class E Notes will be used to fund the Reserve Account.

### **Mortgage Loan Interest Rates**

The Mortgage Loans pay interest on a floating rate basis or fixed rate basis, subject to a reset from time to time. On the Provisional Pool Cut-Off Date (as defined below), the weighted average interest rate of the Mortgage Loans forming part of the Provisional Pool (as defined below) amounted to 4.19 per cent. including promotional rates. The weighted average interest reset period is 7.78 years. Interest rates vary among individual Portfolio Mortgage Loans. The range of interest rates is described further in *Description of Portfolio Mortgage Loans* below.

### **Cash Collection Arrangements**

All payments by the Borrowers of interest and scheduled principal under the Portfolio Mortgage Loans are due on the first day of each calendar month, interest being payable in arrear. Until notification of assignment of the Mortgage Receivables has been made, all payments made by Borrowers will be paid into the relevant bank accounts maintained by the Seller (collectively the "**Collection Accounts**"). On the Closing Date the balances on these accounts are not pledged to any party, other than to the banks at which the accounts are established pursuant to the applicable general terms and conditions. The Collection Accounts will also be used for the collection of monies paid in respect of mortgages other than Portfolio Mortgage Loans and in respect of other monies belonging to the Seller.

On the first, second and third Business Day of each calendar month, the Seller shall transfer (or procure that the MPT Provider transfers on its behalf) all amounts of principal, interest, interest penalties, prepayment penalties and other amounts received by the Seller in respect of the Portfolio Mortgage Loans and paid to the Collection Accounts on or prior to such third Business Day to the Transaction Account. Thereafter and until the last Business Day of the relevant calendar month the Seller shall transfer (or procure that the MPT Provider transfers on its behalf) all amounts of principal, interest, interest penalties, prepayment penalties and other amounts received by the Seller in respect of the Portfolio Mortgage Loans and paid to the Collection Accounts to the Transaction Account on the Business Day on which the aggregate balance standing to the credit of the Collection Accounts, to the extent such balance relates to payments (including principal) made in respect of the Portfolio Mortgage Loans, exceeds € 100,000. Following an Assignment Notification Event as described under *Mortgage Receivables Purchase Agreement* below, the Borrowers will be required to pay all amounts due by them under the relevant Portfolio Mortgage Loans directly to the Transaction Account.

## **Issuer Accounts**

### *Transaction Account*

The Issuer will maintain with the Floating Rate GIC Provider the Transaction Account to which all amounts received in respect of the Portfolio Mortgage Loans will be paid. Furthermore, any drawing made under the Liquidity Facility shall be deposited into the Transaction Account. The Issuer Administrator will identify all amounts paid into the Transaction Account. Payments received by the Issuer in respect of the Portfolio Mortgage Loans will be identified as principal, interest or other revenue receipts.

### *Pre-Funding Account*

The Issuer will maintain with the Floating Rate GIC Provider the Pre-Funding Account to which on the Closing Date an amount will be credited equal to the net proceeds of the Notes (other than the Subordinated Notes) less the Initial Purchase Price for the Mortgage Receivables purchased by the Issuer on the Closing Date. The balance standing to the credit of the Pre-Funding Account may on any Business Day during the Pre-Funding Period, subject to certain conditions, including without limitation, that each New Mortgage Receivable and the relevant Portfolio Mortgage Loan meets the Mortgage Loan Criteria and the Additional Purchase Criteria, be used to purchase New Mortgage Receivables. The Issuer will on the Quarterly Payment Date on which the Pre-Funding Period terminates, draw the balance standing to the credit of the Pre-Funding Account to form part of the Notes Principal Available Amounts on such Quarterly Payment Date.

### *Reserve Account*

The Issuer will maintain with the Floating Rate GIC Provider the Reserve Account. The proceeds of the Subordinated Class E Notes will be credited to the Reserve Account on the Closing Date.

Amounts credited to the Reserve Account will be available for drawing on any Quarterly Payment Date to meet items (a) up to and including (n) of the Interest Priority of Payments (see under *Priority of Payments in respect of interest (prior to Enforcement Notice)* below), in the event the Notes Interest Available Amounts are insufficient to meet such items in full.

If and to the extent that the Notes Interest Available Amounts calculated on any Notes Calculation Date (as defined below) exceed the amounts required to meet items (a) up to and including (n) in the Interest Priority of Payments, the excess amount will be deposited into the Reserve Account or, as the case may be, applied to replenish the Reserve Account, to the extent required until the balance standing to the credit of the Reserve Account equals the Reserve Account Target Level.

For this purpose "**Reserve Account Target Level**" means 2.20 per cent. of the aggregate Principal Amount Outstanding of the Notes (other than the Subordinated Class E Notes) on the Closing Date provided that, on each Notes Calculation Date falling on or after the first Quarterly Payment Date on which the balance standing to the credit of the Reserve Account is equal to or greater than 4.40 per cent. of the then Principal Amount Outstanding of the Notes (other than the Subordinated Class E Notes) (the "**Reserve Account Determination Date**" and the "**Reserve Account Maximum Percentage**", respectively) and if in respect of the Notes:

- (a) the balance of the Principal Deficiency Ledger is zero;
- (b) no amount in the Liquidity Facility has been drawn before the relevant Reserve Account Determination Date;
- (c) the balance standing to the credit of the Reserve Account is equal to or greater than the Reserve Account Target Level as of the relevant Reserve Account Determination Date;
- (d) the total balance of all Portfolio Mortgage Loans which are sixty (60) days or more in arrears (including, for the avoidance of doubt, any Portfolio Mortgage Loans in respect of which enforcement procedures have commenced and the Mortgaged Asset in respect of that Portfolio Mortgage Loan has not been sold) does not exceed 10.00 per cent. of the total balance of all the Portfolio Mortgage Loans;
- (e) the total balance of all Portfolio Mortgage Loans foreclosed does not exceed 2.50 per cent. of the original principal balance outstanding of the Initial Portfolio as at the Closing Date; and
- (f) the total losses suffered by the Issuer from the Closing Date until the relevant Reserve Account Determination Date are lower than 1.00% of the original principal balance outstanding of the Initial Portfolio as at the Closing Date,

then the Reserve Account Target Level will be reduced to an amount equal, on such Reserve Account Determination Date, to the greater of 1.10 per cent. of the aggregate Principal Amount Outstanding of the Notes (other than the Subordinated Class E Notes) as at the Closing Date and 4.40 per cent. of the then aggregate Principal Amount Outstanding of the Notes (other than the Subordinated Class E Notes).

To the extent that the balance standing to the credit of the Reserve Account on any Notes Calculation Date exceeds the Reserve Account Target Level, such excess will be drawn from the Reserve Account on the immediately succeeding Quarterly Payment Date and be deposited in the Transaction Account to form part of the Notes Interest Available Amounts on such Quarterly Payment Date and be applied in accordance with the Interest Priority of Payments.

If on any Notes Calculation Date all amounts of interest and principal due in respect of the Notes, except for principal in respect of the Subordinated Class E Notes, have been paid on the Quarterly Payment Date immediately preceding such Notes Calculation Date or will be available for payment on the Quarterly Payment Date immediately following such Notes Calculation Date, the Reserve Account Target Level will be reduced to zero and any amount standing to the credit of the Reserve Account will thereafter form part of the Notes Interest Available Amounts and will be available to redeem or partially redeem the Subordinated Class E Notes until fully redeemed and thereafter towards satisfaction of the Deferred Purchase Price (as defined in *Mortgage Receivables Purchase Agreement* below) to the Seller.

### **Rating of the Floating Rate GIC Provider**

If at any time (i) the short-term unsecured, unsubordinated and unguaranteed debt obligations of the Floating Rate GIC Provider, are assigned a rating of less than A-1+ by the Rating Agency, or if such rating is withdrawn, the Issuer and/or the Issuer Administrator on its behalf will be required within thirty (30) days of any such event (i) to transfer the balance on all such Issuer Accounts to an alternative bank with the required minimum ratings or (ii) to procure that a third party, having at least the required ratings, guarantees the obligations of the Floating Rate GIC Provider, provided the guarantee is in acceptable form and substance to the Rating Agency or (iii) find another solution acceptable to the Rating Agency in order to maintain the then current ratings assigned to the Notes.

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

The "**Notes Interest Available Amounts**") will consist of the sum of the following amounts, calculated as at each Notes Calculation Date as being received during the Notes Calculation Period (as defined in the Conditions) immediately preceding such Notes Calculation Date:

- (i) interest on the Mortgage Receivables;
- (ii) interest credited to the Issuer Accounts;
- (iii) prepayment penalties and penalty interest (*boeterente*) in respect of the Mortgage Receivables;
- (iv) Net Proceeds (as defined in the Conditions) in respect of any Mortgage Receivables, to the extent such proceeds do not relate to principal;
- (v) amounts to be drawn under the Liquidity Facility (other than a Liquidity Facility Stand-by Drawing) (as defined below) on the immediately succeeding Quarterly Payment Date;
- (vi) amounts to be drawn from the Reserve Account on the immediately succeeding Quarterly Payment Date;
- (vii) amounts to be received from the Swap Counterparty under the Swap Agreement on the immediately succeeding Quarterly Payment Date excluding (i) any collateral transferred to the Issuer pursuant to the Swap Agreement and (ii) any termination payment paid by the Swap Counterparty to the Issuer, to the extent that such termination payment is paid to a suitably rated replacement swap counterparty in consideration for such counterparty entering into a suitable replacement swap agreement;
- (viii) amounts received in connection with a repurchase or sale of Mortgage Receivables pursuant to the Mortgage Receivables Purchase Agreement or the Trust Deed, as the case may be, or any other amounts received pursuant to the Mortgage Receivables Purchase Agreement to the extent such amounts do not relate to principal;
- (ix) amounts received as post-foreclosure proceeds on the Mortgage Receivables;

- (x) the Interest Shortfall Amount (if any); and
- (xi) after all amounts of interest and principal due in respect of the Notes, other than the principal on the Subordinated Class E Notes, have been paid on the Quarterly Payment Date immediately preceding the relevant Notes Calculation Date or will be available for payment on the immediately succeeding Quarterly Payment Date, any amount standing to the credit of the Reserve Account.

Prior to the delivery of an Enforcement Notice by the Security Trustee, the Notes Interest Available Amounts, calculated as at each Notes Calculation Date, will, pursuant to the terms of the Trust Deed, be applied by the Issuer on the immediately succeeding Quarterly Payment Date as follows (in each case only if and to the extent that payments of a higher order of priority have been made in full) (the "**Interest Priority of Payments**"):

- (a) *First*, in or towards satisfaction, pro rata, according to the respective amounts thereof, (i) of the fees or other remuneration due and payable to the Directors in connection with the Management Agreements, (ii) of the fees or other remuneration and indemnity payments (if any) due and payable to the Security Trustee and any costs, charges, liabilities and expenses incurred by the Security Trustee under or in connection with the relevant Transaction Documents (including the fees and expenses payable to any legal advisors, accountants and auditors appointed by the Security Trustee), (iii) of the amounts due and payable to the Rating Agency and (iv) by retaining an amount equal to 5 per cent. of the amount due and payable by the Issuer to its Director, pursuant to item (i) above, representing taxable income for corporate income tax purpose in the Netherlands;
- (b) *Second*, in or towards satisfaction, pro rata, according to the respective amounts thereof, of (i) the fees and expenses due and payable to the Issuer Administrator under the Issuer Administration Agreement, (ii) the fees and expenses due and payable to the MPT Provider under the MPT Agreement, (iii) the commitment fee due and payable to the Substitute MPT Provider under the Back-up MPT Agreement (as defined under *MPT Agreement and Issuer Administration Agreement* below), (iv) the fees and expenses due and payable to the Paying Agent and the Reference Agent and any other agent designated under any of the relevant Transaction Documents and (v) the commitment fee due and payable to the Liquidity Facility Provider under the Liquidity Facility Agreement;
- (c) *Third*, in or towards satisfaction, pro rata, according to the respective amounts thereof, of (i) the amounts due and payable to third parties under obligations incurred in the Issuer's business (other than under the relevant Transaction Documents), including, without limitation, in or towards satisfaction of amounts or provisions for any payment of the Issuer's liability, if any, to tax, and (ii) the fees and expenses due and payable to any legal advisors, accountants and auditors appointed by the Issuer;
- (d) *Fourth*, in or towards satisfaction of any amounts due and payable to the Liquidity Facility Provider under the Liquidity Facility Agreement (excluding any commitment fee payable under item (b) above) or, following a Liquidity Facility Stand-by Drawing in or towards satisfaction of sums to be credited to the

Liquidity Facility Stand-by Ledger *less*, in the event a Liquidity Facility Stand-by Drawing is made, (i) an amount equal to the positive difference, if any, between (x) the interest due and payable to the Liquidity Facility Provider pursuant to the Liquidity Facility Agreement over the balance standing to the credit of the Liquidity Facility Stand-by Ledger and (y) the interest due and payable by the Floating Rate GIC Provider over that part of the balance on the Transaction Account that equals the balance standing to the credit of the Liquidity Facility Stand-by Ledger and (ii) any gross-up amounts, increased costs or additional amounts due under the Liquidity Facility and payable under (r) below (the amounts under (i) and (ii) referred to as the "**Subordinated Liquidity Facility Amount**");

- (e) *Fifth*, in or towards satisfaction of amounts, if any, due and payable under the Swap Agreement, other than (i) any termination payment (including a Settlement Amount (as defined therein)) due and payable as a result of the occurrence of an Event of Default (as defined therein) where the Swap Counterparty is the Defaulting Party (as defined therein) and (ii) any amounts due in connection with the replacement of the Swap Counterparty, including for the avoidance of doubt any termination payment due or payable as a result of the occurrence of an Additional Termination Event (as defined in the Swap Agreement) relating to the credit rating of the Swap Counterparty (the amounts under (i) and (ii) to be referred to as the "**Subordinated Swap Amount**");
- (f) *Sixth*, in or towards satisfaction of the amounts of interest due or accrued due but unpaid in respect of the Senior Class A Notes;
- (g) *Seventh*, in or towards making good any shortfall reflected in the Class A Principal Deficiency Ledger (as 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 the amounts of interest due or accrued due but unpaid in respect of the Mezzanine Class B Notes;
- (i) *Ninth*, in or towards making good any shortfall reflected in the Class B Principal Deficiency Ledger (as defined below) until the debit balance, if any, on the Class B Principal Deficiency Ledger is reduced to zero;
- (j) *Tenth*, in or towards satisfaction of the amounts of interest due or accrued due but unpaid in respect of the Mezzanine Class C Notes;
- (k) *Eleventh*, in or towards making good any shortfall reflected in the Class C Principal Deficiency Ledger (as defined below) until the debit balance, if any, on the Class C Principal Deficiency Ledger is reduced to zero;
- (l) *Twelfth*, in or towards satisfaction of the amounts of interest due or accrued due but unpaid in respect of the Junior Class D Notes;



- (m) *Thirteenth*, in or towards making good any shortfall reflected in the Class D Principal Deficiency Ledger (as defined below) until the debit balance, if any, on the Class D Principal Deficiency Ledger is reduced to zero;
- (n) *Fourteenth*, in or towards satisfaction of the amounts of interest due or accrued due but unpaid in respect of the Subordinated Class E Notes;
- (o) *Fifteenth*, in or towards satisfaction of any sums to be deposited on the Reserve Account or, as the case may be, to replenish the Reserve Account up to the amount of the Reserve Account Target Level;
- (p) *Sixteenth*, in or towards satisfaction of the amounts of principal due in respect of the Subordinated Class E Notes, until fully redeemed in accordance with the Conditions;
- (q) *Seventeenth*, in or towards satisfaction of any Subordinated Swap Amount;
- (r) *Eighteenth*, in or towards satisfaction of any Subordinated Liquidity Facility Amount; and
- (s) *Nineteenth*, in or towards satisfaction of the Deferred Purchase Price to the Seller pursuant to the Mortgage Receivables Purchase Agreement.

Any amount due and payable to third parties (other than pursuant to any of the Transaction Documents), under obligations incurred in the Issuer's business at a date which is not a Quarterly Payment Date, may be made on such date by the Issuer from the Transaction Account to the extent that the funds available on the Transaction Account are sufficient to make such payment.

**Priority of Payments in respect of principal (prior to Enforcement Notice and introduction of Pro Rata Amortisation)**

The "**Notes Principal Available Amounts**" will consist of the sum of the following amounts, calculated as at each Notes Calculation Date as being received during the Notes Calculation Period (as defined in the Conditions) immediately preceding such Notes Calculation Date:

- (i) repayment and prepayment (partial or in full) of principal under the Mortgage Receivables, from any person, whether by set-off or otherwise, but, for the avoidance of doubt, excluding prepayment penalties, if any;
- (ii) Net Proceeds (as defined below) in respect of any Mortgage Receivables, to the extent such proceeds relate to principal;
- (iii) amounts received in connection with a repurchase or sale of Mortgage Receivables pursuant to the Mortgage Receivables Purchase Agreement or the Trust Deed, as the case may be, or any other amounts received pursuant to the Mortgage Receivables Purchase Agreement to the extent such amounts relate to

principal;

- (iv) amounts to be credited to the Principal Deficiency Ledger on the immediately succeeding Quarterly Payment Date in accordance with the Issuer Administration Agreement;
- (v) amounts standing to the credit of the Pre-Funding Account upon the expiry of the Pre-Funding Period and to be drawn from such account on the relevant Quarterly Payment Date; and
- (vi) any part of the Notes Principal Available Amounts calculated on the immediately preceding Notes Calculation Date which has not been applied towards satisfaction of the items set forth in the Principal Priority of Payments or Pro Rata Amortisation Priority of Payments, as the case may be on the immediately preceding Quarterly Payment Date.

Prior to the delivery of an Enforcement Notice by the Security Trustee, the Issuer will, pursuant to the terms of the Mortgage Receivables Purchase Agreement, (i) apply the Notes Principal Available Amounts (excluding item (iv) thereof) up to a maximum amount equal to the lesser of (x) the aggregate Replacement Available Amounts and (y) the Notes Principal Available Amounts (excluding item (iv) thereof) less the Interest Shortfall Amount (if any), to purchase any Replacement Receivables, (ii) apply the Notes Principal Available Amounts (excluding item (iv) thereof) up to a maximum amount equal to the Notes Principal Available Amounts (excluding item (iv) thereof) less the Interest Shortfall Amount (if any) and less the amounts applied towards payment of the Initial Purchase Price of any Replacement Receivables (if any) to purchase any Further Advance Receivables and (iii) apply the Notes Principal Available Amounts (excluding item (iv) thereof) less the Interest Shortfall Amount and less the amounts applied towards payment of the Initial Purchase Price of any Further Advance Receivables and/or Replacement Receivables (if any) to purchase any Replenishment Receivables.

The "**Notes Redemption Available Amounts**" calculated as at each Notes Calculation Date with respect to the Notes Calculation Period immediately preceding such Notes Calculation Date will be equal to the Notes Principal Available Amounts calculated with respect to such Notes Calculation Period less the sum of:

- (i) the amount of the Notes Principal Available Amounts applied during the relevant Notes Calculation Period towards payment of the Initial Purchase Price for any Further Advance Receivables, Replacement Receivables and/or Replenishment Receivables; and
- (ii) an amount equal to the positive difference, if any, between (A) the sum of all amounts payable by the Issuer as set forth in the Interest Priority of Payments under items (a) up to and including (l) (other than items (g), (i) and (k)) and in respect of item (f) only to the extent that there is no debit balance remaining on the Class A Principal Deficiency Ledger and in respect of item (h) only to the extent there is no debit balance remaining on the Class B Principal Deficiency Ledger and in respect of item (j) only to the extent there is no debit balance remaining on the Class C Principal Deficiency Ledger and in respect of item (l) only to the extent there is no debit balance remaining on the Class D Principal Deficiency Ledger, and (B) the relevant Notes Interest Available Amounts excluding item (v) and (x) thereof, to the extent such amount is available

as Notes Principal Available Amounts after deducting the amount applied towards payment of the Initial Purchase Price for any Further Advance Receivables, Replacement Receivables and/or Replenishment Receivables (the "**Interest Shortfall Amount**").

Prior to the delivery of an Enforcement Notice by the Security Trustee and, provided that on the First Optional Redemption Date or any Quarterly Payment Date thereafter the Pro Rata Amortisation Criteria are not fulfilled, the Notes Redemption Available Amounts, calculated as at each Notes Calculation Date, will, pursuant to the terms of the Trust Deed, be applied by the Issuer on the next succeeding Quarterly Payment Date as follows (and in each case only if and to the extent that payments or provisions of a higher priority have been made in full) (the "**Principal Priority of Payments**"):

- (a) *First*, in or towards satisfaction of principal amounts due on the Senior Class A Notes, until fully redeemed in accordance with the Conditions;
- (b) *Second*, in or towards satisfaction of principal amounts due on the Mezzanine Class B Notes, until fully redeemed in accordance with the Conditions;
- (c) *Third*, in or towards satisfaction of principal amounts due on the Mezzanine Class C Notes, until fully redeemed in accordance with the Conditions;
- (d) *Fourth*, in or towards satisfaction of principal amounts due on the Junior Class D Notes, until fully redeemed in accordance with the Conditions; and
- (e) *Fifth*, in or towards satisfaction of the Deferred Purchase Price to the Seller pursuant to the Mortgage Receivables Purchase Agreement.

**Priority of Payments in respect of principal (prior to Enforcement Notice and after introduction of Pro Rata Amortisation)**

On and from the First Optional Redemption Date until the delivery of an Enforcement Notice by the Security Trustee and, provided that the Pro Rata Amortisation Criteria are fulfilled, the Notes Redemption Available Amounts, calculated as at each Notes Calculation Date, will, pursuant to the terms of the Trust Deed, be applied by the Issuer on the next succeeding Quarterly Payment Date (and in each case only if and to the extent that payments or provisions of a higher priority have been made in full) (the "**Pro Rata Amortisation Priority of Payments**"):

- (a) *First*, pari passu and pro rata, in or towards satisfaction of principal amounts due on all Classes of Notes (other than the Subordinated Class E Notes), until fully redeemed in accordance with the Conditions; and
- (b) *Second*, in or towards satisfaction of the Deferred Purchase Price due to the Seller pursuant to the Mortgage Receivables Purchase Agreement.

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

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

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

- (i) *Ninth*, in or towards satisfaction of all amounts of interest due or accrued due but unpaid in respect of the Mezzanine Class C Notes;
- (j) *Tenth*, in or towards satisfaction of all amounts of principal and other amounts due but unpaid in respect of the Mezzanine Class C Notes;
- (k) *Eleventh*, in or towards satisfaction of all amounts of interest due or accrued due but unpaid in respect of the Junior Class D Notes;
- (l) *Twelfth*, in or towards satisfaction of all amounts of principal and other amounts due but unpaid in respect of the Junior Class D Notes;
- (m) *Thirteenth*, in or towards satisfaction of all amounts of interest due or accrued due but unpaid in respect of the Subordinated Class E Notes;
- (n) *Fourteenth*, in or towards satisfaction of all amounts of principal and other amounts due in respect of the Subordinated Class E Notes;
- (o) *Fifteenth*, in or towards satisfaction, of any Subordinated Swap Amount;
- (p) *Sixteenth*, in or towards satisfaction of any Subordinated Liquidity Facility Amount; and
- (q) *Seventeenth*, in or towards satisfaction of the Deferred Purchase Price to the Seller pursuant to the Mortgage Receivables Purchase Agreement.

### **Liquidity Facility**

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

Any drawing under the Liquidity Facility by the Issuer shall only be made on a Quarterly Payment Date if and to the extent that, after the application of any Notes Interest Available Amounts and before any drawing under the Liquidity Facility (each a "**Liquidity Facility Drawing**"), there is a shortfall in the Notes Interest Available Amounts to meet items (a) up to and including (n) of the Interest Priority of Payments in full on that Quarterly Payment Date, provided that no drawings may be made to meet items (g), (i), (k) and (m) of the Interest Priority of Payments, and provided further that no drawing may be made to meet item (h) to the extent that, after

application of the Notes Interest Available Amounts, a debit balance would remain on the Class B Principal Deficiency Ledger which is equal to or higher than 50 per cent. of the Principal Amount Outstanding of the Mezzanine Class B Notes as at the immediately preceding Notes Calculation Date and no drawing may be made to meet item (j) to the extent that, after application of the Notes Interest Available Amounts, a debit balance would remain on the Class C Principal Deficiency Ledger which is equal to or higher than 50 per cent. of the Principal Amount Outstanding of the Mezzanine Class C Notes as at the immediately preceding Notes Calculation Date and no drawing may be made to meet item (l) to the extent that, after application of the Notes Interest Available Amounts, a debit balance would remain on the Class D Principal Deficiency Ledger which is equal to or higher than 50 per cent. of the Principal Amount Outstanding of the Junior Class D Notes as at the immediately preceding Notes Calculation Date and no drawing may be made to meet item (n) to the extent that, after application of the Notes Interest Available Amounts, a debit balance would remain on the Class D Principal Deficiency Ledger.

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

For these purposes:

"**Liquidity Facility Amount**" means, on the Closing Date and each Notes Calculation Date, an amount equal to 3.00 per cent. of the Principal Amount Outstanding of the Notes (other than the Subordinated Class E Notes) on the Closing Date.

#### **Allocation of Realised Losses and Principal Deficiency Ledger**

A Principal Deficiency Ledger comprising four sub-ledgers, known as the "**Class A Principal Deficiency Ledger**", the "**Class B Principal Deficiency Ledger**", the "**Class C Principal Deficiency Ledger**" and the "**Class D Principal Deficiency Ledger**", respectively, (together the "**Principal Deficiency Ledger**") will be established by or on behalf of the Issuer in order to record any Realised Losses (as defined below) on the Mortgage Receivables (each respectively the "**Class A Principal Deficiency**", the "**Class B Principal Deficiency**", the "**Class C Principal Deficiency**" and the "**Class D Principal Deficiency**", together the "**Principal Deficiency**"). Any Realised Losses will on the relevant Notes Calculation Date be debited to the respective sub-ledgers of the Principal Deficiency Ledger in the following order: (i) to the Class D Principal

Deficiency Ledger (such debit items being re-credited at item (m) of the Interest Priority of Payments) so long as the debit balance on such sub-ledger is not greater than the Principal Amount Outstanding of the Junior Class D Notes, (ii) to the Class C Principal Deficiency Ledger (such debit items being re-credited at item (k) of the Interest Priority of Payments) so long as the debit balance on such sub-ledger is not greater than the Principal Amount Outstanding of the Mezzanine Class C Notes, (iii) to the Class B Principal Deficiency Ledger (such debit items being re-credited at item (i) of the Interest Priority of Payments) so long as the debit balance on such sub-ledger is not greater than the Principal Amount Outstanding of the Mezzanine Class B Notes, and (iv) to the Class A Principal Deficiency Ledger (such debit items being re-credited at item (g) of the Interest Priority of Payments).

**"Realised Losses"** means, on any Notes Calculation Date, the sum of (a) the aggregate outstanding principal amount of all Mortgage Receivables on which the Seller, the MPT Provider on behalf of the Issuer or the Security Trustee has foreclosed from the Closing Date up to and including such Notes Calculation Date *minus* the Net Proceeds applied to reduce the outstanding principal amount of such Mortgage Receivables and (b) with respect to Mortgage Receivables sold by the Issuer pursuant to the Mortgage Receivables Purchase Agreement or the Trust Deed, the amount of the aggregate outstanding principal amount of all such Mortgage Receivables *minus* the purchase price received, or to be received on the relevant Quarterly Payment Date, in respect of such Mortgage Receivables to the extent relating to principal.

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

### **Interest rate hedging**

The Mortgage Loan Criteria (as defined under *Mortgage Receivables Purchase Agreement* below) require that all Portfolio Mortgage Loans bear a floating rate of interest or fixed rate of interest subject to a reset from time to time. The interest rate payable by the Issuer with respect to the Notes is calculated as a margin over Euribor, which margin (other than for the Subordinated Class E Notes) will increase after the First Optional Redemption Date. The Issuer will hedge this interest rate exposure by entering into the Swap Agreement with the Swap Counterparty. Under the Swap Agreement, the Issuer will agree to pay amounts equal to the aggregate amount of the interest scheduled to be received on the Mortgage Receivables and items (iii), (iv) and (viii) of the Notes Interest Available Amounts, less certain expenses as described under (a), (b), and (c) of the Interest Priority of Payments, and less an excess margin (the "**Excess Spread Margin**") of 0.70 per cent. per annum applied to the Principal Amount Outstanding of each Class of Notes (other than the Subordinated Class E Notes) on the first day of the relevant Quarterly Interest Period. In return, the Swap Counterparty will agree to pay amounts equal to the scheduled interest due under each Class of Notes (other than the Subordinated Class E Notes),

calculated by reference to the floating rate of interest applied to the Principal Amount Outstanding of the relevant Class of Notes on the first day of the relevant Quarterly Interest Period. The notional amount under the Swap Agreement will for the purpose of the payments to be made by the Swap Counterparty under the Swap Agreement be reduced to the extent there is a debit balance on any of the sub-ledgers of the Principal Deficiency Ledger on the Quarterly Payment Date on which the relevant Quarterly Interest Period ends after application of the Notes Interest Available Amounts.

Payments under the Swap Agreement will be netted.

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

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

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

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

If (i) the short-term unsecured, unsubordinated and unguaranteed debt obligations of the Swap Counterparty (or its successor) cease to be rated at least as high as A-1 by the Rating Agency (the "**Swap Required Rating**") or (iii) such rating is withdrawn, 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 Rating, procuring another entity with at least the Swap Required Rating to become co-obligor or Swap Counterparty in respect of its obligations under the Swap Agreement, or the taking of such other action subject to the Rating Agency's



confirmation that the then current ratings of the Notes (other than the Subordinated Class E Notes) will not be adversely affected. A failure to take any such step will, subject to certain conditions, give the Issuer the right to terminate the Swap Agreement.

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

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

### **Sale of Mortgage Receivables**

On the First Optional Redemption Date and any subsequent Optional Redemption Date the Issuer has the right to sell and assign all (but not only part of) the Mortgage Receivables to any party. The purchase price of a Mortgage Receivable shall be at least equal to the outstanding principal amount of such Mortgage Receivable, together with accrued interest due but unpaid and any other amount due under the relevant Portfolio Mortgage Loan, 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 the lesser of (i) an amount equal to the foreclosure value of the Mortgaged Asset or, if no valuation report less than twelve (12) months old is available, the Indexed Foreclosure Value, or (ii) the sum of the outstanding principal amount together with accrued interest due but unpaid and any other amount due under the relevant Portfolio Mortgage Loan. The Issuer shall be required to apply the proceeds of such sale, to the extent relating to principal, towards redemption of the Notes (other than the Subordinated Class E Notes). For these purposes "**Indexed Foreclosure Value**" means the foreclosure value of such Mortgaged Asset as determined upon origination of the relevant Portfolio Mortgage Loan multiplied by the ratio of (i) the average housing price at the date on which the purchase price of such Mortgaged Asset is determined, over (ii) the average housing price at the time of origination of such Mortgaged Asset, as published by the Dutch Association of Real Estate Brokers and Immovable Property Experts (*Nederlandse Vereniging van Makelaars en vastgoeddeskundigen (NVM)*).

## OVERVIEW OF THE DUTCH RESIDENTIAL MORTGAGE MARKET<sup>1</sup>

*The information provided under Overview of the Dutch Residential Mortgage Market below has been derived from publicly available information on the Dutch mortgage industry.*

### **Mortgage Market Characteristics**

#### *Mortgage interest payments are generally tax deductible*

In the Netherlands interest payments on mortgage loans that have been applied for the acquisition or improvement of a house that is being used as primary residence are deductible within certain limitations and the number of years during which interest payments can be deducted is restricted to thirty years. If a taxpayer sold a house that was occupied by him, deduction of interest on a mortgage loan to acquire a new home will be limited to the interest on a principal amount equal to the purchase price of the new home less the amount of the funds he had available, after having redeemed the mortgage loan on his former residence. Homeowners must report a percentage (0.55% in 2007) of the value of their residence (calculated in accordance with the Valuation of Real Property Act (*Wet waardering onroerende zaken*)) as (notional) income as a benefit from occupying their residence. This notional income is balanced with the interest deduction and thus effectively reduces the tax benefit of the interest payment deduction. The notional income from an owner occupied residence currently has an upper limit. This upper limit will be abolished as per 1 January 2009. For residences with a value of over EUR 1 million the percentage for calculating the notional income will be increased to ultimately 2.35% in 2016, so further reducing the tax benefit of the interest payment deduction. Residential mortgage loans may be linked with a life insurance policy or a savings insurance policy, with the most common term of insurance being 30 years. Generally, such mortgage loans are redeemed in full at maturity. The government encourages this method of redemption by exempting from tax the capital sum received under the policy, up to a certain amount indexed annually, provided that certain conditions are met.

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

The tax system has had an upward effect on the average Loan-to-Value ratio. As the Dutch tax system allows a full tax deductibility of mortgage interest rate payments, it gives an incentive to homeowners to maximise their mortgage loan. The maximum Loan-to-Value in the Netherlands for existing property is generally 130 percent of foreclosure value. Foreclosure Value is typically between 85 and 90 percent of the market value. During the second quarter of 2007, the average issued mortgage for a house amounted to € 265,200 and the average house price was € 248,000.

#### *The Netherlands has a relatively high Mortgage-Debt-to-Gross Domestic Product (GDP) ratio*

Compared to other European countries the Dutch market shows a relatively high degree of mortgage indebtedness driven by the tax incentives. This has resulted – amongst others - in a relatively high Mortgage-Debt-to-GDP ratio in the Netherlands, which was almost 105 percent in 2006. Due to rising home-ownership and

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Sources: Rabobank, "Dutch Housing market Quarterly", August 2007 and Fitch, "Dutch RMBS Performance Bulletin 2007", October 2007

house prices, total mortgage debt accumulation increased in the late 1990's and continued in the present decade at a strong pace. Total mortgage debt is € 538 billion (first quarter 2007) in the Netherlands, rising from € 436 billion by the end of 2004.

#### *Default losses have always been relatively low*

Since the National Credit Register (*Bureau voor Kredietregistratie, BKR*) registers all loans as well as their status, financial institutions use the historical information of the BKR to determine potential borrowers' creditworthiness. In case of default this will inevitably lead to limited access to loans for the defaulter (or no access at all) for some years. Furthermore, under Dutch law the lender is able to seize a portion of the borrower's earnings from his employer in case the borrower defaults. Available data indicate that losses peaked in the early 1980's to about 30 basis points per annum of the outstanding amount, due to a combined effect of declining house prices and an increase in unemployment levels. Since then, losses declined substantially, reaching levels of below 1 basis point per annum of the outstanding principal in the 1990's. Over the last few years, losses increased again to about 3-4 basis points per annum of all outstanding principal.

#### *Prepayment is discouraged*

Lending terms in the Netherlands generally allow a borrower to prepay up to 10 to 15 percent a year of the original amount that has been borrowed without being penalised. Full prepayment without penalty is only possible in cases of moving or decease. However, mortgagors are also allowed to prepay on an interest-reset date without a penalty. If prepayment occurs in other situations, prepayment penalties are severe: the borrower generally has to pay the lender a compensation for the lender's loss of income, if any. This compensation equals the present value of the loss in interest income up to the loans reset date. Prepayment penalties are partly tax deductible to the borrower. Declining interest rates in the mid- and late 1990's and again in the 2003-2005 period encouraged many mortgagors to refinance.

### **Housing market trends in recent years**

#### *Owner-Occupancy Rates are increasing*

The Dutch housing market had a relatively low owner-occupancy rate of 55 percent in 2006, whereas the average owner-occupancy rate in the EU as a whole was 65 percent. However, the owner-occupancy rate in the Netherlands has been gradually increasing: in 1982 42 percent of the total housing stock was owner-occupied.

#### *House Prices have been increasing in recent years*

Strong house price appreciation occurred in the Netherlands in the 1995-2000 period, due to the combined effects of institutional changes and favourable economic conditions. Regarding the institutional changes in the late 1990's there was a change in how some mortgage lenders calculate the borrowing capacity of households. Dutch commercial banks determine the maximum borrowing capacity of a household by the percentage of the disposable household income that has to be paid on repayments and interest payments. In general, lenders formerly calculated the borrowing capacity of households based on the primary household salary only. Since the mid-1990's, some lenders also evaluated a second household salary. For double-income households this resulted in a surge of their borrowing capacity, which could be used to bid up prices of the relatively scarce

owner-occupied property. In addition, the number of double-income households has been increasing over the past decade. The economy also contributed to a buoyant housing market. High income growth, declining mortgage rates and a reduction of unemployment occurred at the same time. Since 2004, house price appreciation has continued at a modest pace of between approximately 4.0 and 5.0 percent, in a context of historically low mortgage rates and relatively low supply of newly built houses.

## **DSB BANK N.V.**

### **Profile**

The DSB Bank N.V. is a highly marketing-driven provider of financial services with a strong focus on the Dutch consumer markets for flexible and attractive mortgages and products in the field of consumer credit, savings and related insurance. The DSB Bank N.V.'s operations have their roots in the Buro Frisia company, which was founded in 1975 by Mr D. Scheringa, the current chairman of the management board. Today, whilst still operating as a broker and intermediary for external parties, DSB Bank N.V. is also very active in developing and maintaining a wide range of financial products in-house. The DSB Bank N.V. has grown into an integrated group of well-known national and regional companies with strong brand names, including Frisia Financieringen and Postkrediet. The branch network currently comprises 24 branches in the Netherlands and provides very effective national coverage.

DSB Bank N.V. in its present form is the result of a statutory merger effected on 23 December 2005 between DSB Groep N.V. and DSB Bank N.V. On that same date, the newly formed DSB Bank N.V. obtained from the Dutch Central Bank a banking licence under the 1992 Dutch Credit System Supervision Act (*Wet Toezicht Kredietwezen 1992*).

In 2006 DSB Bank N.V. generated revenues of € 201.4 million and reported a profit after tax of € 27.9 million. Up until September 2007 DSB Bank N.V. reported a net profit of € 14.9 million, compared with a profit of € 32.8 million in the same period in the previous year.

The DSB Bank N.V. has a strong market position and is one of the largest service providers in the field of consumer loans in the Netherlands. DSB Bank N.V. is also active, albeit on a modest scale, in Belgium and Germany.

### **Board of Management**

*Board of Directors DSB Bank N.V.*

Mr D. Scheringa (57)	CEO
Mr J.J. van Dijk (49)	CFO
Mr H.P.A.J. van Goor (37)	COO
Ms R.C. de Jong (43)	CIO

### **Mortgage Origination History**

DSB Bank N.V. began originating mortgages through their independent intermediaries network for third-party lending institutions in 1996. Capitalising on the knowledge developed during this phase, in 2000 DSB Bank N.V. began offering first-ranking mortgages that were financed through DSB Bank N.V..

These initial mortgages originated and financed by DSB Bank N.V. were offered through DSB Hypotheken B.V., a wholly owned indirect subsidiary of DSB Groep N.V. These mortgage loans were subject to relatively

conservative underwriting guidelines, such as a maximum loan amount equal to 100 per cent. of foreclosure value.

DSB Hypotheken B.V. and DSB Bank N.V. began in 2000 and 2001 respectively with offering standard first-ranking mortgages subject to the underwriting guidelines detailed below.

### Financial Overview

The table below provides an overview of certain historic financial figures for DSB Bank N.V.:

(€ mm)	December 2004	December 2005	December 2006	September 2007 (1)
Book equity	136,041	165,969	134,909	134,070
+ Subordinated loans	200,957	223,464	249,657	227,159

(1) Not audited

### Strategy

The strategy of DSB Bank N.V. remains focussed on further organic growth in the Netherlands as an independent niche player in the field of consumer credit and mortgage lending, while retaining a high level of flexibility within the organisation. For the provision of insurance this strategy is aimed at the intermediation of life insurance and income protection insurance (in particular, disability and unemployment) and investment insurance for external insurers (including DSB Leven N.V. and DSB Schade N.V.).

With regards to financing, the DSB Bank N.V. intends to increase its reliance on longer-term funding and stabilize the share of savings deposits as a percentage of total funding.

After obtaining the banking license and approval of the Dutch Central Bank in April 2000, most of the entities and organisations which formed part of the group of companies to which DSB Bank N.V. and DSB Groep N.V. belonged, legally merged into one company and organisation with a banking license. With one central organisation DSB Bank N.V. expects to be more efficient and effective in the production, handling, registration and monitoring of loans and other activities. After the merger, the company is reorganised in such a way that the actual effectiveness of the checks and balances between the sales and the acceptance are maintained. DSB Bank N.V. believes that it will benefit from using the DSB Bank N.V. label more actively in its marketing efforts.

The major shareholder of DSB Bank N.V., as part of his continual, ongoing strategic review of his shareholding in DSB Bank N.V. and the business conducted by DSB Bank N.V., is continuously exploring a number of options, including but not limited to a sale to, joint venture or merger with or participation by a third party. However, it is uncertain whether any of these options will actually take place.

## DESCRIPTION OF PORTFOLIO MORTGAGE LOANS

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

The Portfolio Mortgage Loans (or in case of Portfolio Mortgage Loans consisting of more than one loan part, the aggregate of such loan parts) are secured by a first-ranking, or as the case may be a first and sequentially lower ranking Mortgage, evidenced by notarial mortgage deeds (*notariële akten van hypotheekstelling*) entered into by the Seller (or any of its legal predecessor) and the Borrowers. The Mortgage secures the relevant Portfolio Mortgage Loan and is vested over property situated in the Netherlands. The Portfolio Mortgage Loans and the Mortgages securing the liabilities arising therefrom are governed by Dutch law. The Mortgages securing the Portfolio Mortgage Loans are all in the form of Credit Mortgages. See *Uncertainty whether mortgage rights will follow Mortgage Receivables* in *Risk Factors* above.

The Portfolio Mortgage Loans forming part of the Initial 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. For a description of the representations and warranties given by the Seller reference is made to *Mortgage Receivables Purchase Agreement* below.

The numerical information set out below relates to the Provisional Pool which was selected on 1 November 2007 (the "**Provisional Pool Cut-Off Date**") and has been extracted without material adjustment from the databases relating to the mortgage loans originated by the Seller held at the MPT Provider. 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 of Mortgage Loans held by the Issuer (the "**Portfolio**") will change from time to time as a result of repayment, prepayment, substitution, amendment and repurchase of Mortgage Receivables.

All amounts mentioned in the tables below are expressed in euro.

### **Mortgage Types**

#### *Life Mortgage Loans*

A Life Mortgage Loan consists of a Mortgage Loan entered into by the Seller and the relevant Borrowers, which has the benefit of a Life Insurance Policy and an investment policy taken out by the Borrowers with an Insurance Company. A Life Insurance Policy is a combined risk and capital insurance policy. The investment policy is a policy used at the maturity date for redemption of the mortgage loan. Under a Life Mortgage Loan the Borrower pays no principal, but solely interest and a monthly premium under the Life Insurance Policy and an investment policy. The Borrower is required to enter into three separate contracts, one with the lender and the others with an Insurance Company. The selection of the Insurance Company is at the sole discretion of the Borrower. The Insurance Company most commonly selected by the Borrowers in the Portfolio Mortgage Loans as per the

Provisional Pool Cut-Off Date is: REAAL Levensverzekeringen N.V.

The proceeds of the Life Insurance Policy will be applied towards the repayment of the Mortgage Loan at maturity of such policy. The insurance proceeds are due either at the end of the term of the Life Insurance Policy (which is generally thirty (30) years) or, if earlier, upon the death of the Borrower.

#### *Annuity Mortgage Loans*

The Borrower shall pay equal instalments each month for the term of the Mortgage Loan which instalments represent both interest and principal. As the Mortgage Loan matures, the proportion of the monthly payments that represent principal will increase.

#### *Interest Only Mortgage Loans*

The Mortgage Loan should be repaid at maturity or, if earlier, upon death of the relevant Borrower.

#### **Interest Rates**

There is a floating rate of interest payable on the Mortgage Loans, or a fixed rate of interest, subject to resets from time to time (usually from 1 to 10 years).

#### **Key Characteristics**

A summary of the key characteristics of the Provisional Pool as selected on the Provisional Pool Cut-Off Date. These characteristics demonstrate the capacity to, subject to the risk factors referred to under section Risk Factors above, produce funds to pay interest and principal on the Notes, provided that each such payment shall be subject to the relevant priority of payments as further described under section Credit Structure.

#### **Table A**

##### ***Key Characteristics of the Provisional Pool***

Provisional Pool Cut-off Date	01-Nov-07
Outstanding Principal Balance (€)	397,838,510.74
Number of Borrowers	1584
Number of Loan Parts	2715
Average Principal Balance per Borrower (€)	251,160.68
Average Principal Balance per Loan Part (€)	146,533.52
Maximum Exposure to an Individual Borrower (€)	808,832.28
Weighted Average Original Loan Term (Years)	28.94
Weighted Average Remaining Loan Term (Years)	28.32
Weighted Average Seasoning (Months)	7.48
Weighted Average Current Interest Rate (%)	4.19
Weighted Average Time to Reset (Years)	7.78
Weighted Average Loan to Value (%)	111.65
Weighted Average Loan to Foreclosure Value (%)	124.88
Maximum Loan to Foreclosure Value (%)	159.76
Weighted Average Loan to Income Multiple	5.39
Borrowers with an Adverse BKR Registration (%)	2.16
Borrowers in Arrears >= 1 Month (%)	0.00



**Table B****Current Balance By Borrower (€)**

Current Balance By Borrower (€)	Current Balance (€)	% of Current Balance	Number of Borrowers	% of Number of Borrowers
50,000 < 100,000	185,506.99	0.05%	2	0.13%
100,000 < 150,000	12,565,020.14	3.16%	94	5.93%
150,000 < 200,000	59,331,180.20	14.91%	336	21.21%
200,000 < 250,000	110,752,407.18	27.84%	493	31.12%
250,000 < 300,000	87,918,483.87	22.10%	322	20.33%
300,000 < 350,000	55,607,421.12	13.98%	173	10.92%
350,000 < 400,000	23,260,017.43	5.85%	63	3.98%
400,000 < 450,000	21,280,292.67	5.35%	51	3.22%
450,000 < 500,000	9,499,295.01	2.39%	20	1.26%
500,000 < 550,000	6,769,494.80	1.70%	13	0.82%
550,000 < 600,000	5,179,533.99	1.30%	9	0.57%
600,000 < 650,000	1,888,917.86	0.47%	3	0.19%
650,000 < 700,000	1,339,227.11	0.34%	2	0.13%
700,000 < 750,000	1,452,880.09	0.37%	2	0.13%
>= 750,000	808,832.28	0.20%	1	0.06%
<b>Total</b>	<b>397,838,510.74</b>	<b>100.00%</b>	<b>1584</b>	<b>100.00%</b>

Min	92,008.58
Max	808,832.28
Average	251,160.68

**Table C****LTV By Borrower**

LTV By Borrower	Current Balance (€)	% of Current Balance	Number of Borrowers	% of Number of Borrowers
0% < 50%	1,192,714.62	0.30%	4	0.25%
50% < 60%	1,821,692.44	0.46%	7	0.44%
60% < 70%	3,167,776.47	0.80%	13	0.82%
70% < 80%	10,041,251.47	2.52%	40	2.53%
80% < 90%	35,332,580.65	8.88%	158	9.97%
90% < 100%	42,128,464.98	10.59%	177	11.17%
100% < 110%	69,583,162.95	17.49%	274	17.30%
110% < 120%	98,070,359.02	24.65%	390	24.62%
120% < 130%	73,375,167.84	18.44%	288	18.18%
130% < 140%	55,715,599.69	14.00%	206	13.01%
140% < 150%	7,409,740.61	1.86%	27	1.70%
<b>Total</b>	<b>397,838,510.74</b>	<b>100.00%</b>	<b>1584</b>	<b>100.00%</b>

Min	13.86%
Max	143.53%
Weighted Average	111.65%

**Table D****LTFV By Borrower**

LTFV By Borrower	Current Balance (€)	% of Current Balance	Number of Borrowers	% of Number of Borrowers
0% < 50%	580,214.62	0.15%	2	0.13%
50% < 60%	1,116,491.34	0.28%	3	0.19%
60% < 70%	1,074,429.49	0.27%	6	0.38%
70% < 80%	4,440,001.13	1.12%	17	1.07%
80% < 90%	9,435,207.27	2.37%	39	2.46%
90% < 100%	33,512,934.23	8.42%	148	9.34%
100% < 110%	38,816,396.08	9.76%	164	10.35%
110% < 120%	50,744,127.14	12.75%	198	12.50%
120% < 130%	90,207,170.05	22.67%	357	22.54%
130% < 140%	73,063,231.80	18.37%	294	18.56%
140% < 150%	58,132,890.64	14.61%	221	13.95%
150% < 160%	36,715,416.95	9.23%	135	8.52%
<b>Total</b>	<b>397,838,510.74</b>	<b>100.00%</b>	<b>1584</b>	<b>100.00%</b>

Min	15.57%
Max	159.76%
Weighted Average	124.88%

**Table E****Seasoning (Months) By Loan Part**

Seasoning (Months) By Loan Part	Current Balance (€)	% of Current Balance	Number of Loan Parts	% of Number of Loan Parts
0 < 1	4,321,852.43	1.09%	23	0.85%
1 < 2	51,768,647.73	13.01%	282	10.39%
2 < 3	54,804,184.92	13.78%	328	12.08%
3 < 4	59,871,837.79	15.05%	371	13.66%
4 < 5	46,475,207.34	11.68%	330	12.15%
5 < 6	35,501,121.83	8.92%	276	10.17%
6 < 7	21,858,145.73	5.49%	154	5.67%
7 < 8	20,662,959.08	5.19%	149	5.49%
8 < 9	20,385,381.82	5.12%	146	5.38%
9 < 10	18,361,075.53	4.62%	136	5.01%
10 < 11	7,059,842.68	1.77%	55	2.03%
11 < 12	7,090,583.30	1.78%	52	1.92%
12 < 24	25,403,413.23	6.39%	192	7.07%
24 < 36	9,209,817.08	2.31%	78	2.87%
>= 36	15,064,440.25	3.79%	143	5.27%
<b>Total</b>	<b>397,838,510.74</b>	<b>100.00%</b>	<b>2715</b>	<b>100.00%</b>

Min	0.26
Max	63.95
Weighted Average	7.48

**Table F****Original Term (Years) By Loan Part**

Original Term (Years) By Loan Part	Current Balance (€)	% of Current Balance	Number of Loan Parts	% of Number of Loan Parts
0 < 5	99,831.00	0.03%	1	0.04%
5 < 10	360,372.02	0.09%	6	0.22%
10 < 15	1,950,287.32	0.49%	36	1.33%
15 < 20	10,241,861.97	2.57%	155	5.71%
20 < 25	21,258,172.26	5.34%	300	11.05%
25 < 30	40,643,767.42	10.22%	461	16.98%
>= 30	323,284,218.75	81.26%	1756	64.68%
<b>Total</b>	<b>397,838,510.74</b>	<b>100.00%</b>	<b>2715</b>	<b>100.00%</b>

Min	4.08
Max	30.18
Weighted Average	28.94

**Table G****Remaining Term (Years) By Loan Part**

Remaining Term (Years) By Loan Part	Current Balance (€)	% of Current Balance	Number of Loan Parts	% of Number of Loan Parts
0 < 5	99,831.00	0.03%	1	0.04%
5 < 10	445,462.45	0.11%	6	0.22%
10 < 15	4,186,821.56	1.05%	36	1.33%
15 < 20	14,326,129.20	3.60%	155	5.71%
20 < 25	28,384,327.39	7.13%	300	11.05%
25 < 30	335,459,753.99	84.32%	461	16.98%
>= 30	14,936,185.15	3.75%	1756	64.68%
<b>Total</b>	<b>397,838,510.74</b>	<b>100.00%</b>	<b>2715</b>	<b>100.00%</b>

Min	3.75
Max	30.00
Weighted Average	28.32

**Table H****Mortgage Type By Loan Part**

Mortgage Type By Loan Part	Current Balance (€)	% of Current Balance	Number of Loan Parts	% of Number of Loan Parts
Annuity	122,655.77	0.03%	3	0.11%
Interest Only	316,444,839.84	79.54%	1591	58.60%
Life	81,271,015.13	20.43%	1121	41.29%
<b>Total</b>	<b>397,838,510.74</b>	<b>100.00%</b>	<b>2715</b>	<b>100.00%</b>

**Table I****Life Insurance Provider By Loan Part**

Life Insurance Provider By Loan Part	Current Balance (€)	% of Current Balance	Number of Loan Parts	% of Number of Loan Parts
Abn Amro	121,700.00	0.03%	1	0.04%
AMEV	163,182.00	0.04%	2	0.07%
Avero	100,000.00	0.03%	1	0.04%
Delta Lloyd	195,504.05	0.05%	2	0.07%
DSB Leven	664,289.50	0.17%	10	0.37%
Falcon leven	100,000.00	0.03%	1	0.04%
Hooge Huijs	2,756,256.43	0.69%	31	1.14%
Interpolis	125,000.58	0.03%	1	0.04%
Nat. Nederlande	221,757.23	0.06%	2	0.07%
Postbank Levens	180,096.00	0.05%	1	0.04%
Reaal	55,037,470.94	13.83%	804	29.61%
Royal	89,995.00	0.02%	1	0.04%
Spaarbeleg	9,989.12	0.00%	1	0.04%
TADAS	-	0.00%	0	0.00%
Not Available	21,505,774.28	5.41%	263	9.69%
Not Applicable (Annuity/Interest Only)	316,567,495.61	79.57%	1594	58.71%
<b>Total</b>	<b>397,838,510.74</b>	<b>100.00%</b>	<b>2715</b>	<b>100.00%</b>

**Table J****Current Interest Rate By Loan Part**

Current Interest Rate By Loan Part	Current Balance (€)	% of Current Balance	Number of Loan Parts	% of Number of Loan Parts
1.50% < 2.00% (Teaser Rate)	22,920,142.18	5.76%	163	6.00%
2.00% < 2.50% (Teaser Rate)	927,462.97	0.23%	5	0.18%
2.50% < 3.00% (Teaser Rate)	26,697,413.93	6.71%	206	7.59%
3.00% < 3.50% (Teaser Rate)	5,533,988.52	1.39%	41	1.51%
3.50% < 4.00% (Teaser Rate)	1,657,624.30	0.42%	13	0.48%
4.00% < 4.25% (Teaser Rate)	-	0.00%	0	0.00%
4.25% < 4.50% (Teaser Rate)	184,506.96	0.05%	2	0.07%
4.50% < 4.75% (Teaser Rate)	-	0.00%	0	0.00%
4.75% < 5.00% (Teaser Rate)	191,991.19	0.05%	2	0.07%
<hr/>				
1.50% < 2.00% (Full Rate)	6,255,656.05	1.57%	45	1.66%
2.00% < 2.50% (Full Rate)	3,813,320.86	0.96%	27	0.99%
2.50% < 3.00% (Full Rate)	4,279,719.47	1.08%	34	1.25%
3.00% < 3.50% (Full Rate)	2,752,760.48	0.69%	20	0.74%
3.50% < 4.00% (Full Rate)	10,004,130.66	2.51%	90	3.31%
4.00% < 4.25% (Full Rate)	17,205,782.88	4.32%	129	4.75%
4.25% < 4.50% (Full Rate)	131,937,873.69	33.16%	911	33.55%
4.50% < 4.75% (Full Rate)	105,414,539.72	26.50%	604	22.25%
4.75% < 5.00% (Full Rate)	32,751,756.19	8.23%	203	7.48%
5.00% < 5.50% (Full Rate)	15,651,683.15	3.93%	119	4.38%
5.50% < 6.00% (Full Rate)	3,215,514.94	0.81%	26	0.96%
6.00% < 9.00% (Full Rate)	6,442,642.60	1.62%	75	2.76%
<b>Total</b>	<b>397,838,510.74</b>	<b>100.00%</b>	<b>2715</b>	<b>100.00%</b>

Min (Teaser Rate)	1.95%
Max (Teaser Rate)	4.85%
Weighted Average (Teaser Rate)	2.62%

Min (Full Rate)	1.95%
Max (Full Rate)	8.55%
Weighted Average (Full Rate)	4.46%

Weighted Average (All)	4.19%
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**Table K****Remaining Time To Reset (Years) By Loan Part**

Remaining Time To Reset (Years) By Loan Part	Current Balance (€)	% of Current Balance	Number of Loan Parts	% of Number of Loan Parts
0 < 1	29,678,971.43	7.46%	252	9.28%
1 < 2	6,499,519.50	1.63%	63	2.32%
2 < 3	4,055,680.63	1.02%	32	1.18%
3 < 4	7,935,764.80	1.99%	60	2.21%
4 < 5	59,960,079.61	15.07%	425	15.65%
5 < 6	5,098,152.50	1.28%	38	1.40%
6 < 7	19,814,295.31	4.98%	127	4.68%
7 < 8	544,139.91	0.14%	4	0.15%
8 < 9	1,416,139.61	0.36%	11	0.41%
9 < 10	233,914,237.27	58.80%	1525	56.17%
10 < 11	13,268,112.66	3.34%	74	2.73%
11 < 12	-	0.00%	0	0.00%
12 < 13	-	0.00%	0	0.00%
13 < 14	-	0.00%	0	0.00%
14 < 15	15,279,339.44	3.84%	100	3.68%
15 < 16	374,078.07	0.09%	4	0.15%
<b>Total</b>	<b>397,838,510.74</b>	<b>100.00%</b>	<b>2715</b>	<b>100.00%</b>

Min	-
Max	15.00
Weighted Average	7.78

**Table L****Loan to Income Multiple By Borrower**

Loan to Income Multiple By Borrower	Current Balance (€)	% of Current Balance	Number of Borrowers	% of Number of Borrowers
0 < 1	-	0.00%	0	0.00%
1 < 2	771,588.11	0.19%	5	0.32%
2 < 3	10,495,806.67	2.64%	52	3.28%
3 < 4	44,866,756.31	11.28%	207	13.07%
4 < 5	90,068,212.04	22.64%	380	23.99%
5 < 6	115,855,038.21	29.12%	445	28.09%
6 < 7	107,723,131.01	27.08%	395	24.94%
7 < 8	28,057,978.39	7.05%	100	6.31%
<b>Total</b>	<b>397,838,510.74</b>	<b>100.00%</b>	<b>1584</b>	<b>100.00%</b>

Min	1.07
Max	8.00
Weighted Average	5.39

**Table M****Region By Borrower**

Region By Borrower	Current Balance (€)	% of Current Balance	Number of Borrowers	% of Number of Borrowers
Drenthe	10,603,105.16	2.67%	50	3.16%
Flevoland	25,613,593.51	6.44%	114	7.20%
Friesland	14,168,173.93	3.56%	64	4.04%
Gelderland	51,254,229.89	12.88%	185	11.68%
Groningen	13,621,796.89	3.42%	66	4.17%
Limburg	26,061,388.51	6.55%	113	7.13%
Noord-Brabant	44,118,306.33	11.09%	167	10.54%
Noord-Holland	54,734,853.66	13.76%	203	12.82%
Overijssel	22,186,381.12	5.58%	93	5.87%
Utrecht	21,823,545.94	5.49%	79	4.99%
Zeeland	8,874,858.43	2.23%	43	2.71%
Zuid-Holland	104,778,277.37	26.34%	407	25.69%
<b>Total</b>	<b>397,838,510.74</b>	<b>100.00%</b>	<b>1584</b>	<b>100.00%</b>

**Table N****Borrower Age**

Borrower Age	Current Balance (€)	% of Current Balance	Number of Borrowers	% of Number of Borrowers
21 < 25	801,259.41	0.20%	4	0.25%
25 < 30	12,171,323.58	3.06%	56	3.54%
30 < 35	32,226,049.68	8.10%	142	8.96%
35 < 40	69,528,365.82	17.48%	283	17.87%
40 < 45	84,765,934.42	21.31%	319	20.14%
45 < 50	88,249,942.76	22.18%	331	20.90%
50 < 55	71,621,576.53	18.00%	288	18.18%
55 < 60	37,161,071.95	9.34%	157	9.91%
60 < 65	1,312,986.59	0.33%	4	0.25%
<b>Total</b>	<b>397,838,510.74</b>	<b>100.00%</b>	<b>1584</b>	<b>100.00%</b>

Min	22.00
Max	61.00
Weighted Average	44.16

**Table O**

Adverse Credit By Borrower	Current Balance (€)	% of Current Balance	Number of Borrowers	% of Number of Borrowers
None	389,229,423.89	97.84%	1534	96.84%
BKR	8,609,086.85	2.16%	50	3.16%
<b>Total</b>	<b>397,838,510.74</b>	<b>100.00%</b>	<b>1584</b>	<b>100.00%</b>

## **MORTGAGE LOAN UNDERWRITING AND SERVICING**

### **Origination**

The Mortgage Loans have been originated by DSB Bank N.V. in its ordinary course of business and are distributed by the branches. All Mortgage Loans that are approved by the Sales department in our branch offices are first sent to the Control & Acceptance department (located in Eefde) for further review to ensure the Mortgage Loans are consistent with the underwriting guidelines. Since 2006 the Control & Acceptance department (located in Eefde) has been given the authority by DSB Bank N.V. to approve and grant the mortgage to the applicant if the criteria fall within the DSB Bank N.V. agreed acceptance-criteria. The central Control & Acceptance department (located at the head office in Wognum) performs a final check (at random they check 1 out of 5 files), after the loan being granted.

Subject to limited exceptions, new Mortgage Loans are accepted on the basis of the following underwriting guidelines:

#### *Housing ratio*

The maximum amount of the mortgage loan that will be granted is for an important part determined by the housing ratio. The housing ratio reflects the maximum percentage of income that can be committed to paying the interest and repayments on the mortgage loan.

#### *Income*

In general, DSB Bank N.V. only grants mortgages to applicants who are employed for an indefinite period of time. In certain circumstances, it is possible to grant mortgages to applicants who have a temporary working contract. In this case the loan-to-income ratio used for acceptance are set lower. Self certified income is not generally accepted.

#### *National Credit Register (BKR)*

A check is completed on every mortgage borrower with the National Credit Register (*Bureau voor Krediet Registratie*). All financial commitments for consumer credits over the past five years that mortgage borrowers have entered into with financial institutions are recorded here. Applicants with previous payment problems as registered with the BKR were, in the past, accepted and a certain portion is included in the Provisional Pool. The acceptance was depending on the type of arrears, the amount and the reason behind it.

#### *Mortgaged Assets*

All collateral offered in the form of existing residential homes is valued by an independent valuer not involved in the transaction. For this purpose, only those brokers are accepted that are a member of one of the following organisations: the *Nederlandse Vereniging van Makelaars (NVM)* (Dutch Association of Real Estate Brokers), the *Landelijke Makelaars Vereniging (LMV)* (National Real Estate Brokers' Association), the *Vereniging van Registrerend Taxateurs (RVT)* and the *Vereniging Bemiddeling Onroerend Goed (VBO)*. These are the same brokers that are accepted for NHG-guaranteed mortgages.



Mortgage loans are normally granted up to 160 per cent. of the foreclosure value. Interest-only mortgage loans, or in case of mortgage loans which are made up of a combination of loan types, the principal amount of the interest-only loan part thereof, are normally subject to a maximum of 135 per cent. of the foreclosure value. Occasionally, Interest-only Loans with a higher LTFV-ratio can be granted with management approval. Mortgage loans, other than Interest-only mortgage loans, made to a Borrower with an adverse credit history reported on BKR will not exceed 135 per cent. of the foreclosure value. Mortgage loans which qualify as Interest-only mortgage loans, or in case of mortgage loans which are made up of a combination of loan types, the principal amount of the interest-only loan part thereof, made to a Borrower with an adverse credit history reported on the BKR will not exceed 100 per cent of the foreclosure value. The foreclosure value equals approximately between 85 and 90 per cent. of the appraisal value. For applicants with higher income or additional assets, mortgage loans higher than 160 per cent. of the foreclosure value can be granted with management approval.

#### *Other underwriting conditions*

Apart from the principal underwriting factors already mentioned, the following rules generally apply: (i) mortgage loans are granted only to individuals, (ii) joint and several liability for the mortgage loan (all owners are joint and several debtors), (iii) mortgage loans are granted on the borrower's own residence only (no holiday homes or investment properties), (iv) the mortgaged property must be located in the Netherlands, (v) mortgage loans in excess of € 850,000 and € 400,000 for mortgage loans which have a negative register with the BKR will require the approval of the management of DSB Bank N.V., and (vi) adequate property insurance must be obtained.

### **Servicing**

#### *Introduction*

The Portfolio Mortgage Loans will continue to be serviced within the DSB Bank N.V. DSB Bank N.V. separates its mortgage servicing role into two departments, one dealing with collections for current mortgages (less than or equal to 2 months in arrears) (Servicing and Administration) and the other with delinquent mortgages (greater than 2 months in arrears) (Arrears and Collection).

DSB Bank N.V. has a fully integrated software system that facilitates communications between all aspects of the DSB Bank N.V.'s network including the Servicing and Administration department and the Arrears and Collection department.

All mortgage loan information is stored and operated using the Microsoft Foxpro application. Every night the principal balance on the Mortgage Loans is compared to the previous night's balance by adding the various financial transactions for the day. This provides automated information quality checks. The mortgage loan information is duplicated and stored on a CD (held at both the offices of DSB Bank N.V. and externally with Getronics N.V.) every night to comply with the disaster recovery plan. DSB Bank N.V.'s fall back centre is located at Nieuwegein.

### *Collections*

In respect of the mortgage loans, payments of both principal and interest are collected by direct debit for all the Mortgage Loans on the first day of each month. Each month, the system automatically calculates the amount of interest and principal due. All amounts due every month are collected through a direct debit.

In the case of Borrowers whose balance was insufficient, the servicing of the mortgage loan will be passed to the Arrears and Collection department.

### *Arrears management*

The Arrears and Collection department has been managing delinquent mortgage loans since DSB Bank N.V. (and its predecessors) began financing their originations in 2000. The Arrears and Collection department has also been serving non-current consumer loans for DSB Bank N.V. since 1991. The department currently has seventy three (73) full time equivalent employees. In April 2007, the management of delinquent mortgage loans was moved to Incassobureau Inspectrum located at Heerhugowaard. This special unit is a 100% subsidiary of DSB Bank N.V. It currently has 44 full time equivalent employees.

All young arrears are being serviced from a unit situated in Rotterdam, for the mortgages this means all arrears for month one and two. This is done in a so called Call Center environment, personnel in this unit are mainly students who work very strictly in accordance with the collections scripts. After the arrears reach the third month, the handling is automatically transferred to Incassobureau Inspectrum in Heerhugowaard, where DSB's collection professionals are located.

A separate division exist for legal affairs and administration.

If borrowers fail to meet their payment obligations by the due date, the following procedure applies:

- if, 3 days after the due date, payment has not been received, the first reminder is sent out to the borrower by way of a text message;
- if, 10 days after the due date, payment has not been received, a reminder is sent out. This letter is accompanied by a telephone call;
- if, 22 days after the due date, payment has not been received, the first formal written reminder is sent out, warning the borrower of a potential negative BKR code;
- if, 40 days after the due date, payment has not been received, the second formal reminder is sent out, warning the borrower of a potential (i) negative BKR code, (ii) termination of insurance policy or investment policy associated with the mortgage loan; or (iii) sale of the mortgaged assets;
- if, 52 days after the due date, payment has not been received, the third formal warning is sent out;
- if, 60 days after the due date, payment has not been received, the fourth formal warning is sent out, warning the customer of a potential (i) negative BKR code and (ii) assignment Incassobureau Inspectrum;
- if, 67 days after the due date, payment has not been received, the first letter is sent by Incassobureau Inspectrum and the customer will be visited at home;

- if, 90 days after the due date, payment has not been received, the borrower will attract a negative BKR code;
- after 210 days, a series of risk calculations will be performed to determine the lender's exposure and the optimal path for recoveries. This will be discussed with the head of the Arrears and Collection department and the board of directors of DSB Bank N.V. Following this discussion, the mortgage loan will be recalled.

The Arrears and Collection department will call the borrower twice every month they are in arrears to try and find an acceptable solution to the arrears for both the borrower and the lender. The borrower will continue to receive monthly arrears statements during these procedures.

#### *Foreclosure process*

As of the Provisional Pool Cut-Off Date, DSB Bank N.V. has some arrears cases that have persisted beyond twelve months. However this has led to a public sale in five cases so far. The previous mentioned risk calculation indicated that in general a private sale is more likely to give a higher price. Despite this, the lender has developed a process to manage a public sale, which is described below.

If there is a failure to comply with the agreed payment schemes, or if it is evident that there is no prospect of the interest and/or premium arrears being paid in the near future, the mortgage loan will be declared immediately due. Public or private sale is arranged only if there is no prospect of any acceptable resolution. Apart from the public or private sale as a result of arrears of payment on mortgages, such sale may also result from attachment or bankruptcy of the Borrowers. In the case of attachment or bankruptcy, the auction is ordered immediately.

DSB Bank N.V. will play an active role in the public auction process and may bid for properties. In principle, bids are made up to the foreclosure sale value of the property, with the provision that bids never exceed the amount of the total debt. As MPT Provider under this securitisation transaction, DSB Bank N.V. will follow the procedures as described above.

If a residual debt remains after the auction or private sale, the borrowers remain liable for that residue. In principle, a new payment scheme is arranged for the residual debt. If the borrowers do not wish to agree to any payment scheme, an external collection agency is brought in to see whether the claim can be collected.

## **STATER NEDERLAND B.V.**

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

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

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

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

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

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

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

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

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

Stater's external chartered auditor has issued a SAS 70 Type II assurance report on February 5 2007 for Stater with respect to the second half year of 2006.

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

## MORTGAGE RECEIVABLES PURCHASE AGREEMENT

Under the Mortgage Receivables Purchase Agreement, the Issuer will purchase and accept from the Seller the assignment of the Mortgage Receivables and the Beneficiary Rights relating thereto by means of a registered deed of assignment as a result of which legal title to the Mortgage Receivables and the Beneficiary Rights relating thereto is transferred to the Issuer. The assignment of the Mortgage Receivables and the Beneficiary Rights relating thereto from the Seller to the Issuer will not be notified to the Borrowers or the Insurance Companies (other than REAAL Levensverzekeringen N.V.), except in special events as further described hereunder ("**Assignment Notification Events**"). Until such notification the Borrowers will only be entitled to validly pay (*bevrijdend betalen*) to the Seller. The Issuer will be entitled to all interest and principal proceeds in respect of the Mortgage Receivables following the Closing Date and to all amounts of principal in respect of the Portfolio Mortgage Loans, which were received by the Seller between 30 November 2007 and the Closing Date.

### Purchase Price

The purchase price for the Mortgage Receivables will consist of (i) an initial purchase price (the "**Initial Purchase Price**"), which in respect of the Mortgage Receivables purchased on the Closing Date will be equal to € 384,439,931.16, which shall be payable on the Closing Date or, in respect of the Further Advance Receivables, Replacement Receivables and Replenishment Receivables, on the relevant Quarterly Payment Date or, in respect of New Mortgage Receivables on the relevant Business Day and (ii) a deferred purchase price (the "**Deferred Purchase Price**"). The Initial Purchase Price for the Mortgage Receivables purchased on the Closing Date will be paid by the Issuer by applying part of the proceeds received from the issue of the Notes (other than the Subordinated Class E Notes). The Deferred Purchase Price will, prior to delivery of an Enforcement Notice, be equal to the sum of all Deferred Purchase Price Instalments and each such instalment (each a "**Deferred Purchase Price Instalment**") on any Quarterly Payment Date will be equal to (i) any excess of the Notes Interest Available Amounts as calculated on each Notes Calculation Date over the sum of all amounts paid and due by the Issuer as set forth in the Interest Priority of Payments under (a) up to and including (r); (ii) any excess of the Notes Redemption Available Amounts as calculated on each Notes Calculation Date over the sum of all amounts paid and due by the Issuer as set forth in the Principal Priority of Payments under (a) up to and including (d); or (iii) following the First Optional Redemption Date if the Pro Rata Amortisation Criteria are met, any excess of the Notes Redemption Available Amounts as calculated on each Notes Calculation Date over the sum of all amounts paid and due by the Issuer as set forth in the Pro Rata Amortisation Priority of Payments under (a), and, after delivery of an Enforcement Notice, be equal to the amount remaining after payments as set forth in the Post-Enforcement Priority of Payments under (a) up to and including (p) have been made on such date (see *Credit Structure* above).

### Representations and warranties

The Seller will represent and warrant on the Closing Date with respect to the Portfolio Mortgage Loans and the Mortgage Receivables, *inter alia*, that:

- (a) the Mortgage Receivables are duly and validly existing;

- (b) it has full right and title (*beschikkingsbevoegdheid*) to the Mortgage Receivables and no restrictions on the sale and transfer of the Mortgage Receivables are in effect and the Mortgage Receivables are capable of being transferred;
- (c) it has power to sell and assign the Mortgage Receivables;
- (d) the Mortgage Receivables are free and clear of any rights of pledge or other similar rights (*bepaalde rechten*), encumbrances and attachments (*beslagen*) and no option rights have been granted in favour of any third party with regard to the Mortgage Receivables, other than pursuant to the Transaction Documents and no claims or other contractual entitlements of third parties exist in respect of the Mortgage Receivables that could be adverse to the Issuer's interest therein or the validity/enforceability of the Transaction Documents;
- (e) each Mortgage Receivable is secured by (i) a first-ranking mortgage right (*eerste recht van hypotheek*) or, in the case of Portfolio Mortgage Loans secured on the same Mortgaged Asset, first and sequentially lower ranking mortgage rights over residential property situated in the Netherlands and (ii) governed by Dutch law;
- (f) upon creation of each mortgage right and each right of pledge, other than the Borrower Insurance Pledge, securing the relevant Portfolio Mortgage Loan, it was granted the power under and pursuant to the mortgage deed to unilaterally terminate in whole or in part such mortgage right and right of pledge and such power to terminate has not been revoked, terminated or amended;
- (g) each Mortgaged Asset was valued when application for the relevant Portfolio Mortgage Loan was made by an independent qualified valuer or surveyor and no such valuations were older than twelve (12) months on the date of such mortgage application by the relevant Borrower, except that no valuation is required in case (i) the Portfolio Mortgage Loan (or, in the case of Portfolio Mortgage Loans secured on the same Mortgaged Asset, the aggregate of such Portfolio Mortgage Loans) does not exceed 100 per cent. of the value based upon an assessment by the Dutch tax authorities on the basis of the Act on Valuation of Real Estate (*Wet Waardering Onroerende Zaken*), or (ii) the Portfolio Mortgage Loan is secured by a Mortgage on newly built properties and no re-valuation of the relevant Mortgaged Asset has taken place, except in certain cases where the principal amount of the relevant Portfolio Mortgage Loan was increased or decreased;
- (h) each Mortgage Receivable, and each Mortgage and Borrower Insurance Pledge, if any, securing such receivable constitutes legal, valid, binding and enforceable obligations of the relevant Borrower;
- (i) each Portfolio Mortgage Loan was originated by the Seller (or any of its predecessors);
- (j) all mortgage rights and rights of pledge granted to secure the relevant Mortgage Receivables (i) constitute valid first ranking mortgage rights (*hypotheekrechten eerste in rang*) and first ranking rights of pledge

(*pandrechten eerste in rang*), respectively, on the assets which are the subject of such mortgage rights and rights of pledge and, to the extent relating to the mortgage rights, have been entered into the appropriate public register, (ii) have first priority, or are first and sequentially lower ranking mortgage rights, and (iii) were vested for a principal sum which is at least equal to the principal sum of the Portfolio Mortgage Loan when originated, increased with an amount customary for a prudent lender of Dutch mortgage loans from time to time in respect of interest, penalties and costs;

- (k) the particulars of each Portfolio Mortgage Loan (or part thereof) as set out in Schedule 3 to the Mortgage Receivables Purchase Agreement and Annex 1 to the Deed of Assignment (as defined in the Master Definitions Agreement), are complete, true and accurate in all material respects;
- (l) each of the Portfolio Mortgage Loans meets the Mortgage Loan Criteria;
- (m) the Portfolio Mortgage Loans are fully disbursed, other than any further advances which may be granted by it to the Borrower;
- (n) in respect of the Portfolio Mortgage Loans no monies are placed on a deposit with the Seller to be paid out to or on behalf of the relevant Borrower in order to enable them to pay for construction of or improvements of the mortgaged property;
- (o) each of the Portfolio Mortgage Loans has been granted in accordance with all applicable legal requirements and materially meet the Code of Conduct on Mortgage Loans (*Gedragcode Hypothecaire Financieringen*) and the Seller's standard underwriting criteria and procedures prevailing at that time and are subject to terms and conditions customary in the Dutch mortgage market at the time of origination and not materially different from the terms and conditions applied by a prudent lender of Dutch residential mortgage loans;
- (p) each of the Life Mortgage Receivables has the benefit of a Life Insurance Policy and either (i) the Seller has been validly appointed as beneficiary (*begunstigde*) under such Life Insurance Policies upon the terms of the Life Mortgage Loans and the relevant Life Insurance Policies, which appointment has been notified to the relevant Insurance Company or (ii) the relevant Insurance Company is irrevocably authorised to apply the insurance proceeds in satisfaction of the relevant Life Mortgage Receivable;
- (q) it has not been notified and is not aware of anything affecting its title to the relevant Mortgage Receivables;
- (r) it has undertaken all reasonable efforts to (i) comply, and procure that each of its intermediaries complies, with its duty of care (*zorgplicht*) vis-à-vis the Borrowers applicable under Dutch law to, inter alia, offerors of mortgage loans, including but not limited to, *inter alia*, an investigation to the risk profile (*risicoprofiel*) of the customer and the appropriateness of the product offered in relation to such risk profile (*risicoprofiel*), and (ii) provide, and procure that each of its intermediaries provide, each Borrower with accurate,

complete and non misleading information about the relevant Portfolio Mortgage Loan and the Insurance Policy, which is provided by the relevant Insurance Company, linked thereto and the risks, including particularities of the product, involved as reflected for example in the *financiële bijsluiter*;

- (s) the notarial mortgage deeds (*minuut*) relating to the Portfolio Mortgage Loans are held by a civil law notary (*notaris*) in the Netherlands, while the loan files are held by the MPT Provider or its sub-contractor (if any);
- (t) to the best of its knowledge, the Borrowers are not in any material breach of any provision of the Portfolio Mortgage Loans, other than a failure to pay interest and/or principal under a Portfolio Mortgage Loan;
- (u) each Portfolio Mortgage Loan constitutes the entire loan granted to the relevant Borrower that is secured by the same Mortgage and not merely one or more loan parts (*leningdelen*);
- (v) each receivable under a Portfolio Mortgage Loan which is secured by the same mortgage right, is sold and assigned to the Issuer pursuant to the Mortgage Receivables Purchase Agreement;
- (w) with respect to each Mortgage Receivable resulting from a Life Mortgage Loan to which an Insurance Policy is connected, a valid right of pledge has been entered into by the Seller and the relevant Borrower and such right of pledge has been notified to the relevant Insurance Company;
- (x) the Mortgage Conditions provide that each of the assets on which a Mortgage has been vested to secure the Mortgage Receivable had, at the time of origination of the Portfolio Mortgage Loan, the benefit of adequate buildings insurance (*opstalverzekering*) for the full reinstatement value (*herbouwwaarde*) satisfactory to the Seller;
- (y) the current Mortgage Conditions provide that all payments by the Borrower should be made without any deduction or set-off (*verrekening*); and
- (z) the aggregate principal sum outstanding of all Mortgage Receivables as at 30 November 2007 and purchased on the Closing Date by the Issuer is equal to € 384,439,931.16.

### **Mandatory Repurchase**

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



of repurchase and re-assignment of the Mortgage Receivable.

If the Seller agrees with a Borrower to make a Further Advance prior to the occurrence of an Assignment Notification Event, it shall repurchase and accept re-assignment of the Mortgage Receivable resulting from the Portfolio Mortgage Loan in respect of which a Further Advance has been granted unless such Further Advance Receivables shall be purchased by and assigned to the Issuer, subject to the terms and conditions set forth below on the immediately succeeding Quarterly Payment Date (see also paragraph *Further Advance* below).

The Seller shall also undertake to repurchase and accept re-assignment of a Mortgage Receivable on the first Business Day of the calendar month immediately following the date on which it agrees with a Borrower to amend the terms of the relevant Portfolio Mortgage Loan in the event that such amendment is not in accordance with the conditions set out in the Mortgage Receivables Purchase Agreement and/or the MPT Agreement, which include the condition that such amendment does not adversely affect the position of the Issuer or the Security Trustee and that after such amendment the relevant Mortgage Loan continues to meet each of the Mortgage Loan Criteria (as set out below) and the representations and warranties contained in the Mortgage Receivables Purchase Agreement (as set out above) and does not adversely affect the rating of the Notes. However, the Seller shall not be required to repurchase such Portfolio Mortgage Loan if the relevant amendment is made as part of the enforcement procedures to be complied with upon a default by the Borrower under the relevant Portfolio Mortgage Loan or is otherwise made as part of a restructuring or renegotiation of the relevant Portfolio Mortgage Loan due to a deterioration of the credit quality of the Borrower of such Portfolio Mortgage Loan.

The Issuer will on each Quarterly Payment Date up to and including the Quarterly Payment Date immediately preceding the First Optional Redemption Date apply the amount of principal received as a result of a repurchase set forth above (if any) or, if less, an amount equal to the Notes Principal Available Amounts (excluding item (iv) thereof) less the Interest Shortfall Amount (if any), to purchase and accept assignment from the Seller any additional mortgage receivables (i.e. Replacement Receivables) and the Beneficiary Rights relating thereto, subject to the fulfilment of certain conditions and to the extent offered by the Seller. Such conditions include, *inter alia*, the requirement that any such receivable should meet the Mortgage Loan Criteria set forth in the Mortgage Receivables Purchase Agreement. Upon purchase and acceptance of assignment of any Replacement Receivable and the relating Beneficiary Rights by the Issuer, the Issuer will at the same time create a first ranking right of pledge (*pandrecht eerste in rang*) in favour of the Security Trustee on such Replacement Receivable and Beneficiary Rights.

#### **Seller Clean-up Call Option**

The Seller may, without the obligation to do so, repurchase and accept re-assignment of all (but not only part of) the Mortgage Receivables then outstanding on each Quarterly Payment Date on which the aggregate outstanding principal amount under the Portfolio Mortgage Loans is less than 10 per cent. of the sum of (i) the aggregate principal amount of the Mortgage Receivables outstanding on the Closing Date and (ii) the aggregate principal amount of the New Mortgage Receivables outstanding on the date such New Mortgage Receivables were purchased by and assigned to the Issuer.

The Issuer has undertaken in the Mortgage Receivables Purchase Agreement to sell and assign the Mortgage Receivables to the Seller, or any third party appointed by the Seller at its sole discretion, in the event that the Seller exercises the Seller Clean-up Call Option. The purchase price will be calculated as described in *Sale of Mortgage Receivables* in *Credit Structure* above. The proceeds of such sale shall be applied by the Issuer towards redemption of the Notes (other than the Subordinated Class E Notes), subject to and in accordance with the Conditions.

### **Regulatory Call Option**

The Seller may, without the obligation to do so, repurchase and accept re-assignment of all (but not only part of) the Mortgage Receivables on each Quarterly Payment Date following the occurrence of a change in the Basle Capital Accord promulgated by the Basle Committee on Banking Supervision (the "**Basle Accord**") or in the international, European or Dutch regulations, rules and instructions (which includes the solvency regulation on securitization of the Dutch Central Bank) (the "**Bank Regulations**") applicable to DSB Bank N.V. (including any change in the Bank Regulations enacted for purposes of implementing a change to the Basle Accord) or a change in the manner in which the Basle Accord or such Bank Regulations are interpreted or applied by the Basle Committee on Banking Supervision or by any relevant competent international, European or national body (including any relevant international, European or Dutch Central Bank or other competent regulatory or supervisory authority) which, in the opinion of DSB Bank N.V. has the effect of adversely affecting the rate of return on capital of DSB Bank N.V. or increasing the costs or reducing the benefit to DSB Bank N.V. with respect to the transaction contemplated by the Transaction Documents (such change a "**Regulatory Change**").

The Issuer has undertaken in the Mortgage Receivables Purchase Agreement to sell and assign the Mortgage Receivables to the Seller, or any third party appointed by the Seller at its sole discretion, in case the Seller exercises the Regulatory Call Option. The purchase price will be calculated as described in *Sale of Mortgage Receivables* in *Credit Structure* above. If the Seller exercises the Regulatory Call Option, then the Issuer shall redeem the Notes by applying the proceeds of such sale towards redemption of the Notes (other than the Subordinated Class E Notes), subject to and in accordance with the Conditions.

### **Mortgage Loan Criteria**

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

- (a) the Portfolio Mortgage Loan includes one or more of the following loan types:
  - (i) a Life Mortgage Loan (*levenhypotheek*);
  - (ii) an Annuity Mortgage Loan (*annuïteiten hypotheek*);
  - (iii) an Interest-only Mortgage Loan (*aflossingsvrije hypotheek*);
- (b) the Borrower was at the time of origination, a resident of the Netherlands and not employed by the Seller or any of their group companies;

- (c) the Portfolio Mortgage Loan is secured by a first ranking mortgage right or, in the case of Portfolio Mortgage Loans secured on the same Mortgaged Asset, first and sequentially lower ranking mortgage rights over residential property situated in the Netherlands;
- (d) at least one (1) full (interest) payment has been made by the Borrower in respect of the Portfolio Mortgage Loan;
- (e) the Portfolio Mortgage Loan or part thereof does not qualify as a bridge loan (*overbruggingshypotheek*);
- (f) pursuant to the applicable Mortgage Conditions, (i) the Mortgaged Asset may not be the subject of residential letting, (ii) the Mortgaged Asset is for residential use only and has to be occupied by the relevant Borrower at and after the time of origination and (iii) no consent for residential letting of the Mortgaged Assets has been given by the Seller;
- (g) the interest rate on the Portfolio Mortgage Loan (or if the Portfolio Mortgage Loan consists of more than one loan part, on each loan part) is a floating rate or fixed rate, subject to an interest reset from time to time;
- (h) interest payments on the Portfolio Mortgage Loan are scheduled to be made monthly in arrear on the first day of each calendar month by direct debit;
- (i) the Portfolio Mortgage Loan is not in arrears;
- (j) the Portfolio Mortgage Loan will not have an initial legal maturity of more than 365 months;
- (k) the principal sum outstanding of each Portfolio Mortgage Loan (or, in the case of Portfolio Mortgage Loans secured on the same Mortgaged Asset, the aggregate principal sum outstanding of such Portfolio Mortgage Loans) does not exceed 160.00 per cent., or, in the case of a Portfolio Mortgage Loan (or, in the case of a Portfolio Mortgage Loans secured on the same Mortgaged Asset, the aggregate principal sum outstanding of such Portfolio Mortgage Loans) made to a Borrower with an adverse credit history reported on the BKR, 135.00 per cent. of the foreclosure value of the Mortgaged Asset, in either case, upon origination of the Portfolio Mortgage Loan (or, in the case of a Portfolio Mortgage Loans secured on the same Mortgaged Asset, the aggregate principal sum outstanding of such Portfolio Mortgage Loans);
- (l) the principal sum outstanding of a Portfolio Mortgage Loan (or, in the case of Portfolio Mortgage Loans secured on the same Mortgaged Asset, the aggregate principal sum outstanding of such Portfolio Mortgage Loans) does not exceed € 850,000, or, in the case of a Portfolio Mortgage Loan or, in the case of Portfolio Mortgage Loans secured on the same Mortgaged Asset, the aggregate principal sum outstanding of such Portfolio Mortgage Loans) made to a Borrower with an adverse credit history reported on the BKR, € 400,000;

- (m) in respect of a Portfolio Mortgage Loan which consists of one loan part that qualifies as an Interest-only Mortgage Loan, or in respect of a Portfolio Mortgage Loan which is made up of a combination of loan types, the principal amount outstanding of the interest-only loan part thereof, does not exceed 135.00 per cent., or, in the case of a Portfolio Mortgage Loan made to a Borrower with an adverse credit history reported on the BKR, 100.00 per cent. of the foreclosure value of the relevant Mortgaged Asset;
- (n) the Borrower, at the time of origination, did not self certify his/her income;
- (o) where compulsory under the applicable Mortgage Conditions, the Portfolio Mortgage Loan has an Insurance Policy attached to it.

The same criteria apply to the selection of Further Advance Receivables, Replacement Receivables, Replenishment Receivables and New Mortgage Receivables, unless agreed otherwise with the Rating Agency.

#### **Assignment Notification Events**

If:

- (a) failure of the Seller, in any material respect, to duly perform or comply with any of its obligations under the Mortgage Receivables Purchase Agreement or under any of the other Transaction Documents to which it is a party and such failure, if capable of being remedied, is not remedied within ten (10) Business Days after notice thereof;
- (b) any representation, warranty or statement made or deemed to be made by the Seller in the Mortgage Receivables Purchase Agreement, other than (i) the representations and warranties made in relation to the Portfolio Mortgage Loans and the Mortgage Receivables or (ii) under any of the other Transaction Documents to which the Seller is a party, or in any notice or other document, certificate or statement delivered by any of them pursuant thereto proves to have been, and continues to be after the expiration of any applicable grace period, untrue or incorrect in any material respect;
- (c) the Seller has taken any corporate action or any steps have been taken or legal proceedings have been instituted or threatened against the Seller for its dissolution (*ontbinding*) and liquidation (*vereffening*) or a petition is made for the imposition of emergency regulations (*noodregeling*) as referred to in the Act on the Financial Supervision (*Wet op het financieel toezicht*), as amended, or such emergency regulations (*noodregeling*) are imposed, or the Seller applies for its bankruptcy or is declared bankrupt (*failliet verklaard*) or any steps have been taken for the appointment of a receiver or a similar officer of any of them of any or all of its assets;
- (d) at any time it becomes unlawful for the Seller to perform all or a material part of its obligations under the Transaction Documents in such a manner that this would have a material adverse effect on its ability to perform such obligations;

- (e) the Seller, on a consolidated basis, during a period of two consecutive months fails to have a solvency ratio of at least 0.25 per cent. point above the percentage required pursuant to the Decree on Prudential Rules Act on the Financial Supervision (*Besluit prudentiële regels Wft*, the "**Prudential Rules**") for tier 1 capital and 0.5 per cent. point above the percentage required pursuant to the Prudential Rules for tier 1 capital, upper tier 2 capital and lower tier 2 capital together;
- (f) pursuant to the Prudential Rules the actual liquidity of the Seller, on a consolidated basis, is not greater or equal to the required liquidity under the broad liquidity test, as defined in such Prudential Rules during a period of any two consecutive months;
- (g) the Dutch Central Bank has restricted the Seller's powers in accordance with section 1:75.2 of the Act on the Financial Supervision and within two weeks after such event the Seller has not taken the necessary steps resulting in such measures being withdrawn;
- (h) the aggregate of the issued share capital, subordinated loans, subordinated provisions and reserves of the Seller falls below € 100 million; or
- (i) any change in the business activities of the Seller and/or any of its directly or indirectly owned subsidiaries which has a material adverse affect on the business activities of the group (within the meaning of section 2:24b of the Dutch Civil Code) of which the Seller forms part has occurred and is continuing,

then, unless (i) in the event of the occurrence of an Assignment Notification Event referred to under (a) such failure, if capable of being remedied is so remedied to the satisfaction of the Issuer and the Security Trustee within a period of ten (10) Business Days, or (ii) in the event of the occurrence of an Assignment Notification Event referred to under (e), (f), (g), (h) and/or (i) the Issuer and the Security Trustee having received confirmation from the Rating Agency that no downgrading of the ratings assigned to the Notes outstanding (other than the Subordinated Class E Notes) will occur as a result of not giving notice as described below, the Seller undertakes to forthwith (A) unless the Security Trustee instructs otherwise, terminate (*opzeggen*), each of the Mortgages granted by the Borrowers to the effect that such Mortgage no longer secures other debts, if any, than the Mortgage Receivables purchased by the Issuer pursuant to the Mortgage Receivables Purchase Agreement, (B) notify the relevant Borrower, the Insurance Companies and any other relevant party indicated by the Issuer and/or the Security Trustee of the assignment of the Mortgage Receivables and the Beneficiary Rights relating thereto, all this substantially in accordance with the form of the relevant notification letter attached to the Mortgage Receivables Purchase Agreement and (C) make the appropriate entries in the relevant mortgage register with regard to the assignment of the Mortgage Receivables. The Issuer or the Security Trustee, on behalf of the Issuer, shall be entitled to effect such termination, notification and entry itself for which the Seller, to the extent required, will grant an irrevocable power of attorney to the Issuer and the Security Trustee in the Mortgage Receivables Purchase Agreement.

## **Purchase of New Mortgage Receivables, Further Advance Receivables, Replacement Receivables and Replenishment Receivables**

### *New Mortgage Receivables*

The Mortgage Receivables Purchase Agreement provides that as from the Closing Date up to and including the Quarterly Payment Date falling in March 2008, the Issuer may (without the obligation to do so) on any Business Day occurring within the Pre-Funding Period use the amounts standing to the credit of the Pre-Funding Account, to purchase and accept assignment of any New Mortgage Receivables originated by the Seller in accordance with the underwriting criteria and procedures prevailing at that time and which may be expected from a reasonably prudent mortgage lender in the Netherlands, if and to the extent offered by the Seller. The Initial Purchase Price payable by the Issuer in respect of the purchase and assignment of any New Mortgage Receivables shall be equal to the aggregate principal amount outstanding of such New Mortgage Receivables at the date of completion of the sale and purchase thereof on the relevant Business Day.

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

- (a) the Seller will represent and warrant to the Issuer and the Security Trustee the matters set out in the clauses providing for the representations and warranties relating to the Portfolio Mortgage Loans, the Mortgage Receivables and the Seller in the Mortgage Receivables Purchase Agreement, with respect to the New Mortgage Receivables sold and relating to the Seller;
- (b) no Assignment Notification Event has occurred and is continuing;
- (c) the Portfolio Mortgage Loan to which the New Mortgage Receivable relates meets the Mortgage Loan Criteria;
- (d) the balance standing to the credit of the Pre-Funding Account is sufficient to pay part of the Initial Purchase Price for the relevant New Mortgage Receivables; and
- (e) each of the Additional Purchase Criteria (as described below) are met.

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

### **Additional Purchase Criteria**

Each of the following criteria (collectively the "**Additional Purchase Criteria**") applies in respect of an intended purchase of New Mortgage Receivables during the Pre-Funding Period:

- (i) the weighted average LTFV of all the Portfolio Mortgage Loans, including the New Mortgage Receivables,

does not exceed the weighted average LTFV of the Portfolio Mortgage Loans as at the Closing Date by more than 1.00 per cent.;

- (ii) the cumulative aggregate outstanding principal amount of the New Mortgage Receivables to be purchased by the Issuer may in aggregate not exceed 10 per cent. of the aggregate outstanding principal amount of the Portfolio Mortgage Loans as at the Closing Date;
- (iii) the balance standing to the credit of the Reserve Account is equal to or greater than the Reserve Account Target Level;
- (iv) the weighted average loss severity ("**WALS**") multiplied by the weighted average foreclosure frequency ("**WAFF**") for the Mortgage Receivables, according to the Rating Agency, as constituted following the proposed purchase and sale of the relevant New Mortgage Receivables, does not exceed by more than 0.25 per cent. the product of the WALS and WAFF for the Mortgage Receivables, according to the Rating Agency and as constituted at the Closing Date;
- (v) not more than 3.00 per cent. of the aggregate outstanding principal amount of the Mortgage Receivables are Mortgage Receivables under which amounts which are due and payable have remained unpaid for a consecutive period exceeding ninety (90) days;
- (vi) there has been no failure by the Seller to repurchase any Mortgage Receivable which it is required to repurchase pursuant to the Mortgage Receivables Purchase Agreement;
- (vii) the purchase of any New Mortgage Receivables does not adversely affect the then current rating of the Notes (other than the Subordinated Class E Notes) by the Rating Agency;
- (viii) the aggregate outstanding principal amount of all Interest-only Mortgage Loans does not exceed 90 per cent. of the aggregate outstanding principal amount of all Portfolio Mortgage Loans; and
- (ix) the aggregate of the Realised Losses incurred as from the Closing Date up to the relevant Quarterly Payment Date does not exceed more than 2.00 per cent. of the initial aggregate outstanding principal amount of the Portfolio Mortgage Loans at the Closing Date.

#### *Replacement Receivables*

The Mortgage Receivables Purchase Agreement provides that, as from the Closing Date up to the Quarterly Payment Date immediately preceding the First Optional Redemption Date, the Issuer shall on each Quarterly Payment Date apply the Notes Principal Available Amounts (excluding item (iv) thereof) up to a maximum amount equal to the lesser of (i) the aggregate Replacement Available Amounts and (ii) the Notes Principal Available Amounts (excluding item (iv) thereof) and less the Interest Shortfall Amount (if any), to purchase and accept assignment of any Replacement Receivables and the Beneficiary Rights relating thereto from the Seller, if and to the extent offered by it. The Initial Purchase Price payable by the Issuer in respect of the purchase and

assignment of any Replacement Receivables shall be equal to the aggregate principal amount outstanding of such Replacement Receivables at the date of completion of the sale and purchase thereof on the relevant Quarterly Payment Date together with the interest accrued up to but excluding such date.

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

- (a) the Seller will represent and warrant to the Issuer and the Security Trustee the matters set out in the clauses providing for the representations and warranties relating to the Portfolio Mortgage Loans, the Mortgage Receivables and the Seller in the Mortgage Receivables Purchase Agreement with respect to the Replacement Receivables sold and relating to the Seller;
- (b) no Assignment Notification Event has occurred and is continuing;
- (c) the Initial Purchase Price payable in respect of the Replacement Receivables does not exceed the aggregate Replacement Available Amounts;
- (d) the purchase of the Replacement Receivables does not adversely affect the then current rating of the Notes (other than the Subordinated Class E Notes) by the Rating Agency; and
- (d) the Portfolio Mortgage Loan to which the Replacement Receivable relates meets the Mortgage Loan Criteria.

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

#### *Further Advance Receivables*

The Mortgage Receivables Purchase Agreement provides that as from the Closing Date up to and including the Quarterly Payment Date immediately preceding the First Optional Redemption Date the Issuer will apply the Notes Principal Available Amounts (excluding item (iv) thereof), up to a maximum amount equal to the Notes Principal Available Amounts (excluding item (iv) thereof), less the Interest Shortfall Amount (as defined below) and less the amounts applied towards payment of the Initial Purchase Price of Replacement Receivables (if any) to purchase and accept assignment of any Further Advance Receivables resulting from Further Advances granted by the Seller to a Borrower in accordance with the underwriting criteria and procedures prevailing at that time and which may be expected from a reasonably prudent mortgage lender in the Netherlands. The Initial Purchase Price payable by the Issuer in respect of the purchase and assignment of any Further Advance Receivables and the Beneficiary Rights relating thereto shall be equal to the aggregate principal amount outstanding of such Further Advance Receivables at the date of completion of the sale and purchase thereof on the next succeeding Quarterly Payment Date.



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

- (a) the Seller will represent and warrant to the Issuer and the Security Trustee the matters set out in the clauses providing for the representations and warranties relating to the Portfolio Mortgage Loans, the Mortgage Receivables and the Seller in the Mortgage Receivables Purchase Agreement with respect to the Further Advance Receivables sold and relating to the Seller;
- (b) no Assignment Notification Event has occurred and is continuing;
- (c) the Portfolio Mortgage Loan (including the Further Advance) meets the Mortgage Loan Criteria; and
- (d) each of the Further Advance Criteria (as described below) are met.

Each of the following criteria (collectively the "**Further Advance Criteria**") applies in respect of an intended purchase of Further Advance Receivables:

- (i) the weighted average LTFV of all the Portfolio Mortgage Loans, including the Further Advance Receivables, does not exceed the weighted average LTFV of the Portfolio Mortgage Loans as at the Closing Date by more than 1.00 per cent.;
- (ii) the cumulative aggregate outstanding principal amount of the Further Advance Receivables to be purchased by the Issuer may in aggregate not exceed 10 per cent. of the aggregate outstanding principal amount of the Portfolio Mortgage Loans as at the Closing Date;
- (iii) the balance standing to the credit of the Reserve Account is equal to the Reserve Account Target Level;
- (iv) the WALS multiplied by the WAFF) for the Mortgage Receivables, according to the Rating Agency, as constituted following the proposed purchase and sale of the relevant Further Advance Receivables, does not exceed by more than 0.25 per cent. the product of the WALS and WAFF for the Mortgage Receivables, according to the Rating Agency and as constituted at the Closing Date;
- (v) not more than 3.00 per cent. of the aggregate outstanding principal amount of the Mortgage Receivables are Mortgage Receivables under which amounts which are due and payable have remained unpaid for a consecutive period exceeding ninety (90) days;
- (vi) there has been no failure by the Seller to repurchase any Mortgage Receivable which it is required to repurchase pursuant to the Mortgage Receivables Purchase Agreement;
- (vii) the purchase of the Further Advance does not adversely affect the then current rating of the Notes (other than the Subordinated Class E Notes) by the Rating Agency;

- (viii) the aggregate outstanding principal amount of all Interest-only Mortgage Loans does not exceed 90 per cent. of the aggregate outstanding principal amount of all Portfolio Mortgage Loans; and
- (ix) the aggregate of the Realised Losses incurred as from the Closing Date up to the relevant Quarterly Payment Date does not exceed more than 2.00 per cent. of the initial aggregate outstanding principal amount of the Portfolio Mortgage Loans at the Closing Date.

If either (i) any of the representations and warranties set out in the Mortgage Receivables Purchase Agreement in respect of the Portfolio Mortgage Loan and the Mortgage Receivables is not true or correct with respect to the Further Advance Receivables, or (ii) the Further Advance Receivables do not meet the above conditions and Further Advance Criteria, or (iii) the Issuer does not have sufficient funds available for payment of the Initial Purchase Price for the Further Advance Receivables, or (iv) the Further Advance is granted on or following the First Optional Redemption Date, the Seller shall repurchase and accept the re-assignment of the Mortgage Receivables resulting from the Portfolio Mortgage Loan in respect of which a Further Advance is granted.

When Further Advances are granted to the relevant Borrower and the Issuer purchases and accepts assignment of the relevant Further Advance Receivable and the relating Beneficiary Rights, the Issuer will at the same time create a right of pledge on such Further Advance Receivable and Beneficiary Rights in favour of the Security Trustee.

#### *Replenishment Receivables*

The Mortgage Receivables Purchase Agreement provides that as from the Closing Date up to and including the Quarterly Payment Date falling in December 2010 the Issuer will apply the Notes Principal Available Amounts (excluding item (iv) thereof), up to a maximum amount equal to the Notes Principal Available Amounts (excluding item (iv) thereof) less the Interest Shortfall Amount (if any) and the amounts applied towards payment of the Initial Purchase Price of the Further Advance Receivables and/or Replacement Receivables (if any), to purchase and accept assignment of any Replenishment Receivables and the Beneficiary Rights relating thereto from the Seller if and to the extent offered by it. For the avoidance of doubt, the Seller is not obliged to make such offer. The Initial Purchase Price payable by the Issuer in respect of the purchase and assignment of any Replenishment Receivables shall be equal to the aggregate principal amount outstanding of such Replenishment Receivables at the date of completion of the sale and purchase thereof on the relevant Quarterly Payment Date together with the interest accrued up to but excluding such date.

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

- (a) the Seller will represent and warrant to the Issuer and the Security Trustee the matters set out in the clauses providing for the representations and warranties relating to the Portfolio Mortgage Loans, the Mortgage Receivables and the Seller in the Mortgage Receivables Purchase Agreement with respect to the Replenishment Receivables sold and relating to the Seller;

- (b) no Assignment Notification Event has occurred and is continuing;
- (c) the relevant Portfolio Mortgage Loan meets the Mortgage Loan Criteria; and
- (d) each of the Replenishment Criteria (as described below) are met.

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

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

- (i) the weighted average LTFV of all the Portfolio Mortgage Loans (including the Portfolio Mortgage Loan) does not exceed the weighted average LTFV of the Portfolio Mortgage Loans as the Closing Date by more than 1.00 per cent.;
- (ii) the balance standing to the credit of the Reserve Account is equal to or greater than the Reserve Account Target Level;
- (iii) the WALs multiplied by the WAFF for the Mortgage Receivables, according to the Rating Agency, as constituted following the proposed purchase and sale of the relevant Replenishment Receivables, does not exceed by more than 0.25 per cent. the product of the WALs and WAFF for the Mortgage Receivables, according to the Rating Agency and as constituted at the Closing Date;
- (iv) the weighted average loan to income multiple by Borrower for all Portfolio Mortgage Loans (including the Borrower in respect of the Portfolio Mortgage Loan) does not exceed the weighted average loan to income multiple by Borrower of the Portfolio Mortgage Loans as at the Closing Date by more than 0.25;
- (v) the loan to income multiple by Borrower in respect of the Portfolio Mortgage Loan does not exceed 7.0;
- (vi) the principal sum outstanding of the Portfolio Mortgage Loan does not exceed € 600,000; and
- (vii) the Borrower does not have an adverse credit history reported on the BKR.

## **MPT AGREEMENT AND ISSUER ADMINISTRATION AGREEMENT**

### **Mortgage Portfolio Management Services**

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

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

Upon the occurrence of a termination event as set forth above, the Security Trustee and the Issuer shall use their best efforts to appoint a substitute MPT provider (see also below) and such substitute MPT provider shall enter into an agreement with the Issuer and the Security Trustee substantially on the terms of the MPT Agreement, provided that such substitute MPT provider shall have the benefit of a servicing fee at a level to be then determined. Any such substitute MPT provider must have experience of handling mortgage loans and mortgages of residential property in the Netherlands and hold a licence under the Act on the Financial Supervision (*Wet op het financieel toezicht*). The Issuer shall, promptly following the execution of such agreement, pledge its interest in such agreement in favour of the Security Trustee on the terms of the Issuer Rights Pledge Agreement, *mutatis mutandis*, to the satisfaction of the Security Trustee.

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

### **Substitute MPT Provider**

At the Closing Date Stater Nederland B.V. will pursuant to the back-up mortgage payment transaction provider agreement entered into by Stater Nederland B.V., the Seller, the Issuer and the Security Trustee on the Signing

Date (the "**Back-up MPT Agreement**") be appointed as Substitute MPT Provider by the Issuer and the Security Trustee in order to be its lawful agent to provide mortgage payment transactions services relating to the Portfolio Mortgage Loans on its behalf if at any time a Termination Event (as defined in the MPT Agreement) in respect of the MPT Provider occurs. Stater Nederland B.V. has accepted this appointment on a "best efforts" basis and agreed that it shall be capable of performing the Mortgage Portfolio Management Services (as set forth in Schedule 1 to the MPT Agreement) during the life of Portfolio Mortgage Loans in a manner and on a level as can be expected from a reasonable prudent mortgage payment transactions provider in the Netherlands, within two (2) calendar months after having finalised a due diligence investigation.

Stater Nederland B.V. will be allowed to use their own standard operating procedures (to the extent these do not materially conflict with the Mortgage Conditions).

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

#### **Issuer Administration**

The Issuer Administrator will in the Issuer Administration Agreement agree to provide certain administration, calculation and cash management services respectively to the Issuer in accordance with the relevant Transaction Documents, including, *inter alia*, (a) the application of amounts received by the Issuer to the Issuer Accounts and the production of quarterly reports in relation thereto, (b) procuring that all drawings (if any) to be made by the Issuer from the Reserve Account, the Pre-Funding Account and under the Liquidity Facility Agreement are made, (c) procuring that all payments to be made by the Issuer under the Swap Agreement and any of the other Transaction Documents are made, (d) procuring that all payments to be made by the Issuer under the Notes are made in accordance with the Paying Agency Agreement and the Conditions, (e) the maintaining of all required ledgers in connection with the above, (f) all administrative actions in relation thereto, and (g) procuring that all calculations to be made pursuant to the Conditions under the Notes are made.

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

Upon the occurrence of a termination event as set forth above, the Security Trustee and the Issuer shall use their best efforts to appoint a substitute issuer administrator and such substitute issuer administrator shall enter into an agreement with the Issuer and the Security Trustee substantially on the terms of the Issuer Administration Agreement, provided that such substitute issuer administrator shall have the benefit of an administration fee at a level to be then determined. The Issuer shall, promptly following the execution of such agreement, pledge its interest in such agreement in favour of the Security Trustee on the terms of the Issuer Rights Pledge Agreement, *mutatis mutandis*, to the satisfaction of the Security Trustee.

## **CONVENT 2007-I B.V.**

The Issuer was incorporated as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) under the laws of the Netherlands on 14 December 2007 under number BV 1468839. The corporate seat (*statutaire zetel*) of the Issuer is in Amsterdam, the Netherlands and its registered office is at Naritaweg 165, Telestone 8, 1043 BW Amsterdam, the Netherlands and its telephone number is +31 20 5722 300. The Issuer is registered with the Commercial Register of the Chamber of Commerce of Amsterdam under number 34288987.

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

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

The Issuer has an authorised share capital of € 18,000, of which € 18,000 has been issued and is fully paid. All shares of the Issuer are held by Stichting Holding Convent 2007-I.

Stichting Holding Convent 2007-I is a foundation (*stichting*) incorporated under the laws of the Netherlands on 5 December 2007. Stichting Holding Convent 2007-I is registered with the Commercial Register of the Chamber of Commerce of Amsterdam under number 34288310. The objectives of Stichting Holding Convent 2007-I are to, *inter alia*, acquire and hold shares in the share capital of the Issuer and to exercise all rights attached to such shares, to dispose of and encumber such shares. Pursuant to the articles of association of Stichting Holding Convent 2007-I an amendment of the articles of Stichting Holding Convent 2007-I requires the prior written consent of the Stichting Security Trustee Convent 2007-I. Moreover, the Director shall only be authorized to dissolve the Stichting Holding Convent 2007-I (i) after receiving the prior written consent of the Stichting Security Trustee Convent 2007-I and (ii) after the Issuer has been fully discharged for all its obligations by virtue of the Transaction Documents.

The sole managing director of each of the Issuer and Stichting Holding Convent 2007-I is Trust International Management (T.I.M.) B.V. Trust International Management (T.I.M.) B.V. has elected domicile at the registered office of the Issuer at Naritaweg 165 Telestone 8, 1043 BW Amsterdam, telephone number +31 20 5722300. The managing directors of Trust International Management (T.I.M.) B.V. are M.F. Selhorst, E.P. Knüpfer and

W.J. Langeveld.

The objectives of Trust International Management (T.I.M.) B.V. are (a) granting of administrative and other services to legal entities, (b) providing trust services and (c) incorporation and financing of legal entities.

Trust International Management (T.I.M.) B.V. belongs to the same group of companies as Europe Management Company B.V., being the sole Director of the Security Trustee. Therefore, a conflict of interest may arise. In this respect it is of note that in the management agreements entered into by each of the Directors with the entity of which it has been appointed managing director (*statutair directeur*), each of the Directors agrees and undertakes to, *inter alia*, (i) do all that an adequate managing director (*statutair directeur*) should do or should refrain from doing, and (ii) refrain from taking any action detrimental to the obligations under any of the Transaction Documents or the then current rating assigned to the Notes outstanding (other than the Subordinated Class E Notes). In addition each of the Directors agrees in the relevant management agreement that it will not enter into any agreement in relation to Convent 2007-I B.V. and/or Stichting Holding Convent 2007-I and/or Stichting Security Trustee Convent 2007-I other than the Transaction Documents to which it is a party, without the prior written consent of the Stichting Security Trustee Convent 2007-I and subject to their being no adverse effect on the then current ratings assigned to the Notes (other than the Subordinated Class E Notes).

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

Since its incorporation there has been no material adverse change in the financial position or prospects of the Issuer and the Issuer has not (i) commenced operations, no profits and losses have been made or incurred and it has not declared or paid any dividends nor made any distributions, save for the activities related to its establishment and the securitisation transaction included in this Offering Circular nor (ii) prepared any financial statements. There are no legal, arbitration or governmental proceedings which may have, or have had, significant effects 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.

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

### **Capitalisation**

The following table shows the capitalisation of the Issuer as of 14 December 2007 as adjusted to give effect to the issue of the Notes. Copies of the deed of incorporation and the articles of association of the Issuer may be obtained at the specified offices of the Issuer and at the specified offices of the Paying Agent during normal business hours.

#### **Share Capital**

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



### **Borrowings**

Senior Class A Notes	€ 456,750,000
Mezzanine Class B Notes	€ 15,750,000
Mezzanine Class C Notes	€ 15,250,000
Junior Class D Notes	€ 12,250,000
Subordinated Class E Notes	€ 11,000,000

### **Act on the Financial Supervision**

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

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

### **Auditor's Confirmation**

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

To the Director of Convent 2007-I B.V.

19 December 2007

Dear Sirs,

Convent 2007-I B.V. (the "**Company**") was incorporated on 14 December 2007 under number BV 1468839 with an issued share capital of € 18,000. The Company has not yet prepared any financial statements. Since its

incorporation, the Company has not traded, 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 the Offering Circular dated 19 December 2007.

Yours faithfully,  
Ernst & Young Accountants

## ISSUER ADMINISTRATOR

Trust International Management (T.I.M.) B.V. will be appointed as Issuer Administrator in accordance with and under the terms of the Issuer Administrator Agreement (see further under *Servicing Agreement and Issuer Administration Agreement* above). Trust International Management (T.I.M.) B.V. is a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of the Netherlands on 15 April 1980. It has its corporate seat (*statutaire zetel*) in Amsterdam, the Netherlands and its registered office at Naritaweg 165 Telestone 8, 1043 BW Amsterdam, the Netherlands. The Issuer Administrator is registered with the Commercial Register of the Chamber of Commerce of Amsterdam under number 33160097.

The objectives of the Issuer Administrator are (a) granting of administrative and other services to legal entities, (b) providing trust services and (c) incorporation and financing of legal entities.

The managing directors of the Issuer Administrator are M.F. Selhorst, E.P. Knüpfer and W.J. Langeveld. The sole shareholder of the Issuer Administrator is Citco Nederland B.V., a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of the Netherlands and having its corporate seat (*statutaire zetel*) in Amsterdam, the Netherlands. The managing directors of Citco Nederland B.V. are M.F. Selhorst, E.P. Knüpfer, W.J. Langeveld, H.C.M. Boersen and M.J. Roerink.

## **USE OF PROCEEDS**

The aggregate proceeds of the Notes to be issued on the Closing Date amount to € 511,000,000. The net proceeds of the issue of the Notes (other than the Subordinated Class E Notes) will be applied on the Closing Date (i) to pay the Initial Purchase Price for the Mortgage Receivables purchased on the Closing Date under the Mortgage Receivables Purchase Agreement and (ii) to deposit the remaining amount into the Pre-Funding Account which amount may be used by the Issuer during the Pre-Funding Period to pay the Initial Purchase Price for New Mortgage Receivables. The net proceeds of the issue of the Subordinated Class E Notes will be used to fund the Reserve Account.

## DESCRIPTION OF SECURITY

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

The Parallel Covenant of the Issuer to the Security Trustee will be secured by (i) a first ranking pledge by the Issuer to the Security Trustee over the Mortgage Receivables pursuant to the Mortgage Receivables Pledge Agreement, including all rights ancillary thereto in respect of the Portfolio Mortgage Loans and the Beneficiary Rights, and (ii) a first ranking pledge by the Issuer to the Security Trustee over the Issuer's rights under or in connection with the Mortgage Receivables Purchase Agreement, the Swap Agreement, the MPT Agreement, the Floating Rate GIC, the Liquidity Facility Agreement, the Beneficiary Waiver Agreement and in respect of the Issuer Accounts.

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

The Issuer and the Security Trustee will enter into a pledge agreement (the "**Mortgage Receivables Pledge Agreement**") pursuant to which a first ranking undisclosed right of pledge (*stil pandrecht eerste in rang*) will be granted by the Issuer to the Security Trustee over the Mortgage Receivables and the relating Beneficiary Rights in order to create security for all liabilities of the Issuer to the Security Trustee in connection with the Trust Deed, including the Parallel Covenant, and any of the other Transaction Documents. Pursuant to the Mortgage Receivables Pledge Agreement, the Issuer further undertakes, in respect of any New Mortgage Receivables, Further Advance Receivables, Replacement Receivables and Replenishment Receivables, to grant to the Security Trustee on the relevant purchase date a first ranking undisclosed right of pledge over the relevant New Mortgage Receivables, Further Advance Receivables (unless the Mortgage Receivables resulting from a Portfolio Mortgage Loan in respect of which a Further Advance is granted are being repurchased and reassigned by the Seller), Replacement Receivables or Replenishment Receivables and over any associated Beneficiary Rights. In this respect, the Issuer and the Security Trustee acknowledge that (i) the Parallel Covenant constitutes undertakings, obligations and liabilities of the Issuer to the Security Trustee which are separate and independent from and without prejudice to the Principal Obligations of the Issuer to any Security Beneficiary, and (ii) the Parallel Covenant represents the Security Trustee's own claim (*vordering*) to receive payment of the Parallel Covenant from the Issuer, provided that the aggregate amount that may become due under the Parallel Covenant will never exceed the aggregate amount that may become due under all of the Principal Obligations to

the Security Beneficiaries.

The pledge over the Mortgage Receivables provided in the Mortgage Receivables Pledge Agreement will not be notified to the Borrowers except in the case of certain Pledge Notification Events. These Pledge Notification Events will, to a large extent, be similar to the Assignment Notification Events defined in the Mortgage Receivables Purchase Agreement. Prior to notification of the pledge to the Borrowers, the pledge over the Mortgage Receivables will be an undisclosed right of pledge (*stil pandrecht*) within the meaning of section 3:239 of the Dutch Civil Code. The pledge over the Beneficiary Rights relating to Insurance Policies taken out with REAAL Levensverzekeringen N.V. will be notified to REAAL Levensverzekeringen N.V. and will, therefore, be a disclosed right of pledge (*openbaar pandrecht*). The pledge over the other Beneficiary Rights will be an undisclosed right of pledge until notification thereof to the other relevant Insurance Companies.

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

Upon enforcement of the pledges created pursuant to the Security Documents (which is after delivery of an Enforcement Notice), the Security Trustee shall apply the net proceeds received or recovered towards satisfaction of the Parallel Covenant. The Security Trustee shall subsequently distribute such net proceeds to the Security Beneficiaries. All amounts to be so distributed by the Security Trustee will be paid in accordance with the Post-Enforcement Priority of Payments (as set forth in *Credit Structure* above).

The security provided pursuant to the provisions of the Trust Deed and the Pledge Agreements shall indirectly, through the Security Trustee, serve as security for the benefit of the Security Beneficiaries, including, without limitation, each of the Senior Class A Noteholders, the Mezzanine Class B Noteholders, the Mezzanine Class C Noteholders, the Junior Class D Noteholders and the Subordinated Class E Noteholders, but amounts owing to the Mezzanine Class B Noteholders will rank junior to Senior Class A Noteholders and amounts owing to the Mezzanine Class C Noteholders will rank junior to the Senior Class A Noteholders and the Mezzanine Class B Noteholders and amounts owing to the Junior Class D Noteholders will rank junior to the Senior Class A Noteholders, the Mezzanine Class B Noteholders and the Mezzanine Class C Noteholders and amounts owing to the Subordinated Class E Noteholders will rank junior to the Senior Class A Noteholders, the Mezzanine Class B Noteholders, the Mezzanine Class C Noteholders and the Junior Class D Noteholders (see *Credit Structure* above).

## THE SECURITY TRUSTEE

Stichting Security Trustee Convent 2007-I is a foundation (*stichting*) incorporated under the laws of the Netherlands on 17 December 2007. It has its corporate seat (*statutaire zetel*) in Amsterdam, the Netherlands and its registered office at Naritaweg 165, Telestone 8, 1043 BW Amsterdam, the Netherlands. The Security Trustee is registered with the Commercial Register of the Chamber of Commerce for Amsterdam under number 34289016.

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

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

## TERMS AND CONDITIONS OF THE NOTES

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

The issue of the € 456,750,000 Senior Class A Mortgage-Backed Notes due 2043 (the "**Senior Class A Notes**"), the € 15,750,000 Mezzanine Class B Mortgage-Backed Notes due 2043 (the "**Mezzanine Class B Notes**"), the € 15,250,000 Mezzanine Class C Mortgage-Backed Notes due 2043 (the "**Mezzanine Class C Notes**"), the € 12,250,000 Junior Class D Mortgaged-Backed Notes due 2043 (the "**Junior Class D Notes**") and the € 11,000,000 Subordinated Class E Notes due 2043 (the "**Subordinated Class E Notes**" and together with the Senior Class A Notes, the Mezzanine Class B Notes, the Mezzanine Class C Notes and the Junior Class D Notes, the "**Notes**") was authorised by a resolution of the managing director of Convent 2007-I B.V. (the "**Issuer**") passed on 18 December 2007. The Notes are issued on or about 21 December 2007 (or such later date as may be agreed between the Notes Purchaser and the Issuer) (the "**Closing Date**") under a trust deed (the "**Trust Deed**") dated on 19 December 2007 (the "**Signing Date**") between the Issuer, Stichting Security Trustee Convent 2007-I (the "**Security Trustee**") and Stichting Holding Convent 2007-I.

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

The statements in these terms and conditions of the Notes (the "**Conditions**") include summaries of, and are subject to, the detailed provisions of (i) the Paying Agency Agreement, (ii) the Trust Deed, which will include the form of the Notes and the interest coupons appertaining to the Notes (the "**Coupons**"), the forms of the Temporary Global Notes and the Permanent Global Notes, (iii) a mortgage receivables purchase agreement (the "**Mortgage Receivables Purchase Agreement**") dated the Signing Date between DSB Bank N.V., as seller (the "**Seller**"), the Issuer and the Security Trustee, (iv) a MPT Agreement (the "**MPT Agreement**") dated the Signing Date between the Issuer, DSB Bank N.V., as mortgage payment transactions provider (the "**MPT Provider**") and the Security Trustee, (iv) an administration agreement (the "**Issuer Administration Agreement**") dated the Signing Date between Issuer, Trust International Management (T.I.M.) B.V., as issuer administrator ("**Issuer Administrator**") and the Security Trustee, (v) a mortgage receivables pledge agreement (the "**Mortgage Receivables Pledge Agreement**") dated the Signing Date between the Issuer and the Security Trustee, (vi) a rights pledge agreement (the "**Issuer Rights Pledge Agreement**") dated the Signing Date between, *inter alia*, the Issuer and the Security Trustee and (vii) an accounts pledge agreement (the "**Issuer Accounts Pledge Agreement**") dated the Signing Date between, *inter alia*, the Issuer and the Security Trustee (jointly with the two pledge agreements referred to under (v) and (vi) above, the "**Pledge Agreements**" and the Pledge Agreements together with the Trust Deed, the "**Security Documents**") and together with certain other agreements, including all the aforementioned agreements and the Notes, the "**Transaction Documents**").



Certain words and expressions used below are defined in a master definitions agreement (the "**Master Definitions Agreement**") dated the Signing Date and signed by the Issuer, the Security Trustee, the 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 the Senior Class A Notes, the Mezzanine Class B Notes, the Mezzanine Class C Notes, the Junior Class D or the Subordinated Class E Notes, as the case may be.

Copies of the Mortgage Receivables Purchase Agreement, the Trust Deed, the Security Beneficiaries Agreement, the Paying Agency Agreement, the MPT Agreement, the Pledge Agreements, the Master Definitions Agreement and certain other agreements are available for inspection free of charge by holders of the Notes at the specified office of the Paying Agent and the current office of the Security Trustee, being at the date hereof Naritaweg 165 Telestone 8, 1043 BW Amsterdam, the Netherlands. The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed, the Paying Agency Agreement, the Pledge Agreements and the Master Definitions Agreement.

## **1. Form, Denomination and Title**

### *(a) Definitive Notes*

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

### *(b) Legend on Definitive Notes*

The Definitive Notes and the Coupons will bear the following legend: "Any United States Person (as defined in the Internal Revenue Code), who holds this obligation will be subject to the limitations under the United States income tax laws, including limitations provided in section 165(j) and 1287(a) of the Internal Revenue Code". The sections referred to in the legend provide that such a United States Person will not, with certain exceptions, be permitted to deduct any loss, and will not be eligible for favourable capital gains treatment with respect to any gain, realised on a sale, exchange or redemption of a Definitive Note or Coupon.

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

### *(a) Status*

The Notes of each Class are direct and unconditional obligations of the Issuer and rank *pari passu*

and rateably without any preference or priority among Notes of the same Class.

In accordance with the provisions of Conditions 4, 6 and 9, and the Trust Deed (i) payments of principal and interest on the Mezzanine Class B Notes are subordinated to, *inter alia*, payments of principal and interest on the Senior Class A Notes, (ii) payments of principal and interest on the Mezzanine Class C Notes are subordinated to, *inter alia*, payments of principal and interest on the Senior Class A Notes and the Mezzanine Class B Notes, (iii) payments of principal and interest on the Junior Class D Notes are subordinated to, *inter alia*, payments of principal and interest on the Senior Class A Notes, the Mezzanine Class B Notes and the Mezzanine Class C Notes, and (iv) payments of principal and interest on the Subordinated Class E Notes are subordinated to, *inter alia*, payments of principal and interest on the Senior Class A Notes, the Mezzanine Class B Notes, the Mezzanine Class C Notes and the Junior Class D Notes, provided that after fulfilment of the Pro Rata Amortisation Criteria and until delivery of an Enforcement Notice (if any) payment of principal on all Notes (other than the Subordinated Class E Notes) will be made on a pari passu and pro rata basis in accordance with the Pro Rata Amortisation Priority of Payments as set forth in the Trust Deed.

(b) *Security*

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

- (i) a first ranking pledge by the Issuer to the Security Trustee over the Mortgage Receivables and the rights as beneficiary under the Insurance Policies (the "**Beneficiary Rights**") and all ancillary rights;
- (ii) a first ranking pledge by the Issuer to the Security Trustee over the Issuer's rights under or in connection with (a) the Mortgage Receivables Purchase Agreement; (b) the Floating Rate GIC; (c) the MPT Agreement; (d) the Swap Agreement; (e) the Liquidity Facility Agreement; and (f) the Beneficiary Waiver Agreement; and
- (iii) a first ranking pledge by the Issuer to the Security Trustee over the Issuer's claims in respect of the Issuer Accounts.

The holders of the Notes will benefit from the Security. The Senior Class A Notes will rank in priority to the Mezzanine Class B Notes, the Mezzanine Class C Notes, the Junior Class D Notes and the Subordinated Class E Notes, the Mezzanine Class B Notes will rank in priority to the Mezzanine Class C Notes, the Junior Class D Notes and the Subordinated Class E Notes, the Mezzanine Class C Notes will rank in priority to the Junior Class D Notes and the Subordinated Class E Notes and the Junior Class D Notes will rank in priority to the Subordinated Class E Notes. The Trust Deed contains

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

### **3. Covenants of the Issuer**

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

- (a) carry out any business other than as described in the Offering Circular dated 19 December 2007 relating to the issue of the Notes and as contemplated in the Transaction Documents;
- (b) incur or permit to subsist any indebtedness in respect of borrowed money whatsoever or give any guarantee or indemnity in respect of any indebtedness, except as contemplated in the Transaction Documents;
- (c) create, promise to create or permit to subsist any mortgage, charge, pledge, lien or other security interest whatsoever over any of its assets, or use, invest, sell, transfer or otherwise dispose of any

part of its assets, except as contemplated in the Transaction Documents;

- (d) consolidate or merge with any other person or convey or transfer its assets substantially or as an entirety to one or more persons;
- (e) permit the validity or effectiveness of the Trust Deed or the Pledge Agreements and the priority of the security created thereby or pursuant thereto to be amended, terminated, postponed or discharged, or permit any person whose obligations form part of such security rights to be released from such obligations except as contemplated in the Transaction Documents;
- (f) have any employees or premises or have any subsidiary or subsidiary undertaking;
- (g) have an interest in any bank account other than the Issuer Accounts and an account into which collateral under the Swap Agreement is transferred, unless all rights in relation to such account will have been pledged to the Security Trustee as provided in Condition 2(b)(iii);
- (h) amend, supplement or otherwise modify its articles of association or other constitutive documents;
- (i) pay any dividend or make any other distribution to its shareholder(s) or issue any further shares; or
- (j) engage in any activity whatsoever which is not incidental to or necessary in connection with, any of the activities which the Transaction Documents provide or envisage that the Issuer will engage in.

#### 4. Interest

(a) *Period of Accrual*

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

(b) *Interest Periods and Payment Dates*

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

**Interest Period**") and will be payable in arrear in euro in respect of the Principal Amount Outstanding (as defined in Condition 6) of the Notes, respectively, on the 17th day of March, June, September and December in each year, or if such day is not a Business Day (as defined below), the next succeeding Business Day, unless such Business Day falls in the next succeeding calendar month in which event the Business Day immediately preceding such 17th day is the relevant Business Day (each such day being a "**Quarterly Payment Date**"). A "**Business Day**" means a day on which banks are open for business in Amsterdam and London, provided that such day is also a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer System (the "**TARGET System**") or any successor thereto is operating credit or transfer instructions in respect of payments in euro. Each successive Quarterly Interest Period will commence on (and include) a Quarterly Payment Date and end on (but exclude) the next succeeding Quarterly Payment Date, except for the first Quarterly Interest Period, which will commence on (and include) the Closing Date and end on (but exclude) the Quarterly Payment Date falling in March 2008.

(c) *Interest on the Notes*

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

- (i) for the Senior Class A Notes, a margin of 0.32 per cent. per annum;
- (ii) for the Mezzanine Class B Notes, a margin of 0.60 per cent. per annum;
- (iv) for the Mezzanine Class C Notes, a margin of 0.84 per cent. per annum;
- (v) for the Junior Class D Notes, a margin of 1.44 per cent. per annum; and
- (vi) for the Subordinated Class E Notes, a margin of 4.50 per cent. per annum.

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

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

- (i) for the Senior Class A Notes, a margin of 0.64 per cent. per annum;
- (ii) for the Mezzanine Class B Notes, a margin of 1.20 per cent. per annum;
- (iv) for the Mezzanine Class C Notes, a margin of 1.68 per cent. per annum;
- (v) for the Junior Class D Notes, a margin of 2.88 per cent. per annum; and
- (vii) for the Subordinated Class E Notes, a margin of 9.00 per cent. per annum.

(e) *Euribor*

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

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

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

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

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

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

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

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

*(h) Determination or Calculation by Security Trustee*

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

*(i) Reference Banks and 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 ninety (90) days' notice in writing to that effect. Notice of any such termination will be given to the holders of the relevant Class of Notes in accordance with Condition 13. If any person shall be unable or unwilling to continue to act as 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) *Global Notes*

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

### (b) *Definitive Notes*

- (i) Payment of principal and interest in respect of Definitive Notes will be made upon presentation of the Definitive Note and against surrender of the relevant Coupon appertaining thereto, at any specified office of the Paying Agent in cash or by transfer to a euro account maintained by the payee with a bank in the Netherlands, as the holder may specify. All such payments are subject to any fiscal or other laws and regulations applicable in the place of payment.
- (ii) On the Final Maturity Date (as defined in Condition 6), or such earlier date on which the Notes become due and payable, the Definitive Notes should be presented for payment together with all unmatured Coupons appertaining thereto, failing which the full amount of any such missing unmatured Coupons (or, in the case of payment not being made in full, that proportion of the full amount of such missing unmatured Coupons which the sum of principal so paid bears to the total amount of principal due) will be deducted from the sum due for payment. Each amount so deducted will be paid in the manner mentioned above against surrender of the relevant missing Coupon at any time before the expiry of five years following the due date for payment of such principal (whether or not such Coupons would have become unenforceable pursuant to Condition 8).
- (iii) If the relevant Quarterly Payment Date is not a day on which banks are open for business in the place of presentation of the relevant Note or Coupon ("**Local Business Day**"), the holder thereof shall not be entitled to payment until the next following Local Business Day, or to any interest or other payment in respect of such delay, provided that in the case of payment by transfer to an euro account as referred to above, the Paying Agent shall not be obliged to credit such account until the Local Business Day immediately following the day on which banks are open for business in the Netherlands and the United Kingdom. The name of the Paying Agent and details of its office are set out below.
- (iv) The Issuer reserves the right at any time to vary or terminate the appointment of the Paying Agent and to appoint additional or other paying 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 the European Union which, for as long as the Notes are listed on Eurolist by Euronext Amsterdam shall be located in the Netherlands, and provided further that the Issuer will maintain a paying agent in an EU Member State that will not be obliged to withhold or deduct any tax pursuant to the EU Council Directive 2003/48/EC. Notice of any termination or appointment of a Paying Agent and of any changes in the specified offices of the Paying Agents will be given to the Noteholders in accordance with Condition 13.

## 6. Redemption

### (a) Definitions

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

The "**Principal Amount Outstanding**" on any Notes Calculation Date of any Note shall be the principal amount of that Note upon issue less the aggregate amount of all Principal Redemption Amounts (as defined in Condition 6(c) and Condition 6(h) below) in respect of that Note that have become due and payable prior to such Notes Calculation Date.

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

- (i) repayment and prepayment (partial or in full) of principal under the Mortgage Receivables, from any person, whether by set-off or otherwise, but, for the avoidance of doubt, excluding prepayment penalties, if any;
- (ii) Net Proceeds in respect of any Mortgage Receivables, to the extent such proceeds relate to principal;
- (iii) amounts received in connection with a repurchase or sale of Mortgage Receivables pursuant to the Mortgage Receivables Purchase Agreement or the Trust Deed, as the case may be, or any other amounts received pursuant to the Mortgage Receivables Purchase Agreement to the extent such amounts relate to principal;
- (iv) amounts to be credited to the Principal Deficiency Ledger on the immediately succeeding Quarterly Payment Date in accordance with the Issuer Administration Agreement;
- (v) amounts standing to the credit of the Pre-Funding Account upon the expiry of the Pre-Funding Period and to be drawn from such account on the relevant Quarterly Payment Date; and
- (vi) any part of the Notes Principal Available Amounts calculated on the immediately preceding Notes Calculation Date which has not been applied towards satisfaction of the items set forth in

the Principal Priority of Payments or Pro Rata Amortisation Priority of Payments, as the case may be, on the immediately preceding Quarterly Payment Date,

**"Notes Redemption Available Amounts"** shall mean, on any Notes Calculation Date, the Notes Principal Available Amounts calculated with respect to the Notes Calculation Period immediately preceding such Notes Calculation Date less the sum of:

- (iii) the amount of the Notes Principal Available Amounts applied during the relevant Notes Calculation Period towards payment of the Initial Purchase Price for any Further Advance Receivables, Replacement Receivables and/or Replenishment Receivables; and
- (iv) an amount equal to the positive difference, if any, between (A) the sum of all amounts payable by the Issuer as set forth in the Interest Priority of Payments under items (a) up to and including (l) (other than items (g), (i) and (k)) and in respect of item (f) only to the extent that there is no debit balance remaining on the Class A Principal Deficiency Ledger and in respect of item (h) only to the extent there is no debit balance remaining on the Class B Principal Deficiency Ledger and in respect of item (j) only to the extent there is no debit balance remaining on the Class C Principal Deficiency Ledger and in respect of item (l) only to the extent there is no debit balance remaining on the Class D Principal Deficiency Ledger, and (B) the relevant Notes Interest Available Amounts excluding item (v) and (x) thereof, to the extent such amount is available as Notes Principal Available Amounts after deducting the amount applied towards payment of the Initial Purchase Price for any Further Advance Receivables, Replacement Receivables and/or Replenishment Receivables (the **"Interest Shortfall Amount"**).

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

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

**"Notes Calculation Period"** means, in relation to a Notes Calculation Date, the three (3) successive Portfolio Calculation Periods immediately preceding such Notes Calculation Date except for the first Notes Calculation Date which commences on (and includes) the Closing Date and ends on (and includes) the Portfolio Calculation Period ending on (and including) March 2008.

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

**"Realised Losses"** means, on any Notes Calculation Date, the sum of (a) the aggregate outstanding principal amount of all Mortgage Receivables on which the Seller, the MPT Provider on behalf of the Seller or the Security Trustee has foreclosed from the Closing Date up to and including such Notes Calculation Date minus the Net Proceeds applied to reduce the outstanding principal amount of such Mortgage Receivables and (b) with respect to Mortgage Receivables sold by the Issuer pursuant to the Mortgage Receivables Purchase Agreement or the Trust Deed, the amount of the aggregate outstanding principal amount of all such Mortgage Receivables minus the purchase price received, or to be received on the relevant Quarterly Payment Date, in respect of such Mortgage Receivables to the extent relating to principal.

*(b) Final Redemption*

Unless previously redeemed as provided below, the Issuer will, subject to Condition 9(b), redeem any remaining Notes at their Principal Amount Outstanding on the Quarterly Payment Date falling in December 2043 (the **"Final Maturity Date"**).

*(c) Redemption prior to delivery of an Enforcement Notice*

Provided that no Enforcement Notice has been served in accordance with Condition 10, the Issuer shall on each Quarterly Payment Date apply the Notes Redemption Available Amounts, subject to and in accordance with the Conditions and the Principal Priority of Payments, *firstly*, towards redemption, at their respective Principal Amount Outstanding, of the Senior Class A Notes, until fully redeemed, *secondly*, towards redemption, at their respective Principal Amount Outstanding, of the Mezzanine Class B Notes, until fully redeemed, *thirdly*, towards redemption, at their respective Principal Amount Outstanding of the Mezzanine Class C Notes, until fully redeemed, and *fourthly*, towards redemption, at their respective Principal Amount Outstanding, of the Junior Class D Notes, until fully redeemed. However, on the First Optional Redemption Date and any Quarterly Payment Date thereafter the Notes Redemption Available Amounts will be applied, *pari passu* and *pro rata*, towards redemption of each Class of Notes (other than the Subordinated Class E Notes), at their respective Principal Amount Outstanding (the **"Pro Rata Amortisation"**), subject to and in accordance with the Pro Rata Amortisation Priority of Payments as set forth in the Trust Deed, provided that on such Quarterly Payment Date (i) the aggregate Principal Amount Outstanding of the Notes (other than the Senior Class A Notes) relative to the aggregate Principal Amount Outstanding of the Senior Class A notes at that point in time is at least 2.5 times the aggregate Principal Amount Outstanding of the Notes (other than the Senior Class A Notes) relative to the aggregate Principal Amount Outstanding of the Senior Class A Notes at the Closing Date, (ii) there are no balances standing to the debit of the Principal Deficiency Ledger, (iii) no drawings are to be made under the Liquidity Facility, (iv) the balance standing to the credit of the Reserve Account equals the Reserve

Account Target Level and (v) the aggregate principal amount outstanding under the Portfolio Mortgage Loans that are in arrears for more than sixty (60) days (i.e. sixty (60) days (or more) delinquent loans) does not exceed 3.00 per cent. of the aggregate principal amount outstanding under all Portfolio Mortgage Loans (collectively the "**Pro Rata Amortisation Criteria**").

The principal amount so redeemable in respect of each Note (each a "**Principal Redemption Amount**") on the relevant Quarterly Payment Date, shall be the Notes Redemption Available Amounts on the Notes Calculation Date relating to that Quarterly 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.

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

- (i) On each Notes Calculation Date, the Issuer shall determine (or cause the Issuer Administrator to determine) (a) the Principal Redemption Amount and (b) the Principal Amount Outstanding of the relevant Note on the first day following the relevant Quarterly Payment Date. Each determination by or on behalf of the Issuer of any Principal Redemption Amount or the Principal Amount Outstanding of a Note shall in each case (in the absence of manifest error) be final and binding on all persons.
- (ii) The Issuer will cause each determination of a Principal Redemption Amount and Principal Amount Outstanding of Notes to be notified forthwith to the Security Trustee, the Paying Agent, the Reference Agent, Euroclear, Clearstream, Luxembourg, Euronext Amsterdam N.V. and to the holders of Notes by an advertisement in the English language in the Daily Official List (*Officiële Prijscourant*) of Euronext Amsterdam N.V. to the extent required and [www.assetbacked.nl](http://www.assetbacked.nl). If no Principal Redemption Amount is due to be made on the Notes on any applicable Quarterly Payment Date a notice to this effect will be given to the Noteholders in accordance with Condition 13.
- (iii) If the Issuer does not at any time for any reason determine (or cause the Issuer Administrator to determine) the Principal Redemption Amount or the Principal Amount Outstanding of a Note, such Principal Redemption Amount or such Principal Amount Outstanding shall be determined by the Security Trustee in accordance with this paragraph (d) and paragraph (c) above (but based upon the information in its possession as to the Notes Redemption Available Amounts each such determination or calculation shall be deemed to have been made by the Issuer).

*(e) Optional redemption*

The Issuer may, at its option, on giving not more than sixty (60) nor less than thirty (30) days written notice to the Security Trustee and the Noteholders in accordance with Condition 13, on the Quarterly

Payment Date falling in December 2012 (the "**First Optional Redemption Date**") and on each Quarterly Payment Date thereafter (each an "**Optional Redemption Date**") redeem, subject to Condition 9(b), all (but not only some of) the Notes (other than the Subordinated Class E Notes) at their Principal Amount Outstanding plus accrued but unpaid interest thereon, after payment of the amounts to be paid in priority to the Notes.

*(f) Redemption following clean up call*

The Seller has the option to repurchase and accept re-assignment of all (but not only part of) the Mortgage Receivables on any Quarterly Payment Date on which the principal amount due on the Mortgage Receivables then outstanding is less than 10 per cent. of the sum of (i) the aggregate principal amount of the Mortgage Receivables outstanding on the Closing Date and (ii) the aggregate principal amount of the New Mortgage Receivables outstanding on the date such New Mortgage Receivables were purchased by and assigned to the Issuer (the "**Seller Clean-up Call Option**"). On the Quarterly Payment Date following the exercise by the Seller of its Seller Clean-up Call Option the Issuer shall redeem, subject to Condition 9(b), all (but not only some of) the Notes (other than the Subordinated Class E Notes) at their Principal Amount Outstanding plus accrued but unpaid interest thereon, after payment of the amounts to be paid in priority to the Notes.

*(g) Redemption following regulatory call*

All (but not some only of the) Notes (other than the Subordinated Class E Notes) shall be redeemed by the Issuer, subject to Condition 9(b), at their Principal Amount Outstanding, after payment of the amounts to be paid in priority to such Notes, on any Quarterly Payment Date, by giving not more than sixty (60) nor less than thirty (30) days written notice to the Security Trustee and the Noteholders in accordance with Condition 13, if the Seller exercises its option (the "**Regulatory Call Option**") to repurchase the Mortgage Receivables upon the occurrence of a change in the Basle Capital Accord promulgated by the Basle Committee on Banking Supervision (the "**Basle Accord**") or in the international, European or Dutch regulations, rules and instructions (which includes the solvency regulation on securitisation of the Dutch Central Bank) (the "**Bank Regulations**") applicable to DSB Bank N.V. (including any change in the Bank Regulations enacted for purposes of implementing a change to the Basle Accord) or a change in the manner in which the Basle Accord or such Bank Regulations are interpreted or applied by the Basle Committee on Banking Supervision or by any relevant competent international, European or national body (including any relevant international, European or Dutch Central Bank or other competent regulatory or supervisory authority) which, in the opinion of DSB Bank N.V. has the effect of adversely affecting the rate of return on capital of DSB Bank N.V. or increasing the costs or reducing the benefit to DSB Bank N.V. with respect to the transaction contemplated by the Transaction Documents (a "**Regulatory Change**").

*(h) Redemption of Subordinated Class E Notes*

Provided that no Enforcement Notice has been served in accordance with Condition 10, the Issuer will be obliged to apply the Notes Interest Available Amounts, if and to the extent that all payments ranking above item (p) in the Interest Priority of Payments as set forth in the Trust Deed have been

made in full, to redeem (or partially redeem) the Subordinated Class E Notes on each Quarterly Payment Date.

Any amount redeemed pursuant to this Condition 6(h) shall be deemed to be a Principal Redemption Amount for the purpose of calculating the Principal Amount Outstanding of the Subordinated Class E Notes in accordance with Condition 6(d). Unless previously redeemed in full, the Issuer will, subject to Condition 9(b), redeem the Subordinated Class E Notes at their Principal Amount Outstanding on the Quarterly Payment Date falling in December 2043.

*(i) Redemption for tax reasons*

The Issuer may (but is not obliged to) redeem all of the Notes (other than the Subordinated Class E Notes), in whole (but not only some of), at their Principal Amount Outstanding together with accrued but unpaid interest thereon up to and including the date of redemption, subject to and in accordance with the Conditions, including, without limitation, Condition 9(b), if (a) the Issuer or the Paying Agent has become or would become obligated to make any withholding or deduction from payments in respect of any of the Notes (although the Issuer will not have any obligation to pay additional amounts in respect of any such withholding or deduction) and/or (b) the Issuer has become or would become subject to any limitation of the deductibility of interest on any of the Notes, as a result of (i) a change in any laws, rules or regulations or in the interpretation or administration thereof, or (ii) any act taken by any taxing authority on or after the issue date of the Notes. No redemption pursuant to sub-clause (ii) may be made unless the Issuer receives an opinion of independent counsel that there is a probability that the act taken by the taxing authority leads to one of the events mentioned at (a) or (b).

**7. Taxation**

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

**8. Prescription**

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

## 9. Principal Deficiency and Subordination

### (a) *Interest*

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

In the event that on any Notes Calculation Date the Issuer has insufficient funds available to it to satisfy its obligations in respect of amounts of interest due on the Mezzanine Class B Notes on the next Quarterly Payment Date, the amount available (if any) shall be applied pro rata to the amount of interest due on such Quarterly Payment Date to the holders of the Mezzanine Class B Notes. In the event of a shortfall, the Issuer shall credit the Mezzanine 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 Mezzanine Class B Notes, on any Quarterly Payment Date in accordance with this Condition falls short of the aggregate amount of interest payable on the Mezzanine 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 Mezzanine 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 Mezzanine Class B Note on the next succeeding Quarterly Payment Date.

In the event that on any Notes Calculation Date the Issuer has insufficient funds available to it to satisfy its obligations in respect of amounts of interest due on the Mezzanine Class C Notes on the next Quarterly Payment Date, the amount available (if any) shall be applied pro rata to the amount of interest due on such Quarterly Payment Date to the holders of the Mezzanine Class C Notes. In the event of a shortfall, the Issuer shall credit the Mezzanine Class C 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 Mezzanine Class C Notes, on any Quarterly Payment Date in accordance with this Condition falls short of the aggregate amount of interest payable on the Mezzanine Class C 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 Mezzanine Class C 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 Mezzanine Class C Note on the next succeeding Quarterly Payment Date.

In the event that on any Notes Calculation Date the Issuer has insufficient funds available to it to satisfy its obligations in respect of amounts of interest due on the Junior Class D Notes on the next Quarterly Payment Date, the amount available (if any) shall be applied pro rata to the amount of interest due on such Quarterly Payment Date to the holders of the Junior Class D Notes. In the event

of a shortfall, the Issuer shall credit the Junior Class D 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 Junior Class D Notes, on any Quarterly Payment Date in accordance with this Condition falls short of the aggregate amount of interest payable on the Junior Class D 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 Junior Class D 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 Junior Class D Note on the next succeeding Quarterly Payment Date.

In the event that on any Notes 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 E Notes on the next Quarterly Payment Date, the amount available (if any) shall be applied pro rata to the amount of interest due on such Quarterly Payment Date to the holders of the Subordinated Class E Notes. In the event of a shortfall, the Issuer shall credit the Subordinated Class E 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 E Notes, on any Quarterly Payment Date in accordance with this Condition falls short of the aggregate amount of interest payable on the Subordinated Class E 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 E 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 E Note on the next succeeding Quarterly Payment Date.

*(b) Principal*

Until the earlier of (i) introduction of the Pro Rata Amortisation, and (ii) the date on which the Principal Amount Outstanding of all Senior Class A Notes is reduced to zero, the holders of the Mezzanine Class B Notes will not be entitled to any repayment of principal in respect of the Mezzanine Class B Notes. As from that date the Principal Amount Outstanding of the Mezzanine Class B Notes will be redeemed in accordance with the provisions of Condition 6, provided that, if, on any Quarterly 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 Mezzanine Class B Note on such Quarterly Payment Date shall not exceed its Principal Amount Outstanding less an amount equal to the balance on the Class B Principal Deficiency on such date divided by the number of Mezzanine Class B Notes then outstanding. The Mezzanine Class B Noteholders shall have no further claim against the Issuer for the Principal Amount Outstanding on the Mezzanine Class B Notes after the earlier of (i) the Final Maturity Date 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 Issuer Accounts.



Until the earlier of (i) introduction of the Pro Rata Amortisation, and (ii) the date on which the Principal Amount Outstanding of all Senior Class A Notes is reduced to zero and the Principal Amount Outstanding of the Mezzanine Class B Notes is reduced to zero, the Mezzanine Class C Noteholders will not be entitled to any repayment of principal in respect of the Mezzanine Class C Notes. As from that date the Principal Amount Outstanding of the Mezzanine Class C Notes will be redeemed in accordance with the provisions of Condition 6, provided that, if, on any Quarterly Payment Date there is a balance on the Class C Principal Deficiency Ledger, then notwithstanding any other provisions of these Conditions the principal amount payable on redemption of each Mezzanine Class C Note on such Quarterly Payment Date shall not exceed its Principal Amount Outstanding less an amount equal to the balance on the Class C Principal Deficiency on such date divided by the number of Mezzanine Class C Notes then outstanding. The Mezzanine Class C Noteholders shall have no further claim against the Issuer for the Principal Amount Outstanding on the Mezzanine Class C 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 Issuer Accounts.

Until the earlier of (i) introduction of the Pro Rata Amortisation, and (ii) the date on which the Principal Amount Outstanding of all Senior Class A Notes is reduced to zero, the Principal Amount Outstanding of the Mezzanine Class B Notes is reduced to zero and the Principal Amount Outstanding of the Mezzanine Class C Notes is reduced to zero, the Junior Class D Noteholders will not be entitled to any repayment of principal in respect of the Junior Class D Notes. As from that date the Principal Amount Outstanding of the Junior Class D Notes will be redeemed in accordance with the provisions of Condition 6, provided that, if, on any Quarterly Payment Date there is a balance on the Class D Principal Deficiency Ledger, then notwithstanding any other provisions of these Conditions the principal amount payable on redemption of each Junior Class D Note on such Quarterly Payment Date shall not exceed its Principal Amount Outstanding less an amount equal to the balance on the Class D Principal Deficiency on such date divided by the number of Junior Class D Notes then outstanding. The Junior Class D Noteholders shall have no further claim against the Issuer for the Principal Amount Outstanding on the Junior Class D 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 Issuer Accounts.

If on any Notes Calculation Date all amounts of interest and principal due in respect of the Notes, except for principal in respect of the Subordinated Class E Notes, have been paid or will be available for payment on the Quarterly Payment Date immediately following such Notes Calculation Date, the Reserve Account Target Level will be reduced to zero and any amount standing to the credit of the Reserve Account will on the Quarterly Payment Date immediately succeeding such Notes Calculation Date form part of the Notes Interest Available Amounts and will be available to redeem or partially redeem the Subordinated Class E Notes. If on the Quarterly Payment Date on which all amounts of interest and principal due in respect of the Notes, except for principal in respect of the Subordinated Class E Notes, have been paid or will be paid (i) no balance is standing to the credit of the Reserve

Account in excess of the Reserve Account Target Level, then notwithstanding any other provisions of these Conditions the Subordinated Class E Noteholders will not be entitled to any repayment of principal in respect of the Subordinated Class E Notes, or (ii) a balance is standing to the credit of the Reserve Account in excess of the Reserve Account Target Level, then notwithstanding any other provisions of these Conditions the principal amount payable on the redemption of each Subordinated Class E Note on such date shall not exceed the balance standing to the credit of the Reserve Account in excess of the Reserve Account Target Level, divided by the number of Subordinated Class E Notes then outstanding. The Subordinated Class E Noteholders shall have no further claim against the Issuer for the Principal Amount Outstanding on the Subordinated Class E Notes after the earlier of (i) the Final Maturity Date and (ii) the date on which the Issuer no longer holds any Mortgage Receivables and there are no balances standing to the credit of the Issuer Accounts.

(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 the Subordinated Class E Notes or, as the case may be, the Junior Class D Notes or, as the case may be, the Mezzanine Class C Notes or, as the case may be, the Mezzanine Class B Notes, are insufficient to pay in full all principal and interest and other amounts whatsoever due in respect of the Subordinated Class E Notes or, as the case may be, the Junior Class D Notes, or, as the case may be, the Mezzanine Class C Notes or, as the case may be, the Mezzanine Class B Notes, the Subordinated Class E Noteholders or, as the case may be, the Junior Class D Noteholders or, as the case may be, the Mezzanine Class C Noteholders or, as the case may be, the Mezzanine Class B Noteholders shall have no further claim against the Issuer or the Security Trustee in respect of any such unpaid amounts.

## 10. Events of Default

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

- (a) the Issuer is in default for a period of fifteen (15) days or more in the payment on the due date of any amount due in respect of the Notes of the Relevant Class; or
- (b) the Issuer fails to perform any of its other obligations binding on it under the Notes of the Relevant Class, the Trust Deed, the Paying Agency Agreement or the Pledge Agreements and, except where such failure, in the reasonable opinion of the Security Trustee, is incapable of remedy, such default continues for a period of thirty (30) days after written notice by the Security Trustee to the Issuer requiring the same to be remedied; or
- (c) if a conservatory attachment (*conservatoir beslag*) or an executory attachment (*executoriaal beslag*) on any major part of the Issuer's assets is made and not discharged or released within a period of thirty (30) days; or
- (d) if any order shall be made by any competent court or other authority or a resolution passed for the dissolution or winding-up of the Issuer or for the appointment of a liquidator or receiver of the Issuer in respect of all or substantially all of its assets; or
- (e) the Issuer makes an assignment for the benefit of, or enters into any general assignment (*akkoord*) with, its creditors; or
- (f) the Issuer files a petition for a suspension of payments (*surseance van betaling*) or for bankruptcy (*faillissement*), is declared bankrupt or becomes subject to any other regulation having a similar effect,

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

## **11. Enforcement**

### *(a) Enforcement*

At any time after the Notes of any Class become due and payable, the Security Trustee may, at its discretion and without further notice, take such steps and/or institute such proceedings as it may think

fit to enforce the Security pursuant to the terms of the Trust Deed and the Pledge Agreements, including the making of a demand for payment thereunder, but it need not take any such proceedings unless (i) it shall have been directed by an Extraordinary Resolution of the Senior Class A Noteholders or, if all amounts due in respect of the Senior Class A Notes have been fully paid, the Mezzanine Class B Noteholders or, if all amounts due in respect of the Senior Class A Notes and the Mezzanine Class B Notes have been fully paid, the Mezzanine Class C Noteholders or, if all amounts due in respect of the Senior Class A Notes, the Mezzanine Class B Notes and the Mezzanine Class C Notes have been fully paid, the Junior Class D Noteholders or, if all amounts due in respect of the Senior Class A Notes, the Mezzanine Class B Notes, the Mezzanine Class C Notes and the Junior Class D Notes have been fully paid, the Subordinated Class E Noteholders and (ii) it shall have been indemnified to its satisfaction. The Security Trustee will enforce the Security pursuant to the terms of the Trust Deed and the Pledge Agreements for the benefit of all Security Beneficiaries, including, but not limited to, the Noteholders, and will apply the net proceeds received or recovered towards satisfaction of the Parallel Covenant. The Security Trustee shall distribute such net proceeds to the Security Beneficiaries in accordance with the Post-Enforcement Priority of Payments set forth in the Trust Deed.

*(b) No Action against Issuer by Noteholders*

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

*(c) Undertaking Noteholders and Security Trustee*

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

*(d) Limitation of Recourse*

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

## **12. Indemnification of the Security Trustee**

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

## **13. Notices**

With the exception of the publications of the Reference Agent in Condition 4 and of the Issuer in Condition

6, all notices to the Noteholders will only be valid if published in at least one daily newspaper of wide circulation in the Netherlands, or, if all such newspapers shall cease to be published or timely publication therein shall not be practicable, in such newspaper as the Security Trustee shall approve having a general circulation in Europe and, as long as the Notes are listed on Eurolist by Euronext Amsterdam N.V., in the English language in the Daily Official List (*Officiële Prijscourant*) of Euronext Amsterdam N.V. to the extent required and on [www.assetbacked.nl](http://www.assetbacked.nl). Any such notice shall be deemed to have been given on the first date of such publication.

#### **14. Meetings of Noteholders; Modification; Consents; Waiver**

(a) *Meeting of Noteholders*

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

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

No Extraordinary Resolution of the Noteholders of a Class of Notes to sanction a Basic Terms Change in respect of the relevant Class of Notes, shall take effect unless it shall have been sanctioned by a resolution which is passed at a meeting of all Noteholders and adopted with a majority of 51 per cent. of the validly cast votes, regardless of the Principal Amount Outstanding of the Notes then represented.

An Extraordinary Resolution of the Mezzanine Class B Noteholders and/or the Mezzanine Class C Noteholders and/or the Junior Class D Noteholders and/or the Subordinated Class E 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 and/or, as the case may be, the Mezzanine Class B Noteholders and/or, as the case may be, the Mezzanine Class C Noteholders and/or, as the case may be, the Junior Class D Noteholders or it is sanctioned by an Extraordinary Resolution of the Senior Class A Noteholders, the Mezzanine Class B Noteholders, the Mezzanine Class C Noteholders or the Junior Class D Noteholders, as the case may be. 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 Mezzanine Class B Noteholders, the Mezzanine Class C Noteholders, the Junior Class D Noteholders and the Subordinated Class E 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) Modification, authorisation and waiver without consent of Noteholders*

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

(c) *Indemnification for individual Noteholders*

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

**15. Replacements of Notes and Coupons**

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

**16. Governing Law**

The Notes and Coupons are governed by, and will be construed in accordance with, the laws of the Netherlands. In relation to any legal action or proceedings arising out of or in connection with the Notes and Coupons the Issuer irrevocably submits to the jurisdiction of the Court of first instance (*rechtbank*) in Amsterdam, the Netherlands. This submission is made for the exclusive benefit of the holders of the Notes and the Security Trustee and shall not affect their right to take such action or bring such proceedings in any other courts of competent jurisdiction.

## THE GLOBAL NOTES

Each Class of the Notes shall be initially represented by (i) in the case of the Senior Class A Notes a Temporary Global Note in bearer form, without coupons attached, in the principal amount of € 456,750,000, (ii) in the case of the Mezzanine Class B Notes a Temporary Global Note in bearer form, without coupons attached, in the amount of € 15,750,000, (iii) in the case of the Mezzanine Class C Notes a Temporary Global Note in bearer form, without coupons attached, in the amount of € 15,250,000, (iv) in the case of the Junior Class D Notes a Temporary Global Note in bearer form without coupons attached, in the amount of € 12,250,000, (v) in the case of the Subordinated Class E Notes a Temporary Global Note in bearer form without coupons attached, in the amount of € 11,000,000. Each Temporary Global Note will be deposited with Euroclear Bank S.A./N.V. as common safekeeper and operator of the Euroclear System ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**") on or about 21 December 2007. Upon deposit of each such Temporary Global Note, Euroclear and Clearstream, Luxembourg will credit each purchaser of Notes represented by such Temporary Global Note with the amount of the relevant Class of Notes equal to the amount thereof which it has purchased and paid for. Interests in each Temporary Global Note will be exchangeable (provided certification of non-U.S. beneficial ownership by the Noteholders has been received) not earlier than forty (40) days after the issue date of the Notes (the "**Exchange Date**") for interests in a permanent global note (each a "**Permanent Global Note**"), in bearer form, without coupons attached, in the amount of the Notes of the relevant Class (the expression "**Global Notes**" meaning the Temporary Global Notes of each Class and the Permanent Global Notes of each Class and the expression "**Global Note**" means any of them, as the context may require). On the exchange of a Temporary Global Note for a Permanent Global Note of the relevant Class, the Permanent Global Note will remain deposited with the common safekeeper.

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

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

The Global Notes will be transferable by delivery. Each Permanent Global Note will be exchangeable for definitive notes to bearer (the "**Definitive Notes**") only in the circumstances described below. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a Note will be entitled to



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

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

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

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

If after the Exchange Date (i) the Notes become immediately due and payable by reason of accelerated maturity following an Event of Default, or (ii) either Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of fourteen (14) days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business and no alternative clearance system satisfactory to the Security Trustee is available, or (iii) as a result of any amendment to, or change in the laws or regulations of the Netherlands (or of any political sub-division thereof) or of any authority therein or thereof having power to tax, or in the interpretation or administration of such laws or regulations, which becomes effective on or after the Closing Date, the Issuer or the Paying Agent is or will be required to make any deduction or withholding on account of tax from any payment in respect of the Notes which would not be required were the Notes in definitive form, then the Issuer will at its sole cost and expense, issue:

- (i) Senior Class A Notes in definitive form in exchange for the whole outstanding interest in the Permanent Global Note in respect of the Senior Class A Notes;

- (ii) Mezzanine Class B Notes in definitive form in exchange for the whole outstanding interest in the Permanent Global Note in respect of the Mezzanine Class B Notes;
- (iii) Mezzanine Class C Notes in definitive form in exchange for the whole outstanding interest in the Permanent Global Note in respect of the Mezzanine Class C Notes;
- (iv) Junior Class D Notes in definitive form in exchange for the whole outstanding interest in the Permanent Global Note in respect of the Junior Class D Notes; and
- (v) Subordinated Class E Notes in definitive form in exchange for the whole outstanding interest in the Permanent Global Note in respect of the Subordinated Class E Notes.

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

## TAXATION IN THE NETHERLANDS

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

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

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

### **Withholding tax**

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

### **Taxes on income and capital gains**

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

#### *Individuals*

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

1. he derives profits from an enterprise, whether as an entrepreneur (ondernemer) or pursuant to a co-entitlement to the net value of such enterprise, other than as a shareholder, such enterprise either being managed in the Netherlands or carried on, in whole or in part, through a permanent establishment or a permanent representative in the Netherlands and his Notes are attributable to such enterprise; or
2. he derives benefits or is deemed to derive benefits from Notes that are taxable as benefits from miscellaneous activities in the Netherlands (*resultaat uit overige werkzaamheden in Nederland*).

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

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

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

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

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

#### *Entities*

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

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

attributable to such enterprise; or

- (b) such Non-Resident holder of Notes has a substantial interest in the Issuer.

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

#### *General*

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

#### **Gift and inheritance taxes**

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

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

#### **Other taxes and duties**

No Dutch registration tax, transfer tax, stamp duty or any other similar documentary tax or duty, other than court fees, is payable by a holder of Notes in the Netherlands in respect of or in connection with the execution, delivery and/or enforcement by legal proceedings (including the enforcement of any foreign judgment in the courts of the Netherlands) of the documents relating to the issue of Notes or the performance by the Issuer of its obligations thereunder or under the Notes.

## **PURCHASE AND SALE**

The Notes Purchaser has, pursuant to a notes purchase agreement dated the Signing Date by and between the Notes Purchaser, the Issuer and the Seller (the "**Notes Purchase Agreement**"), severally agreed with the Issuer, subject to certain conditions, to subscribe for the Notes at their issue price. The Issuer has agreed to indemnify and reimburse the Notes Purchaser against certain liabilities and expenses in connection with the issue of the Notes.

### **European Economic Area**

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

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

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

### **The Netherlands**

The Notes Purchaser has represented and agreed that (a) it is a PMP and (b) it has offered or sold and will offer or sell, directly or indirectly, as part of the initial distribution or at any time thereafter, the Notes exclusively to PMP's.

### **United Kingdom**

The Notes Purchaser has represented, warranted and agreed that (i) it has complied and will comply with all

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

### **United States**

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

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

### **Notice to investors**

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

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

The Notes will bear a legend to the following effect:

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

FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES."

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

**General**

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



## IMPORTANT INFORMATION

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

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

This Offering Circular is to be read in conjunction with the articles of association of the Issuer dated 14 December 2007 which are deemed to be incorporated herein by reference (see section *General Information* below). This Offering Circular shall be read and construed on the basis that such document is incorporated in, and forms part of, this Offering Circular.

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

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

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

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

Neither the delivery of this Offering Circular at any time nor any sale made in connection with the offering of the Notes shall imply that the information contained herein is correct at any time subsequent to the date of this Offering Circular. The Issuer does not have the obligation to update this Offering Circular, except when required by the listing and issuing rules of Euronext Amsterdam or any other regulation.

Neither the Notes Purchaser, the Arranger nor the Seller expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Notes. Investors should review, *inter alia*, the most recent financial statements of the Issuer when deciding whether or not to purchase any Notes.

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

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

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

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

## GENERAL INFORMATION

1. The issue of the Notes has been authorised by a resolution of the managing director of the Issuer passed on 18 December 2007.
2. The Senior Class A Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg and through the Clearnet S.A. Amsterdam Branch Stock Clearing and will bear common code 033523084 and ISIN XS0335230842 and Fondscode 614715.
3. The Mezzanine Class B Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg and through the Clearnet S.A. Amsterdam Branch Stock Clearing and will bear common code 033523114 and ISIN XS0335231147 and Fondscode 614716.
4. The Mezzanine Class C Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg and through the Clearnet S.A. Amsterdam Branch Stock Clearing and will bear common code 033523513 and ISIN XS0335235130 and Fondscode 614717.
5. The Junior Class D Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg and through the Clearnet S.A. Amsterdam Branch Stock Clearing and will bear common code 033523599 and ISIN XS0335235999 and Fondscode 614718.
6. The Subordinated Class E Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg and through the Clearnet S.A. Amsterdam Branch Stock Clearing and will bear common code 033523653 and ISIN XS0335236534 and Fondscode 614719.
7. Ernst & Young Accountants has given and has not withdrawn its written consent to the issue of this offering circular with its report included herein in the form and context in which it appears.
8. Copies of the following documents may be inspected at the specified offices of the Security Trustee and the Paying Agent during normal business hours, as long as any Notes are outstanding:
  - (i) the Offering Circular;
  - (ii) the deed of incorporation of the Issuer;
  - (iii) the Mortgage Receivables Purchase Agreement;
  - (iv) the Paying Agency Agreement;
  - (v) the Trust Deed;
  - (vi) the Security Beneficiaries Agreement;
  - (vii) the Mortgage Receivables Pledge Agreement;
  - (viii) the Issuer Rights Pledge Agreement;
  - (ix) the Issuer Accounts Pledge Agreement;
  - (x) the MPT Agreement;

- (xi) the Back-up MPT Agreement;
- (xii) the Issuer Administration Agreement;
- (xiii) the Floating Rate GIC;
- (xiv) the Liquidity Facility Agreement;
- (xv) the Swap Agreement;
- (xvi) the Beneficiary Waiver Agreement;
- (xvii) the Master Definitions Agreement;
- (xviii) the articles of association of the Issuer; and
- (xix) the articles of association of the Security Trustee.

9. No statutory or non-statutory accounts in respect of any financial year of the Issuer have been prepared. So long as the Notes are listed on Eurolist by Euronext Amsterdam, the most recently published audited annual accounts of the Issuer from time to time will be available at the specified offices of the Security Trustee and on [www.assetbacked.nl](http://www.assetbacked.nl).
10. The following documents are incorporated herein by reference:
- (i) the deed of incorporation which include the articles of association of the Issuer dated 14 December 2007.

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

11. 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.assetbacked.nl](http://www.assetbacked.nl).
12. The estimated aggregate cost of the admission to trading amount to approximately 0.01 per cent. of the proceeds of the Notes. There are no costs deducted by the Issuer from any investment made by any Noteholder in respect of the purchase of the Notes.
13. This Offering Circular constitutes a prospectus for the purpose of the Prospectus Directive. A free copy of the Offering Circular is available at the office of the Issuer and the Paying Agent.

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## REGISTERED OFFICES

### ISSUER

Convent 2007-I B.V.  
Naritaweg 165, Telestone 8  
1043 BW Amsterdam  
the Netherlands

### SELLER

DSB Bank N.V.  
Dick Ketlaan 6-10  
1687 CD Wognum  
the Netherlands

### MPT PROVIDER

DSB Bank N.V.  
Dick Ketlaan 6-10  
1687 CD Wognum  
the Netherlands

### SUBSTITUTE MPT PROVIDER

Stater Nederland B.V.  
De Brand 40  
3823 LL Amersfoort  
the Netherlands

### ISSUER ADMINISTRATOR

Trust International Management (T.I.M.) B.V.  
Naritaweg 165 Telestone 8  
1043 BW Amsterdam  
the Netherlands

### SWAP COUNTERPARTY

ABN AMRO Bank N.V. (London Branch)  
250 Bishopsgate  
London EC2M 4AA  
United Kingdom

**FLOATING RATE GIC PROVIDER**

ING Bank N.V.  
Trustdesk  
De Amsterdamse Poort, Amsterdam-Zuidoost  
1100 AG Amsterdam  
The Netherlands

**SECURITY TRUSTEE**

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