

PROSPECTUS dated 20 MARCH 2009

STICHTING ELEVEN CITIES No. 5

(a foundation established under the laws of the Netherlands
with its registered office in Amsterdam, the Netherlands)

- euro 763,050,000 floating rate Senior Class A Mortgage-Backed Notes 2009 due 2090,
issue price 100 per cent.**
- euro 17,050,000 floating rate Mezzanine Class B Mortgage-Backed Notes 2009 due 2090,
issue price 100 per cent.**
- euro 16,200,000 floating rate Mezzanine Class C Mortgage-Backed Notes 2009 due 2090,
issue price 100 per cent.**
- euro 7,300,000 floating rate Mezzanine Class D Mortgage-Backed Notes 2009 due 2090,
issue price 100 per cent.**
- euro 6,400,000 floating rate Junior Class E Mortgage-Backed Notes 2009 due 2090,
issue price 100 per cent.**
- euro 28,350,000 floating rate Subordinated Class F Notes 2009 due 2090,
issue price 100 per cent.**

An application has been made to list the euro 763,050,000 floating rate Senior Class A Mortgage-Backed Notes 2009 due 2090 (the **Senior Class A Notes**), the euro 17,050,000 floating rate Mezzanine Class B Mortgage-Backed Notes 2009 due 2090 (the **Mezzanine Class B Notes**), the euro 16,200,000 floating rate Mezzanine Class C Mortgage-Backed Notes 2009 due 2090 (the **Mezzanine Class C Notes**), the euro 7,300,000 floating rate Mezzanine Class D Mortgage-Backed Notes 2009 due 2090 (the **Mezzanine Class D Notes**), the euro 6,400,000 floating rate Junior Class E Mortgage-Backed Notes 2009 due 2090 (the **Junior Class E Notes** and together with the Senior Class A Notes, the Mezzanine Class B Notes, the Mezzanine Class C Notes and the Mezzanine Class D Notes, the **Mortgage-Backed Notes**) and the euro 28,350,000 floating rate Subordinated Class F Notes 2009 due 2090 (the **Subordinated Class F Notes**, and together with the Mortgage-Backed Notes, the **Notes**), to be issued by Stichting Eleven Cities No. 5 (the **Issuer**), on Eurolist by Euronext Amsterdam by NYSE Euronext (**Euronext Amsterdam by NYSE Euronext**). This prospectus (**Prospectus**) has been approved by the Netherlands Authority for the Financial Markets (*'Stichting Autoriteit Financiële Markten'*). The Notes are expected to be issued and admitted to trading on 20 March 2009.

The Notes will carry a floating rate of interest, payable quarterly in arrear, which will be three months Euribor plus a margin per annum, which will be up to (but excluding) the first Optional Redemption Date for the Senior Class A Notes 1.40 per cent., for the Mezzanine Class B Notes 2.00 per cent., for the Mezzanine Class C Notes 3.00 per cent., for the Mezzanine Class D Notes 4.00 per cent., for the Junior Class E Notes 5.50 per cent. and for the Subordinated Class F Notes 1.00 per cent.. If on the first Optional Redemption Date the Notes of any Class will not be redeemed in full, in accordance with the terms and conditions of the Notes (the **Conditions**), the margin applicable to such Class of Notes will be reset. The interest on such Class of Notes from (and including) the first Optional Redemption Date will be equal to three months Euribor, plus a margin per annum which will be for the Senior Class A Notes 2.00 per cent., for the Mezzanine Class B Notes 3.00 per cent., for the Mezzanine Class C Notes 4.00 per cent., for the Mezzanine Class D Notes 5.00 per cent., for the Junior Class E Notes 6.50 per cent. and for the Subordinated Class F Notes 1.00 per cent.

The Notes are scheduled to mature on the Quarterly Payment Date falling in May 2090 (the **Final Maturity Date**). On the Quarterly Payment Date falling in May 2009 and on each Quarterly Payment Date thereafter, the Mortgage-Backed Notes will be subject to mandatory redemption (in whole or in part) in the circumstances set out in, and subject to, and in accordance with the Conditions by applying the Notes Redemption Available Amount starting with the Senior Class A Notes. On the Quarterly Payment Date falling in May 2016 and on each Quarterly Payment Date thereafter (each an **Optional Redemption Date**) the Issuer will have the option to redeem all (but not some only) of the Mortgage Backed Notes then outstanding at their Principal Amount Outstanding, subject to and in accordance with the Conditions. On each Quarterly Payment Date, the Subordinated Class F Notes will be subject to mandatory partial redemption in the circumstances set out in, subject to and in accordance with Condition 6(d) through the application of the amount remaining of the Notes Interest Available Amount after all payments or deposits ranking higher have been made on such date but on any Optional Redemption Date only if and to the extent all other Classes of Notes have been redeemed in full. In addition, the Issuer has the option to redeem all of the Notes in whole but not in part upon the occurrence of a Tax Change subject to and in accordance with the Conditions. Finally, the Issuer will redeem the Notes if the Seller exercises its Regulatory Call Option and/or the Clean-Up Call Option in accordance with Condition 6(g) and Condition 6(h).

It is a condition precedent to issuance of the Notes that the Senior Class A Notes, on issue, be assigned an Aaa rating by Moody's Investors Service Limited (**Moody's**), the Mezzanine Class B Notes, on issue, be assigned an Aa3 rating by Moody's, the Mezzanine Class C Notes, on issue, be assigned an A3 rating by Moody's, the Mezzanine Class D Notes, on issue, be assigned a Baa3 rating by Moody's and the Junior Class E Notes, on issue, be assigned a Ba3 rating by Moody's.

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 *Risk Factors* herein.

The Notes will be (indirectly) secured by a right of pledge over the Mortgage Receivables and the Beneficiary Rights vested by the Issuer in favour of Stichting Security Trustee Eleven Cities No. 5 (the **Security Trustee**) and a right of pledge vested by the Issuer in favour of the Security Trustee over all rights of the Issuer under or in connection with the Pledge Agreements. The right to payment of interest and

principal on the Mezzanine Class B Notes, the Mezzanine Class C Notes, the Mezzanine Class D Notes, the Junior Class E Notes and the Subordinated Class F Notes will be subordinated and may be limited as more fully under *Terms and Conditions of the Notes*.

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

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

The Notes will be solely the obligations of the Issuer. The Notes will not be obligations or responsibilities of, or guaranteed by, any other entity or person, in whatever capacity acting, including, without limitation, The Royal Bank of Scotland plc, ING Bank N.V. (each an **Arranger** and together the **Co-Arrangers**), the Floating Rate GIC Provider, the Listing Agent, the Savings Insurance Company, the Secured Parties and the Security Trustee or any other person, in whatever capacity acting. No liability whatsoever in respect of any failure by the Issuer to pay any amount due under the Notes will be accepted by the Arranger, the Floating Rate GIC Provider, the Listing Agent, the Savings Insurance Company, the Secured Parties and the Security Trustee, in whatever capacity acting. None of the Arranger, the Floating Rate GIC Provider, the Listing Agent, the Savings Insurance Company, the Secured Parties and the Security Trustee will be under any obligation whatsoever to provide additional funds to the Issuer (save in the limited circumstances pursuant to the Relevant Documents).

It is expected that the Notes will be purchased directly by Friesland Bank.

All references in this Prospectus 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 and as amended by the Treaty of Amsterdam).

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

The date of this Prospectus is 20 March 2009.

CO-ARRANGERS

THE ROYAL BANK OF SCOTLAND

ING BANK

CONTENTS

| | |
|---|-----|
| SUMMARY..... | 4 |
| RISK FACTORS..... | 7 |
| STRUCTURE DIAGRAM..... | 25 |
| IMPORTANT INFORMATION | 26 |
| OVERVIEW OF THE PARTIES AND PRINCIPAL FEATURES OF THE TRANSACTION | 30 |
| CREDIT STRUCTURE | 51 |
| OVERVIEW OF THE DUTCH HOUSING AND RESIDENTIAL MORTGAGE MARKET | 66 |
| FRIESLAND BANK N.V. | 72 |
| FRIESLAND BANK RESIDENTIAL MORTGAGE BUSINESS | 75 |
| DESCRIPTION OF MORTGAGE LOANS | 80 |
| NHG GUARANTEE PROGRAMME | 83 |
| SUMMARY OF THE MORTGAGE PORTFOLIO..... | 87 |
| MORTGAGE RECEIVABLES PURCHASE AGREEMENT | 102 |
| SERVICING AND ADMINISTRATION AGREEMENT | 113 |
| SUB-PARTICIPATION AGREEMENT | 115 |
| THE ISSUER..... | 117 |
| USE OF PROCEEDS..... | 119 |
| DESCRIPTION OF SECURITY | 120 |
| THE SECURITY TRUSTEE..... | 122 |
| THE SWAP COUNTERPARTY..... | 123 |
| TERMS AND CONDITIONS OF THE NOTES..... | 124 |
| THE GLOBAL NOTES | 144 |
| TAXATION IN THE NETHERLANDS..... | 146 |
| PURCHASE AND SALE..... | 150 |
| GENERAL INFORMATION..... | 153 |
| INDEX OF DEFINED TERMS..... | 155 |

SUMMARY

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

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

The transaction

The Issuer will purchase and, on the Closing Date, accept the assignment from the Seller of the Mortgage Receivables (i.e. the rights under or in connection with certain pre-selected Mortgage Loans originated by the Seller) 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 such Beneficiary Rights is transferred to the Issuer. Furthermore, the Issuer will on the Closing Date issue the Notes. The Issuer will use the net proceeds thereof, other than the proceeds of the Subordinated Class F Notes, to pay to the Seller the Initial Purchase Price for the Mortgage Receivables and the Beneficiary Rights relating thereto pursuant to the Mortgage Receivables Purchase Agreement. In respect of construction mortgage loans ('*bouwhypotheek*'), which have not been fully disbursed on the Closing Date, the Issuer will withhold an amount equal to the aggregate amount not yet disbursed until such amounts are disbursed from the Initial Purchase Price. In addition, the Issuer will pay the Deferred Purchase Price to the Seller, which is to be paid on each Quarterly Payment Date in Deferred Purchase Price Instalments, if any (see further the section *Mortgage Receivables Purchase Agreement* below). The proceeds of the issue of the Subordinated Class F Notes will be credited to 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 Floating Rate GIC and the Swap Agreement and drawings from the Reserve Account to make payments of, *inter alia*, principal and interest due in respect of the Notes. The obligations of the Issuer in respect of the Notes will rank below the obligations of the Issuer in respect of certain items set forth in the applicable priority of payments (see *Credit Structure*) and (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 Mezzanine 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, (iv) payments of principal and interest on the Junior 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 Mezzanine Class D Notes, (v) payments of principal and interest on the Subordinated Class F Notes are subordinated to, *inter alia*, payments of interest on the Senior Class A Notes, the Mezzanine Class B Notes, the Mezzanine Class C Notes, the Mezzanine Class D Notes and the Junior Class E Notes and limited as more fully described herein under *Credit Structure* and *Terms and Conditions of the Notes*.

Pursuant to the Floating Rate GIC, the Floating Rate GIC Provider will agree to pay a guaranteed rate

of interest determined by reference to Euribor on the balance standing from time to time to the credit of the Transaction Accounts (see *Credit Structure* below).

Pursuant to the Subordinated Loan Agreement, the Seller will on the Closing Date make available to the Issuer the Subordinated Loan, which will be used by the Issuer to pay certain initial costs and expenses in connection with the issue of the Notes.

The proceeds of the issue of the Subordinated Class F Notes will be credited to the Reserve Account. The purpose of the Reserve Account will be to enable the Issuer to meet the Issuer's payment obligations under certain items of the Interest Priority of Payments in the event that the Notes Interest Available Amount is not sufficient to meet such payment obligations on a Quarterly Payment Date, see *Credit Structure* above.

Pursuant to the Servicing and Administration Agreement, the Pool Servicer will – *inter alia* – provide (a) administration and management services to the Issuer on a day-to-day basis in relation to the Mortgage Loans and the Mortgage Receivables and the Beneficiary Rights relating thereto, including, without limitation, the collection and recording of payments of principal, interest and other amounts in respect of the Mortgage Receivables and the direction of amounts received by the Seller to the Issuer Collection Account, (b) implementation of arrears procedures including the enforcement of mortgage rights and (c) to provide information on the Participation in the Savings Mortgage Loans and the Issuer Administrator will agree to provide certain administration, calculation and cash management services to the Issuer (see further *Servicing and Administration Agreement* and *Friesland Bank Residential Mortgage Business* below).

To mitigate 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 Mortgage-Backed Notes, the Issuer will enter into a Swap Agreement (see under *Credit Structure* below).

The Issuer

Stichting Eleven Cities No. 5 is established under the laws of the Netherlands as a foundation (*stichting*) and registered with the Commercial Register of the Chamber of Commerce of Amsterdam. The Issuer is established to issue the Notes.

Security

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

In order to ensure the valid creation of the security rights under Dutch law in favour of the Security Trustee, the Issuer shall undertake in the Parallel Debt Agreement to pay to the Security Trustee, by way of a parallel debt, under the same terms and conditions, an amount equal to the aggregate of all its undertakings, liabilities and obligations to the Secured Parties pursuant to the Relevant Documents.

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

Interest on the Notes

The Notes will carry a floating rate of interest, payable quarterly in arrear on each Quarterly Payment Date. The rate of interest for the Notes will be three months Euribor plus a margin per annum. On the first Optional Redemption Date, the margin of the Notes will be reset subject to and in accordance

with the Conditions.

Redemption of the Notes

Unless previously redeemed, the Issuer will redeem the Notes at their respective Principal Amount Outstanding on the Final Maturity Date, subject to, in respect of the Mezzanine Class B Notes, the Mezzanine Class C Notes, the Mezzanine Class D Notes, the Junior Class E Notes and the Subordinated Class F Notes, Condition 9(b).

On the Quarterly Payment Date falling in May 2009 and on each Quarterly Payment Date thereafter, the Issuer will be obliged to apply the Notes Redemption Available Amount, which broadly consists of all amounts of principal received (i) as repayment or pre-payment on the Mortgage Receivables and (ii) in connection with a repurchase or sale of the Mortgage Receivables and the Beneficiary Rights relating thereto to (partially) redeem the Mortgage-Backed Notes sequentially in accordance with the Principal Priority of Payments. On each Quarterly Payment Date, the Subordinated Class F Notes will be subject to mandatory partial redemption in the circumstances set out in, subject to and in accordance with Condition 6(d) through the application of the amount remaining of the Notes Interest Available Amount after all payments or deposits ranking higher have been made on such date but on any Optional Redemption Date only if and to the extent all other Classes of Notes have been redeemed in full.

The Issuer will have the option to redeem all of the Mortgage-Backed Notes, but not some only, on each Optional Redemption Date at their Principal Amount Outstanding subject, in the case of the Mezzanine Class B Notes, the Mezzanine Class C Notes, the Mezzanine Class D Notes and the Junior Class E Notes, to Condition 9(b). Also, the Issuer will have the option to redeem the Notes for tax reasons in accordance with Condition 6(f). Finally, the Issuer will redeem the Notes if the Seller exercises its Regulatory Call Option and/or the Clean-Up Call Option in accordance with Condition 6(g) and Condition 6(h) respectively.

Listing

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

Rating

It is a condition precedent to issuance of the Notes that the Senior Class A Notes, on issue, be assigned an Aaa rating by Moody's, the Mezzanine Class B Notes, on issue, be assigned an Aa3 rating by Moody's, the Mezzanine Class C Notes, on issue, be assigned an A3 rating by Moody's, the Mezzanine Class D Notes, on issue, be assigned a Baa3 rating by Moody's and the Junior Class E Notes, on issue, be assigned a Ba3 rating by Moody's.

Risk factors

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

RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes. Most of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring. In addition, factors which are material for the purpose of assessing the market risk associated with the Notes are also described below. The Issuer believes that the factors described below represent the material risks inherent in investing in the Notes, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with the Notes may occur for other reasons not known to the Issuer or not deemed to be material enough and the Issuer does not represent that the statements below regarding the risks of holding any Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.

RISK FACTORS REGARDING THE ISSUER

The Notes will be solely the obligations of the Issuer

The Notes will be solely the obligations of the Issuer. The Notes will not be obligations or responsibilities of, or guaranteed by, any other entity or person, in whatever capacity acting, including, without limitation, the Seller, the Savings Insurance Company, the Co-Arrangers, the Pool Servicer, the Subordinated Loan Provider, the Issuer Administrator, the Floating Rate GIC Provider, the Swap Counterparty, the Directors, the Paying Agent, the Reference Agent, the Listing Agent or the Security Trustee. Furthermore, none of the Seller, the Savings Insurance Company, the Arranger, the Pool Servicer, the Subordinated Loan Provider, the Issuer Administrator, the Floating Rate GIC Provider, the Swap Counterparty, the Directors, the Paying Agent, the Reference Agent, the Listing Agent, the Security Trustee or any other person in whatever capacity acting, will accept any liability whatsoever to Noteholders in respect of any failure by the Issuer to pay any amounts due under the Notes.

None of the Seller, the Savings Insurance Company, the Co-Arrangers, the Swap Counterparty, the Pool Servicer, the Issuer Administrator, the Subordinated Loan Provider, the Directors, the Paying Agent, the Reference Agent, the Listing Agent, the Floating Rate GIC Provider and the Security Trustee will be under any obligation whatsoever to provide additional funds to the Issuer (save in the limited circumstances pursuant to the Relevant Documents).

The Issuer has limited resources available to meet its obligations

The ability of the Issuer to meet its obligations in full to pay principal of and interest on the Notes will be dependent on the receipt by it of funds under the Mortgage Receivables, the proceeds of the sale of any Mortgage Receivables and the Beneficiary Rights relating thereto, the receipt by it of payments under the Swap Agreement, the receipt by it of interest in respect of the balances standing to the credit of the Transaction Accounts and the balances standing to the credit of the Reserve Account (see further *Credit Structure*).

By acquiring the Notes, the Noteholders shall be deemed to have knowledge of, to accept and to be bound by the Conditions. The Issuer and the Paying Agent will not have any responsibility for the proper performance by Euroclear and/or Clearstream, Luxembourg or its participants of their obligations under their respective rules, operating procedures and calculation methods.

The Issuer has counterparty risk exposure

Counterparties to the Issuer may not perform their obligations under the Relevant Documents, which may result in the Issuer not being able to meet its obligations. It should be noted that there is a risk that (a) ING Bank N.V. in its capacity as Floating Rate GIC Provider, (b) ABN AMRO Bank in its capacity as Paying Agent and Reference Agent, (c) The Royal Bank of Scotland plc in its capacity as Swap Counterparty will not perform its obligations vis-à-vis the Issuer, (d) Friesland Bank in its capacity as Seller, Pool Servicer and Subordinated Loan Provider will not perform its obligations vis-à-vis the Issuer, (e) Equity Trust Co. N.V. as Issuer Administrator and Director will not perform its obligations under the Servicing and Administration Agreement and the relevant Management Agreement respectively, (f) the Savings Insurance Company may not perform its obligations under the Sub-Participation Agreement and (g) ANT Securitisation Services B.V. will not perform its obligations under the relevant Management Agreement. In the event the counterparties of the Issuer do not perform their obligations vis-à-vis the Issuer, this may affect the operations of the Issuer. Non-performance by a counterparty could lead to losses for the Noteholders.

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

Under or pursuant to the Pledge Agreements, various rights of pledge will be granted by the Issuer to the Security Trustee. On the basis of these pledges the Security Trustee can exercise the rights afforded by Dutch law to pledgees notwithstanding bankruptcy or suspension of payments of the Issuer. The Issuer has been set up as a special purpose vehicle and the agreements to which it becomes a party contain non-petition and limited recourse clauses. As a result there is a limited chance that the Issuer will become insolvent. However, any bankruptcy or suspension of payments involving the Issuer would affect the position of the Security Trustee as pledgee in some respects, the most important of which are: (i) payments made by the Issuer to the Security Trustee prior to notification but after bankruptcy or suspension of payments will be part of the bankruptcy estate of the Issuer, although the Security Trustee has the right to receive such amounts by preference after deduction of certain costs, (ii) a mandatory 'cool-off' period each of up to four months may apply in case of both bankruptcy or suspension of payments involving the Issuer, which, if applicable, would delay the exercise of the right of pledge on the Mortgage Receivables and the Beneficiary Rights relating thereto and (iii) the Security Trustee may be obliged to enforce its right of pledge within a reasonable period following bankruptcy as determined by the judge-commissioner (*rechter-commissaris*) appointed by the court in case of bankruptcy of the Issuer.

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

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

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

that such a parallel debt creates a claim of the Security Trustee thereunder which can be validly secured by a right of pledge such as the rights of pledge created by the Trustee Receivables Pledge Agreement and the Trustee Assets Pledge Agreement.

License requirement under the Act on Financial Supervision

Under the new Act on Financial Supervision (*Wet op het Financieel Toezicht*), which entered into force on 1 January 2007, a special purpose vehicle which services (*beheert*) and administers (*uitvoert*) loans granted to consumers must have a license under the Act on Financial Supervision. As some of the Mortgage Loans may be granted to consumers, the Issuer must have a license. However, an exemption from the license requirement is available, if the special purpose vehicle outsources the servicing of the loans and the administration thereof to an entity holding a license under the Act on Financial Supervision. The Issuer has outsourced the servicing and administration of the Loans to the Pool Servicer. The Pool Servicer holds a license under the Act on Financial Supervision and the Issuer thus benefits from the exemption. However, if the Servicing and Administration Agreement is terminated, the Issuer will need to outsource the servicing and administration of the Mortgage Receivables to another licensed entity or it needs to apply for and hold a license itself. In the latter case, the Issuer will have to comply with the applicable requirements under the Act on Financial Supervision. If the Servicing and Administration Agreement is terminated and the Issuer has not outsourced the servicing and administration of the Mortgage Loans to a licensed entity and does not hold a license itself, the Issuer will have to terminate its activities and settle (*afwikkelen*) its existing agreements. This could result in early redemption of the Notes.

RISK FACTORS REGARDING THE MORTGAGE RECEIVABLES

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

Under Dutch law, assignment of the legal title of claims, such as the Mortgage Receivables, can be effectuated by means of a notarial or registered deed of assignment, without notification of the assignment to the debtors being required (*stille cessie*). The legal title to the Mortgage Receivables and the Beneficiary Rights relating thereto will be transferred by the Seller to the Issuer on the Closing Date through a registered deed of assignment. The Mortgage Receivables Purchase Agreement will provide that the assignment of the relevant Mortgage Receivables and the Beneficiary Rights relating thereto by the Seller to the Issuer will not be notified by the Seller or, as the case may be, the Issuer to the Borrowers except if certain events occur. For a description of certain of these notification events reference is made to the section *Mortgage Receivables Purchase Agreement*.

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

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

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

Under 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 his debt as well as to enforce payment of his claim. Subject to these requirements being met, each Borrower will be entitled to set off amounts due by the Seller to him (if any) with amounts he 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 (i) current account balances or deposits made or (ii) result from services rendered by the Seller to the Borrower, such as investment advice or investment management services rendered by the Seller or for which the Seller is responsible. As a result of the set-off of amounts due and payable 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.

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 on 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 and payable (*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 by the Seller that in most cases a balance on a deposit account can be withdrawn at any time and, consequently, such balance is due and payable (*opeisbaar*) at any time. If 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.

In case 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 Netherlands Bankruptcy Code (*faillissementswet*). Under the Netherlands 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 is entitled to receive in respect of such Mortgage Receivable, the Seller will pay to the Issuer an amount equal to the difference between the amount which the Issuer would have received in respect of the relevant Mortgage Receivable if no set-off had taken place and the amount actually received by the Issuer in respect of such Mortgage Receivable.

For specific set-off issues relating to the Life Insurance Policies and Saving Insurance Policies

connected to the Mortgage Loans, reference is made to the paragraph *Risk relating to Insurance Policies* below.

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

The Mortgage Receivables which are sold to the Issuer by the Seller will be secured by mortgage rights which will either secure certain fixed obligations of the Borrower vis-à-vis the Seller (**Fixed Mortgages**) or secure not only the loan granted to the Borrower for the purpose of acquiring the Mortgaged Assets, but also all other existing and future liabilities and moneys the Borrower may owe to the Seller (**Bank Mortgages**).

Under Dutch law a mortgage right is an accessory right (*afhankelijk recht*) which follows by operation of law the receivable with which it is connected. Furthermore, a mortgage right is an ancillary right (*nevenrecht*) and the assignee of a receivable secured by an ancillary right will have the benefit of such right, unless the ancillary right by its nature is, or has been construed as, a purely personal right of the assignor or such transfer is prohibited by law.

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

There is a trend in recent legal literature to dispute the view set out in the preceding paragraph. Commentators following such trend argue that in case of assignment of a receivable secured by a Bank Mortgage, the mortgage right will in principle (partially) pass to the assignee as an accessory right. In this argument the transfer does not conflict with the nature of a Bank Mortgage, which is - in this argument - supported by the same case law. Any further claims of the assignor will also continue to be secured and as a consequence the Bank Mortgage will be jointly-held by the assignor and the assignee after the assignment. In this view a Bank Mortgage only continues to secure exclusively claims of the original mortgagee and will not pass to the assignee, if this has been explicitly stipulated in the mortgage deed.

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

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

The Mortgage Loans also provide for rights of pledge granted in favour of the Seller, which secure the

same debts as the Bank Mortgages (**Bank Pledges** and jointly with the Bank Mortgages, the **Bank Security Rights**). The above applies *mutatis mutandis* to the Bank Pledges.

Furthermore, the above applies *mutatis mutandis* in respect of the pledge of the Mortgage Receivables by the Issuer to the Security Trustee under the Trustee Receivables Pledge Agreement.

Finally, in respect of the Mortgage Receivables that is administered as having the benefit of a NHG Guarantee, it is noted that if the Issuer does not have the benefit of the mortgage right, it also will not be entitled to claim under any NHG Guarantee. If the Issuer or the Security Trustee, as the case may be, does not have the benefit of security over the Mortgaged Asset, this may result in losses to the Noteholders if such security is required to be enforced.

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

If the Bank Security Rights have (partially) followed the Mortgage Receivables upon its assignment, the Bank Mortgages would probably be jointly-held by the Issuer and the Seller and would secure both the Mortgage Receivables held by the Issuer (or the Security Trustee, as pledgee) and any claims held by the Seller (the **Other Claims**).

In case the Bank Security Rights are jointly-held by both the Issuer and/or the Security Trustee and the Seller, the rules applicable to joint-ownership (*gemeenschap*) apply. The Dutch Civil Code provides for various mandatory rules applying to such jointly-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 applicable) will manage and administer such jointly-held rights. It is uncertain whether the foreclosure of the mortgage rights will be considered as day-to-day management and, consequently the consent of the Seller's bankruptcy trustee (in case of bankruptcy) or administrator (in case of emergency regulations) may be required for such foreclosure.

On the basis of Dutch Civil Code the shares of the joint-owners in a community are equal, unless their legal relationship provides otherwise. Therefore, the Seller, the Issuer and/or the Security Trustee (as applicable) will agree that in case of foreclosure the share (*aandeel*) in each jointly-held security interest of the Issuer (the Security Trustee) will be equal to the Outstanding Principal Amount in respect of the Mortgage Receivable, increased with interest and costs, if any, and the share of the Seller will be equal to the Net Proceeds less the Outstanding Principal Amount in respect of the Mortgage Receivable, increased with interest and costs, if any. It is uncertain whether this arrangement will be enforceable. In this respect it will be agreed that in case of a breach by the Seller of its obligations under these agreements or if any of such agreement is dissolved, void, nullified or ineffective for any reason in respect of the Seller, the Seller shall compensate the Issuer and/or the Security Trustee (as applicable) forthwith for any and all loss, cost, claim, damage and expense whatsoever which the Issuer and/or the Security Trustee (as applicable) 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. Furthermore it is noted that this arrangement may not be effective against the Borrower.

If (a trustee or administrator of) the Seller would, notwithstanding the arrangement set out above, enforce the jointly-held Bank Security Rights 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, but such claim would be unsecured and non-preferred. To further secure the obligations of the Seller under this arrangement, the Seller shall have an obligation to pledge, upon the occurrence of a Notification Event, the Other Claims in favour of the Issuer and the Security Trustee respectively. Such pledge (if vested) will secure the claim of the Issuer and/or the Security Trustee on the Seller created for this

purpose equal to the share of the Seller in the foreclosure proceeds in relation to a defaulted Borrower which claim becomes due and payable upon a default of the relevant Borrower. If, after the pledge of the Other Claims, the Assignment Notification Event has been cured and is not continuing, the Issuer and the Security Trustee will be obliged to release the rights of pledge vested on the Other Claims. In addition, each of the Issuer and the Security Trustee undertakes to release such right of pledge on any Other Claims of a Borrower if the Outstanding Principal Amount in respect of the Mortgage Receivable has been repaid in full.

Long lease

The mortgage rights securing the Mortgage Loans may be vested on a long lease (*erfpacht*), as further described in the section *Description of the Mortgage Loans*.

A long lease will, *inter alia*, end as a result of expiration of the long lease term (in case of lease for 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 consecutive years or seriously breaches other obligations under the long lease. In case the long lease ends, the landowner will have the obligation to compensate the leaseholder. In such event the mortgage right will, by operation of law, be replaced by a right of pledge on the claim of the (former) leaseholder on the landowner for such compensation. The amount of the compensation will, *inter alia*, be determined by the conditions of the long lease and may be less than the market value of the long lease.

When underwriting a Mortgage Loan to be secured by a mortgage right on a long lease the Seller will require that the maturity date of the Mortgage Loan falls before the maturity date of the long lease. If, for any reason, the long lease is terminated prior to the maturity date of the relevant Mortgage Loan and the amount of the compensation is lower than the then outstanding principal amount of the relevant Mortgage Loan, this may result in a loss for the Noteholders.

Insurance Policies

The Life Mortgage Loans and the Savings Mortgage Loans have the benefit of Life Insurance Policies and Savings Insurance Policies respectively (together the **Insurance Policies**). The Insurance Policies are entered into by the relevant Borrowers and the relevant Life Insurance Company and Savings Insurance Company respectively. In this paragraph, certain legal issues relating to the effects of the assignment of the Life Mortgage Receivables and Savings Mortgage Receivables on the Insurance Policies are set out. Investors should be aware that (a) the Issuer may not benefit from the Insurance Policies and/or (b) the Issuer may not be able to recover any amounts from the Borrower in case the Savings Insurance Company defaults in its obligations as further described in this paragraph. As a consequence thereof the Issuer may not have a claim on the Borrower and may, therefore, not have the benefit of the mortgage right. In such case the rights of the Security Trustee will be similarly affected. Due to the dependency on the performance by in particular the Savings Insurance Company of its obligations under the Insurance Policies, a deterioration of the credit quality of the Savings Insurance Company might have an adverse effect on the ratings of the Notes.

Risk that Borrower Insurance Pledges will not be effective

All rights of a Borrower under the Life Insurance Policies have been pledged to the Seller (the **Borrower Insurance Pledge**). The Issuer has been advised that it is probable that the right to receive payment, including the commutation payment (*afkoopsom*), under the Life Insurance Policies will be regarded by a Netherlands court as a future right. The pledge of a future right is, under Dutch law, not effective if the pledgor is declared bankrupt or granted a suspension of payments (emergency regulations) or made subject to a debt restructuring scheme pursuant to the Dutch Bankruptcy Code,

prior to the moment such right comes into existence. This means that it is uncertain whether such pledge will be effective. The Borrower Insurance Pledge secures the same liabilities as the Bank Security Rights (see *Risk that the Bank Security Rights will not follow the Mortgage Receivables upon assignment to the Issuer*).

Risks relating to the Insurance Policies

The Seller has been appointed or, as the case may be, has appointed itself (if necessary, irrevocably authorised by the relevant Borrower) as beneficiary under the relevant Life Insurance Policy up to the amount of its claim on the Borrower/policyholder (the **Beneficiary Rights**), except that in certain cases another beneficiary is appointed who will rank ahead of the Seller, provided that, *inter alia*, the relevant Life Insurance Company is irrevocably authorised by such beneficiary to pay the proceeds of the Life Insurance Policy to the Seller (the **Borrower Insurance Proceeds Instruction**). It is unlikely that the appointment of the Seller as beneficiary will be regarded as an ancillary right and that it will follow the Mortgage Receivables upon assignment or pledge thereof to the Issuer or the Security Trustee. The Beneficiary Rights will be assigned by the Seller to the Issuer and will subsequently be pledged to the Security Trustee by the Issuer (see *Description of Security* below). However, the Issuer has been advised that it is uncertain whether this assignment and pledge will be effective.

In view hereof, the Issuer and the Security Trustee will enter into a beneficiary waiver agreement (the **Beneficiary Waiver Agreement**) with the Seller and the Savings Insurance Company, under which the Seller, without prejudice to the rights of the Issuer as assignee and the rights of the Security Trustee as pledgee and subject to the condition precedent of the occurrence of a Notification Event waives its rights as beneficiary under the Insurance Policies with the Savings Insurance Company and appoints as first beneficiary (a) the Issuer subject to the dissolving condition (*ontbindende voorwaarde*) of a Trustee Notification Event and (b) the Security Trustee under the condition precedent (*opshortende voorwaarde*) of the occurrence of a Trustee Notification Event. It is, however, uncertain whether such waiver will be effective. In addition, the Seller will undertake in the Beneficiary Waiver Agreement that it will use its best efforts, following a Notification Event, to terminate the appointment of the Seller as beneficiary under the Life Insurance Policies and to appoint as first beneficiary under the Life Insurance Policies (i) the Issuer subject to the dissolving condition of a Trustee Notification Event and (ii) the Security Trustee under the condition precedent of the occurrence of a Trustee Notification Event (see *Mortgage Receivables Purchase Agreement*).

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

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

Set-off and defences by Borrowers in case of insolvency of the Insurance Company - General

If an Insurance Company would no longer be able to meet its obligations under the relevant Insurance Policies (including resulting from any interest or premium deposits), e.g., in case it is declared bankrupt or has become subject to emergency regulations, this could result in amounts payable under the Insurance Policies either not or only partly being available for application in reduction of the relevant Mortgage Receivables. This may lead to the Borrower trying to invoke set-off rights and defences, which may have the result that the Mortgage Receivables will be, fully or partially, extinguished (*teniet gaan*) or cannot be recovered for other reasons, which could lead to losses under the Notes.

The Borrowers will, in order to invoke a right of set-off, need to comply with the applicable legal requirements in order to invoke a right of set-off. One of these requirements is that the Borrower should have a claim which corresponds to his debt to the same counterparty. The Insurance Policies are contracts between the relevant Insurance Company and the Borrowers on the one hand and the Mortgage Receivables are claims of the Seller on the relevant Borrower 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 relevant Insurance Company should be regarded as one legal entity or, based upon interpretation of case law, that possibly set-off is allowed, even if the Seller and the relevant Insurance Company are not considered as one legal entity, since the relevant Insurance Policy and the relevant Mortgage Loan are to be regarded as one interrelated legal relationship.

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

Set-off vis-à-vis the Issuer after notification of the assignment would be subject to the additional requirements for set-off after assignment being met. The fact that the Life Mortgage Receivables are assigned to the Issuer is likely to obstruct such set-off, after notification of the assignment, since it is unlikely that one of the requirements for set-off following assignment or pledge is met (see risk factor *Set-off by Borrowers may affect the proceeds under the Mortgage Receivables*).

Even if the Borrowers cannot invoke a right of set-off, they may invoke defences vis-à-vis the Seller, the Issuer and/or the Security Trustee, as the case may be. The Borrowers could, inter alia, argue that notwithstanding the waiver of set-off it was the intention of the parties involved, or at least argue that the Borrowers could rightfully interpret the mortgage documentation and the promotional materials in such a manner, that the 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 dissolution of the Mortgage Loans or possibly suspension of their obligations thereunder. The Borrowers could also argue that it was the intention of the parties involved or that they could at least rightfully interpret the mortgage documentation and the promotional materials in such manner that the Mortgage Receivable

would be (fully or partially) repaid by means of the proceeds of the Insurance Policy and that, failing such proceeds being so applied, the Borrower is not obliged to repay the (corresponding) part of the Mortgage Receivable. Also, Borrowers could argue that it is contrary to principles of reasonableness and fairness (*redelijkheid en billijkheid*) for the Borrower to be obliged to repay the Mortgage Receivable to the extent that he has failed to receive the proceeds of the Insurance Policy. The Borrower could also base a defence on 'error' (*dwalings*), i.e. that the Mortgage Loan and the Insurance Policies would be entered into as a result of 'error'. If this defence would be successful, this could lead to annulment of the Mortgage Loan, which could have the result that the Issuer no longer holds the Mortgage Receivable. Such successful defence could result in losses to the Noteholders.

In respect of the risk of such set-off or defences being successful, as described above, if, in case of bankruptcy or emergency regulations of any of the Life Insurance Companies, the Borrowers/insured will not be able to recover their claims under their Life Insurance Policies, the Issuer has been advised that, it is unlikely that, a court would honour set-off or defences of the Borrowers, in view of the preceding paragraphs and the representation by the Seller that with respect to Mortgage Loans whereby it is a condition that a Life Insurance Policy is entered into by the Borrower (i) a Borrower Insurance Pledge is granted on the rights under such policy in favour of the Seller, (ii) there is no connection, whether from a legal or a commercial point of view, between the Life Mortgage Loan and the relevant Life Insurance Policy other than the relevant Borrower Insurance Pledge and the relevant Beneficiary Rights, (iii) the Life Mortgage Loans and the Life Insurance Policies are not marketed as one product or under one name, (iv) the Borrowers are free to choose the Life Insurance Company subject to approval by the Seller and (v) any Life Insurance Company is not a group company (within the meaning of article 2:24b of the Dutch Civil Code) of the Seller. If, for any reason, a Borrower could invoke a right of set-off in case of an insolvency of a Life Insurance Company, this may result in a loss for the Noteholders.

Set-off or defences regarding Savings Mortgage Loans

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

However in respect of Savings Mortgage Loans, the Sub-Participation Agreement will provide that in the case of set-off or defences by Borrowers, including but not limited to a right of set-off or defence based upon a default in the performance by the Savings Insurance Company of its obligations under the Savings Insurance Policy and where, as a consequence thereof, the Issuer will not have received any amount due and outstanding, the relevant Participation of the Savings Insurance Company will be reduced by an amount equal to the amount which the Issuer has failed to receive as a result of such set-off or defence. The amount of the relevant Participation is equal to the amount of Savings Premia received by the Issuer plus the accrued yield on such amount (see *Sub-Participation Agreement* below), provided that the Savings Insurance Company will have paid all Savings Premia received from the relevant Borrowers to the Issuer. Therefore, normally the Issuer would not suffer any damages if the Borrower would invoke any such right of set-off or defence, if and to the extent that the amount for which the Borrower would invoke set-off or defences does not exceed the amount of the relevant Participation. The amount for which the Borrower can invoke set-off or defences may, depending on the circumstances, exceed the amount of the relevant Participation. The Sub-Participation Agreement does not apply to Life Mortgage Loans to which a Life Insurance Policy with a Unit-Linked Alternative is connected.

Value of investments under Life Insurance Policies

The value of investments made by the relevant Life Insurance Company in connection with the Life Insurance Policy, may not be sufficient for the Borrower to fully redeem the related Mortgage Receivable at its maturity. If this risk materialises, this could affect the value of the Mortgage Receivables.

Offering of Life Mortgage Policies

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

In relation to investment insurance policies such as the Life Insurance Policies with the Unit-Linked Alternative (*beleggingsverzekeringen*) a specific issue has arisen concerning the costs of these products. In 2006, the AFM issued a report on these products in which it concluded that these types of insurances are relatively expensive and that the information about costs is in many cases incomplete, inadequate and sometimes incorrect. This report was followed by a letter of the Minister of Finance and a report issued in December 2006 by an independent committee, the Committee De Ruiter, containing recommendations to the insurers to improve the information provided to customers. The Dutch Association of Insurers has in a public communication (a) underwritten the recommendations of the Committee De Ruiter, stating that it sees these as a logical step in the various steps which have in previous years been made to improve transparency and (b) said that insurers will (1) verify whether in the past in individual cases mistakes have been made and if so, correct these mistakes and (2) provide customers who hold an investment insurance policy with all relevant information regarding their insurance policy.

The Dutch Minister of Finance has informed Parliament that the Dutch Government intends to stimulate a balanced approach for resolving complaints, to prevent a multitude of individual disputes before a complaint institute or in public courts and has requested the Financial Services Ombudsman and the Chairman of the Complaint Institute for Financial Services (*Klachteninstituut Financiële Dienstverlening*) to propose a balanced approach to deal with complaints. This Ombudsman has concluded in its recommendation (published on 4 March 2008) that insurers in general have not provided sufficient transparency concerning the costs of life insurance policies and/or savings insurance policies with an investment alternative. This may, however, vary per insurer. He recommends insurers to compensate customers of life insurance policies and/or savings insurance policies with an investment alternative of which the costs over the duration of the policy is higher than 3.5 per cent. of the gross fund output at least for the incremental costs. If all parties would cooperate with these recommendations, this could accelerate a solution and could result in a compromise for an important number of cases.

The Dutch Association of Insurers has in a public communication stated that the recommendation offers a clear framework for a solution in a cumbersome file and that it expects that insurers will take

this recommendation seriously. The recommendation addresses primarily individual insurers who should decide on the basis of their portfolio if and to what extent they will adopt this recommendation. It concludes that the recommendation of the Ombudsman makes fast, clear and transparent adaptation possible and prevents lengthy legal procedures which will benefit both insurers and customers. In the press some claimant organisations have announced that the recommendations are disappointing and/or do not offer customers sufficient compensation and new class actions have been announced against two insurance companies. Recently an insurer announced that it has reached agreement with two claimant organisations on compensation of its customers for the costs of investment insurance policies entered into with this insurer.

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

Risk that interest rate reset rights will not follow Mortgage Receivables

The Issuer has been advised that a good argument can be made that the right to reset the interest rate on the Mortgage Loans should be considered as an ancillary right which 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, in the case of insolvency of the Seller, the co-operation of the receiver (in bankruptcy) or administrator (in emergency regulations) would be required to reset the interest rates.

Maturity of Mortgage Loans

The standard mortgage deed used by the Seller in case of an Interest-Only Mortgage Loan is entered into for an unlimited period of time and, unless agreed otherwise at any time, the Borrower is not obliged to repay the principal sum borrowed (the **Principal Sum**). Furthermore, a number of Mortgage Loans have a maturity date which falls after the Final Maturity Date.

The Seller's general terms and conditions applicable to loans and its general terms and conditions applicable to mortgages (the **General Conditions**) contain clauses pursuant to which the Seller may demand repayment of the Principal Sum or pursuant to which the Principal Sum is immediately due and payable. The General Conditions provide that the Principal Sum will become immediately due and payable in certain events, *inter alia*, (i) upon the death of the Borrower or, (ii) upon a sale or transfer (*vervreemding*) of the Mortgaged Asset or (iii) upon the Borrower leaving the Mortgaged Asset to take up his residence elsewhere, although retaining ownership of the Mortgaged Asset.

In view of the above, it is possible that at the Final Maturity Date one or more Mortgage Loans will not have been (fully) repaid by the relevant Borrowers. As a consequence, there is a risk that at the Final Maturity Date the Issuer will not have sufficient funds available to fully redeem all Notes. However, the Issuer has been advised that, taking into account conservative assumptions based on mortality tables and the dates of birth of the Borrowers, it is very likely that the Notes will be redeemed in full prior to the Final Maturity Date. This risk is further mitigated by the obligation of the Issuer to use its best efforts to sell the Mortgage Receivables still outstanding on the Final Maturity Date and to apply the proceeds in (partial) redemption of the Mortgage-Backed Notes. Finally, on any Optional Redemption Date the Interest Excess Amount (being the amount remaining of the Notes Interest Available Amount, after all payments or deposits in respect of items (a) up to and including (t) but excluding (r) of the Interest Priority of Payments have been made in full) will be applied in full towards redemption of the Mortgage-Backed Notes.

Risk related to prepayments on the Mortgage Loans

The maturity of the Notes of each Class will depend on, *inter alia*, the amount and timing of payment of principal (including full and partial prepayments, sale of the Mortgage Receivables by the Issuer, Net Proceeds upon enforcement of a Mortgage Loan and repurchase by the Seller of Mortgage Receivables) on the Mortgage Loans. The average maturity of the Notes may be adversely affected by a higher or lower than anticipated rate of prepayments on the Mortgage Loans. The rate of prepayment of Mortgage Loans is influenced by a wide variety of economic, social and other factors, including prevailing market interest rates, changes in tax law (including, but not limited to, amendments to mortgage interest tax deductibility), local and regional economic conditions and changes in Borrower's behaviour (including, but not limited to, home-owner mobility). No guarantee can be given as to the level of prepayment that the Mortgage Loans may experience, and variation in the rate of prepayments of principal on the Mortgage Loans may affect each Class of Notes differently. The estimated average lives must therefore be viewed with considerable caution and Noteholders should make their own assessment thereof.

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

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

Risks of Losses Associated with Declining Values of Mortgaged Assets

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

Risks related to the NHG Guarantee

Certain of the Mortgage Receivables will have the benefit of an NHG Guarantee. Pursuant to the terms and conditions (*voorwaarden en normen*) of the NHG Guarantee the '*Stichting Waarborgfonds Eigen Woningen*' (WEW) has no obligation to pay any loss (in whole or in part) incurred by a lender after a private or a forced sale of the mortgaged property if such lender has not complied with the terms and conditions of the NHG Guarantee. The Seller will on the Closing Date represent and

warrant in respect of such Mortgage Receivables that (a) each NHG Guarantee connected to a Mortgage Loan constitutes legal, valid and binding obligations of the WEW, enforceable in accordance with its terms, (b) all terms and conditions applicable to the NHG Guarantee at the time of origination of the Mortgage Loan were complied with and (c) the Seller is not aware of any reason why any claim under any NHG Guarantee should not be met in full and in a timely matter. Furthermore, it will covenant that if a Mortgage Loan no longer has the benefit of a NHG Guarantee as a result of any action taken or omitted to be taken by the Seller or the Pool Servicer, the Seller shall purchase and accept re-assignment of the relevant Mortgage Receivable on the Mortgage Payment Date immediately following the date on which the Seller or the Pool Servicer has become aware or has been notified hereof.

The terms and conditions of the NHG Guarantee (irrespective of the type of redemption of the mortgage loan) stipulate that the guaranteed amount is reduced on a monthly basis by an amount which is equal to the amount of the monthly repayments plus interest as if the mortgage loan were to be repaid on a 30 year annuity basis. The actual redemption structure of a Mortgage Loan can be different (see further *Description of the Mortgage Loans*). This may result in the Issuer not being able to fully recover any loss incurred with the WEW under the NHG Guarantee and may lead to a Realised Loss in respect of such Mortgage Loan and consequently, in the Issuer not being able to fully repay the Notes.

Rating of the State of the Netherlands

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

RISK FACTORS REGARDING THE NOTES

Optional Redemption

Although as a result of the increase in the margin payable in respect of the floating rate of interest on each Class of Notes, the Issuer will have an incentive to exercise its right to redeem the Mortgage-Backed Notes on the first Optional Redemption Date or on any Optional Redemption Date thereafter, no guarantee can be given that the Issuer will actually exercise such right. The exercise of such right will, *inter alia*, depend on the ability of the Issuer to have sufficient funds available to redeem the Notes, for example through a sale of Mortgage Receivables still outstanding at that time subject to Condition 9(b). The Issuer shall first offer such Mortgage Receivables for sale to the Seller. The Seller shall within a period of 14 business days inform the Issuer whether it wishes to repurchase the Mortgage Receivables. After such 14 business day period, the Issuer may offer such Mortgage Receivables for sale to any third party. The purchase price of the Mortgage Receivables will be calculated as described in *Sale of Mortgage Receivables* under *Credit Structure* below.

Clean-Up Call Option, Regulatory Call Option and Redemption for Tax Reasons

Should the Seller exercises its Clean-Up Call Option, the Issuer will redeem the Notes by applying the proceeds of the sale of the Mortgage Receivables towards redemption of the Notes subject to and in accordance with Condition 6(h) and subject to Condition 9(b). Should the Seller exercise its Regulatory Call Option, the Issuer will redeem the Notes by applying the proceeds of the sale of the Mortgage Receivables towards redemption of the Notes in accordance with Condition 6(g) and

subject to Condition 9(b) on any Quarterly Payment Date, whether falling before or after the first Optional Redemption Date. The Issuer will have the option to redeem the Notes upon a Tax Change in accordance with Condition 6(f).

Prepayment Considerations

The maturity of the Notes of each Class will depend on, *inter alia*, the amount and timing of payment of principal (including full and partial prepayments, sale of the Mortgage Receivables by the Issuer, Net Proceeds upon enforcement of a Mortgage Loan and repurchase by the Seller of Mortgage Receivables) on the Mortgage Loans. The average maturity of the Notes may be adversely affected by a higher or lower than anticipated rate of prepayments on the Mortgage Loans. The rate of prepayment of Mortgage Loans is influenced by a wide variety of economic, social and other factors, including prevailing market interest rates, changes in tax law (including, but not limited to, amendments to mortgage interest tax deductibility), local and regional economic conditions and changes in Borrower's behaviour (including, but not limited to, home-owner mobility). No guarantee can be given as to the level of prepayment that the Mortgage Loans may experience, and variation in the rate of prepayments of principal on the Mortgage Loans may affect each Class of Notes differently. The estimated average lives must therefore be viewed with considerable caution and Noteholders should make their own assessment thereof.

Subordination of the Mezzanine Class B Notes, the Mezzanine Class C Notes, the Mezzanine Class D Notes, the Junior Class E Notes and the Subordinated Class F Notes

To the extent set forth in Condition 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 Mezzanine 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, (d) the Junior 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 Mezzanine Class D Notes and (e) the Subordinated Class F Notes are subordinated in right of payment to the interest on the Senior Class A Notes, the Mezzanine Class B Notes, the Mezzanine Class C Notes, the Mezzanine Class D Notes and the Junior Class E Notes. The Subordinated Class F Noteholders have no right to receive any amounts consisting of the Notes Redemption Available Amount. 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 pursuant to the relevant Priority of Payments than such Class of Notes.

If, upon default by the Borrowers, the Issuer does not receive the full amount due in respect of such Mortgage Receivables from the Borrowers, Noteholders may receive by way of principal repayment on the Notes an amount less than the Principal Amount Outstanding 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 Quarterly Payment Date, any such losses on the Mortgage Loans will be allocated as described in *Credit Structure* below.

Limited Liquidity of the Notes

There is not at present, any active and liquid secondary market for the Notes. There can be no assurance that a secondary market for the Notes will develop or, if a secondary market does develop, that such a secondary market will provide Noteholders with liquidity of investment or that it will continue for the life of the Notes. To date, no underwriter has indicated that they intend to establish a secondary market in the Notes. A lack of liquidity may adversely affect the Noteholders ability to sell the notes.

The secondary mortgage markets are currently experiencing severe 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 extremely limited liquidity. These conditions may continue or worsen in the future.

Limited liquidity in the secondary market for mortgage-backed securities has had a severe adverse effect on the market value of mortgage-backed securities. Limited liquidity in the secondary market may continue to have a severe adverse effect on the market value of mortgage-backed securities, especially those securities that are more sensitive to prepayment, credit or interest rate risk and those securities that have been structured to meet the investment requirements of limited categories of investors. Consequently, you may not be able to sell your 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 you.

Maturity Risk

The ability of the Issuer to redeem all the Mortgage-Backed Notes on each Optional Redemption Date or, as the case may be, on the Final Maturity Date in full and to pay all amounts due to the Noteholders, including after the occurrence of an Event of Default, may depend upon whether the value of the Mortgage Receivables is sufficient to redeem the Mortgage-Backed Notes. If the value of the Mortgage Receivables is not sufficient to redeem the Mortgage-Backed Notes, this may result in losses for the Noteholders.

No Gross-up for Taxes

As provided in Condition 7, if withholding of, or deduction for, or an account of any present or future taxes, duties or charges of whatsoever nature are 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 for the account of the Noteholders, as the case may be, and shall not be obliged to pay any additional amounts to the Noteholders. If such withholdings, deductions, duties or charges are imposed, this may result in losses for the Noteholders.

Interest Rate Risk

There is a risk that the interest received on the Mortgage Receivables is not sufficient for the Issuer to pay the interest on the Notes. This risk is mitigated by the Swap Agreement. As set out above under *'The Issuer has counterparty risk exposure'*, there is a risk that the Swap Counterparty will not perform its obligations vis-à-vis the Issuer. In the event of a non-performance by the Swap Counterparty, the Swap Agreement may be terminated and a replacement swap counterparty may be sought. If the Swap Agreement is terminated and no replacement swap is entered into, the Issuer may have insufficient funds to make payments under the Notes which would lead to losses for the Noteholders.

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 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 Moody's) transfer its rights and obligations to another of its offices, branches, affiliates or any other person to avoid the relevant Tax Event.

The Swap Agreement may be terminated if an Event of Default or Termination Event (as defined therein) occurs, including but not limited to (i) it becomes unlawful for either party to perform its obligations under the Swap Agreement, (ii) an Enforcement Notice is served, (iii) the Notes are redeemed in accordance with the Conditions or (iv) a rating downgrade in respect of the Swap Counterparty occurs and it does not fulfil its obligations as set out in the Swap Agreement. Events of Default in relation to the Issuer in the Swap Agreement will be limited to (i) non-payment under the Swap Agreement, (ii) a merger or similar transaction with another entity or person without assumption of the Issuer's obligations under the Swap Agreement and (iii) certain insolvency events. The Swap Agreement will terminate on the earlier of the Final Maturity Date and the date on which the Mortgage-Backed Notes have been redeemed or written-off in full in accordance with the Conditions.

Eurosystem Eligibility

The Senior Class A Notes are intended to be held in a manner which will allow Eurosystem eligibility. This means that the Senior Class A Notes are intended upon issue to be deposited with one of Euroclear or Clearstream, Luxembourg as Common Safekeeper and does not necessarily mean that the Senior Class A 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.

Ratings of the Notes

The rating of each Class of the Mortgage-Backed Notes addresses the assessment made by Moody's of the likelihood of full and timely payment of interest and ultimate payment of principal on or before the Final Maturity Date.

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

A foundation as Issuer and payment of the Deferred Purchase Price

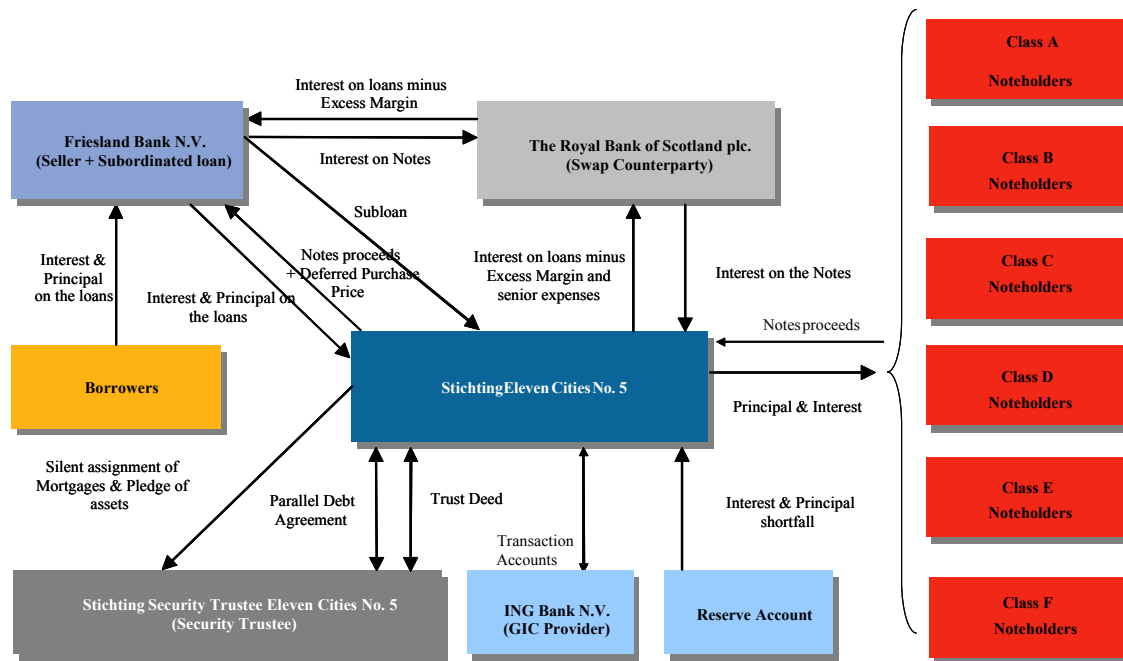
Under Dutch law, a foundation (*stichting*) such as the Issuer is prohibited to make any distribution (*uitkering*), including any distribution of profits, to its incorporators, members of its corporate bodies and/or any third party, unless, in respect of any third party, such distribution has an idealistic or social tendency and a foundation is prohibited to have in its statutory objects clause (*statutaire doelomschrijving*) the making of such distributions. In legal literature, distributions are regarded as a performance (*prestatie*) for which no consideration or unequal consideration (*ongelijkwaardige prestatie*) is stipulated or provided. Payments made by a foundation in consideration of goods delivered or services rendered are allowed, provided that the consideration is fair and in proportion to the goods delivered or services rendered.

The Issuer has been advised that payments made by the Issuer under the Relevant Documents, other than the Deferred Purchase Price, will not be in violation of the prohibition, assuming that the obligations under which the payments are made are fair and entered into for an equal consideration. The Deferred Purchase Price is part of the consideration for the sale of the Mortgage Receivables. The consideration for the sale of the Mortgage Receivables consists of the Initial Purchase Price (which is equal to the aggregate Outstanding Principal Amount of the Mortgage Receivables at the Cut-Off

Date) and the Deferred Purchase Price, the amount of the Deferred Purchase Price depends on the Excess Margin as agreed in the Swap Agreement and the actual performance of the Mortgage Receivables during the term of the transaction. It could be argued that the Deferred Purchase Price is actually a distribution of profits to a third party (i.e. the Seller), since each Deferred Purchase Price Instalment is equal to any funds remaining at the relevant Quarterly Payment Date after all amounts payable at such date have been satisfied and, consequently, effectively returns any profits to the Seller. The Issuer has been advised that the Deferred Purchase Price, when taking into account the transaction described herein as a whole, should be seen as a consideration for the sale of the Mortgage Receivable which is deferred in order to provide credit enhancement and not as a distribution of profits. Should the Deferred Purchase Price be considered as a distribution of profits and thus be unlawful, the Issuer can be or has to be dissolved by the court, since some legal authors defend mandatory dissolution of a foundation by the court. Dissolution of the Issuer constitutes an event of default under the Conditions, which causes the Notes to immediately become due and repayable. Furthermore the contractual provisions with respect to the Deferred Purchase Price, as well as any Deferred Purchase Price Instalments paid to the Seller, could be held to be void or voidable, which would result in an obligation to repay any amounts received by the Seller as Deferred Purchase Price. If it was argued that the Mortgage Receivables Purchase Agreement would not have been entered into by the Seller without the Deferred Purchase Price, the entire Mortgage Receivables Purchase Agreement could also be held to be invalid, which would result in an obligation for the Seller to repay the Purchase Price and for the Issuer to re-assign the Mortgage Receivables. However, the Mortgage Receivables Purchase Agreement provides that it is in the explicit intention of the parties thereto that invalidity of the Deferred Purchase Price will not affect the validity of the agreement as a whole.

STRUCTURE DIAGRAM

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



IMPORTANT INFORMATION

The Issuer is responsible for the information contained in this Prospectus, except for the information for which the Seller is responsible for, as referred to below. To the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus, except for the information for which the Seller is responsible as referred to in the following paragraph, is in accordance with the facts and does not omit anything likely to affect the import of such information. Any information from third-parties contained and specified as such in this Prospectus, except for the information for which the Seller is responsible, as referred to in the following paragraph, 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. The Issuer accepts responsibility accordingly.

The information in the section *Swap Counterparty* has been provided by The Royal Bank of Scotland plc.

The Seller is responsible solely for the information contained in the following sections of this Prospectus: *Overview of the Dutch Housing and Residential Mortgage Market*, *Friesland Bank N.V.*, *Friesland Bank Residential Mortgage Business*, *Description of Mortgage Loans* and *Summary of the Mortgage Portfolio*. To the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case) the information contained and specified as such in these paragraphs is in accordance with the facts and does not omit anything likely to affect the import of such information. Any information from third-parties contained and specified as such in these paragraphs has been accurately reproduced and as far as the Seller 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. The Seller accepts responsibility accordingly.

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

A fuller description of the restrictions on offers, sales and deliveries of the Notes and on the distribution of this Prospectus is set out in the section entitled *Purchase and Sale* below. Persons into whose possession this Prospectus (or any part thereof) comes are required to inform themselves about, and to observe, any such restrictions.

No one is authorised by the Seller or the Issuer to give any information or to make any representation concerning the issue of the Notes other than those contained in this Prospectus in accordance with applicable laws and regulations. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Prospectus nor any other information supplied in connection with the issue of the Notes constitutes an offer or invitation by or on behalf of the Issuer or the Co-Arrangers to any person to subscribe for or to purchase any Notes. Neither the delivery of this Prospectus at any time nor any sale made in connection with the offering of the Notes shall imply that the information contained herein is correct at any time subsequent to the date of this Prospectus. Neither the Issuer nor any other party has any obligation to update this Prospectus, except when required by the listing and issuing rules of Euronext Amsterdam by NYSE Euronext and/or any applicable rules and regulations of Netherlands securities law.

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Prospectus or any other information supplied in connection with the offering of the Notes and, if given or made, such information or representation must not be relied

upon as having been authorised by the Issuer or the Co-Arrangers.

The Co-Arrangers and the Seller expressly do not undertake to review the financial conditions or affairs of the Issuer during the life of the Notes. Investors should review, *inter alia*, the most recent financial statements of the Issuer when deciding whether or not to purchase, hold or sell any Notes during the life of the Notes.

The Notes have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the **Securities Act**) and include Notes in bearer form that are subject to United States tax law requirements. The Notes may not be offered, sold or delivered within the United States or to persons as defined in Regulation S under the Securities Act except in certain transactions permitted by US tax regulations and Regulation S under the Securities Act (see *Purchase and Sale* below). The Notes have not been approved or disapproved by the US Securities and Exchange Commission, any state securities commission or any other regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of this offering on accuracy or adequacy of this Prospectus. Any representation to the contrary is unlawful.

| | <u>Senior Class A Notes</u> | <u>Mezzanine Class B Notes</u> | <u>Mezzanine Class C Notes</u> | <u>Mezzanine Class D Notes</u> | <u>Junior Class E Notes</u> | <u>Subordinated Class F Notes</u> |
|--|---|--|--|---|---|---------------------------------------|
| Principal Amount Outstanding upon issue | € 763,050,000 | € 17,050,000 | € 16,200,000 | € 7,300,000 | € 6,400,000 | € 28,350,000 |
| Credit Enhancement | (a) Payments of interest and payments of principal on the Mezzanine Class B Notes, the Mezzanine Class C Notes, the Mezzanine Class D Notes, the Junior Class E Notes and the Subordinated Class F Notes are subordinated to payments of interest and principal on the Senior Class A Notes and (b) the Excess Margin | (a) Payments of interest and payments of principal on the Mezzanine Class C Notes, the Mezzanine Class D Notes, the Junior Class E Notes and the Subordinated Class F Notes are subordinated to payments of interest and principal on the Mezzanine Class B Notes, and (b) the Excess Margin | (a) Payments of interest and payments of principal on the Mezzanine Class D Notes, the Junior Class E Notes and the Subordinated Class F Notes are subordinated to payments of interest and principal on the Mezzanine Class C Notes and (b) the Excess Margin | (a) Payments of interest and payments of principal on the Junior Class E Notes and the Subordinated Class F Notes are subordinated to payments of interest and principal on the Mezzanine Class D Notes and (b) the Excess Margin | (a) Payments of interest and payments of principal on the Subordinated Class F Notes are subordinated to payments of interest and principal on the Junior Class E Notes and (b) the Excess Margin | Excess Margin |
| Margin up to but excluding Quarterly Payment Date falling in May 2016 (first Optional Redemption Date) | 1.40 per cent. p.a. | 2.00 per cent. p.a. | 3.00 per cent. p.a. | 4.00 per cent. p.a. | 5.50 per cent. p.a. | 1.00 per cent. p.a. |
| Margin from (and including) Quarterly Payment Date in May 2016 | 2.00 per cent. p.a. | 3.00 per cent. p.a. | 4.00 per cent. p.a. | 5.00 per cent. p.a. | 6.50 per cent. p.a. | 1.00 per cent. p.a. |

| | <u>Senior Class A Notes</u> | <u>Mezzanine Class B Notes</u> | <u>Mezzanine Class C Notes</u> | <u>Mezzanine Class D Notes</u> | <u>Junior Class E Notes</u> | <u>Subordinated Class F Notes</u> |
|--|---|---|---|---|---|---|
| (first Optional Redemption Date) | | | | | | |
| Interest Accrual | Act/360 | Act/360 | Act/360 | Act/360 | Act/360 | Act/360 |
| Quarterly Payment Dates | Interest and Principal will be payable quarterly in arrears on the 20th day of May, August, November and February | Interest and Principal will be payable quarterly in arrears on the 20th day of May, August, November and February | Interest and Principal will be payable quarterly in arrears on the 20th day of May, August, November and February | Interest and Principal will be payable quarterly in arrears on the 20th day of May, August, November and February | Interest and Principal will be payable quarterly in arrears on the 20th day of May, August, November and February | Interest and Principal will be payable quarterly in arrears on the 20th day of May, August, November and February |
| Final Maturity Date | May 2090 | May 2090 | May 2090 | May 2090 | May 2090 | May 2090 |
| Denomination | Euro 50,000 | Euro 50,000 | Euro 50,000 | Euro 50,000 | Euro 50,000 | Euro 50,000 |
| Form | New Global Note Form | New Global Note Form | New Global Note Form | New Global Note Form | New Global Note Form | New Global Note Form |
| Listing | Euronext Amsterdam by NYSE Euronext | Euronext Amsterdam by NYSE Euronext | Euronext Amsterdam by NYSE Euronext | Euronext Amsterdam by NYSE Euronext | Euronext Amsterdam by NYSE Euronext | Euronext Amsterdam by NYSE Euronext |
| Rating | Aaa by Moody's | Aa3 by Moody's | A3 by Moody's | Baa3 by Moody's | Ba3 by Moody's | |

OVERVIEW OF THE PARTIES AND PRINCIPAL FEATURES OF THE TRANSACTION

THE PARTIES:

| | |
|------------------------------------|---|
| Issuer: | Stichting Eleven Cities No. 5, established under the laws of the Netherlands as a foundation (stichting) and registered with the Commercial Register of the Chamber of Commerce of Amsterdam under number 34327370. |
| Seller: | Friesland Bank N.V. (Friesland Bank), incorporated under the laws of the Netherlands as a public company (naamloze vennootschap). |
| Pool Servicer: | Friesland Bank. |
| Issuer Administrator: | Equity Trust Co. N.V., incorporated under the laws of the Netherlands as a public company with limited liability. |
| Subordinated Loan Provider: | Friesland Bank. |
| Security Trustee: | Stichting Security Trustee Eleven Cities No. 5, established under the laws of the Netherlands as a foundation and registered with the Commercial Register of the Chamber of Commerce of Amsterdam under number 34327367. |
| Directors: | Equity Trust Co. N.V., the sole director of the Issuer and ANT Securitisation Services B.V., the sole director of the Security Trustee, having its corporate seat in Amsterdam and registered with the Commercial Register of the Chamber of Commerce of Amsterdam under number 33126512 and number 33075510, respectively. |
| Savings Insurance Company: | Achmea Pensioen- en Levensverzekeringen N.V., incorporated under the law of the Netherlands as a public company (naamloze vennootschap). The Savings Insurance Company is the sole provider of Savings Insurance Policies relating to the Mortgage Loans. |
| Swap Counterparty: | The Royal Bank of Scotland plc, a company incorporated under the laws of Scotland and acting through its global banking and marketing division with its office at 135 Bishopsgate, London, EC2M 3UR, England (the Royal Bank of Scotland) in its capacity as swap counterparty. |
| Floating Rate GIC Provider: | ING Bank N.V. (ING Bank) incorporated under the laws of the Netherlands as a public company (<i>naamloze vennootschap</i>) and having its registered address at Bijlmerplein 888, 1102 MG Amsterdam. |
| Paying Agent: | ABN AMRO Bank N.V., incorporated under the laws of |

the Netherlands as a public company (*naamloze vennootschap*).

Reference Agent:

ABN AMRO Bank N.V., incorporated under the laws of the Netherlands as a public company (*naamloze vennootschap*).

Listing Agent:

ABN AMRO Bank N.V., incorporated under the laws of the Netherlands as a public company (*naamloze vennootschap*).

PRINCIPAL FEATURES OF THE TRANSACTION

THE NOTES:

Notes:

The euro 763,050,000 floating rate Senior Class A Mortgage-Backed Notes 2009 due 2090 (the Senior Class A Notes), the euro 17,050,000 floating rate Mezzanine Class B Mortgage-Backed Notes 2009 due 2090 (the Mezzanine Class B Notes), the euro 16,200,000 floating rate Mezzanine Class C Mortgage-Backed Notes 2009 due 2090 (the Mezzanine Class C Notes), the euro 7,300,000 floating rate Mezzanine Class D Mortgage-Backed Notes 2009 due 2090 (the Mezzanine Class D Notes), the euro 6,400,000 floating rate Junior Class E Mortgage-Backed Notes 2009 due 2090 (the Junior Class E Notes and together with the Senior Class A Notes, the Mezzanine Class B Notes, the Mezzanine Class C Notes and the Mezzanine Class D Notes, the Mortgage-Backed Notes) and the euro 28,350,000 floating rate Subordinated Class F Notes 2009 due 2090 (the Subordinated Class F Notes, and together with the Mortgage-Backed Notes, the Notes) will be issued by the Issuer on 20 March 2009 (or such later date as may be agreed between the Issuer and the Co-Arrangers) (the **Closing Date**).

Issue Price:

The issue prices of the Notes will be as follows:

- (i) the Senior Class A Notes 100 per cent.;
- (ii) the Mezzanine Class B Notes 100 per cent.;
- (iii) the Mezzanine Class C Notes 100 per cent.;
- (iv) the Mezzanine Class D Notes 100 per cent.;
- (v) the Junior Class E Notes 100 per cent.; and
- (vi) the Subordinated Class F Notes 100 per cent.

Denomination:

The Notes will be issued in minimum denominations of euro 50,000 each.

Status and ranking:

The Notes of each Class rank *pari passu* without any preference or priority among Notes of the same Class. In accordance with the Conditions 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 Mezzanine 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, (iv) payments of principal and interest on the Junior 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 Mezzanine Class D Notes and (v) payments of principal and interest on the Subordinated Class F Notes are subordinated to, *inter alia*, payments of interest on the Senior Class A Notes, the Mezzanine Class B Notes, the Mezzanine Class C Notes, the Mezzanine Class D Notes and the Junior Class E Notes. See further *Terms and Conditions of the Notes* below. The Subordinated Class F Noteholders do not have the right to receive any amount pursuant to the Principal Priority of Payments.

Interest:

Interest on the Notes is payable by reference to successive quarterly interest periods (each a **Floating Rate Interest Period**) and will be payable quarterly in arrear in euro in respect of the Principal Amount Outstanding on the 20th day of May, August, November, and February (or, if such day is not a Business Day, the next succeeding Business Day unless such Business Day falls in the next succeeding calendar month in which event interest on the Notes will be payable on the Business Day immediately preceding such 20th day) in each year (each such day being a Quarterly Payment Date). Each successive Floating Rate 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 Floating Rate Interest Period which will commence on (and include) the Closing Date and end on (but exclude) the Quarterly Payment Date falling in May 2009. The interest will be calculated on the basis of the actual days elapsed in a Floating Rate Interest Period divided by a year of 360 days.

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 2) or any successor thereto is operating credit or transfer instructions in respect of payments in euro.

Interest on the Notes for each Floating Rate Interest Period from the Closing Date will accrue at a rate equal to the sum of the Euro Interbank Offered Rate (**Euribor**) for three months deposits in euro (determined in accordance with Condition 4(e)) (or, in respect of the first Floating Rate Interest Period, Euribor for two months deposits) plus a margin which will up to (but excluding) the first Optional Redemption Date

- (i) for the Senior Class A Notes be equal to 1.40 per cent. per annum,
- (ii) for the Mezzanine Class B Notes be equal to 2.00 per cent. per annum,
- (iii) for the Mezzanine Class C Notes be equal to 3.00 per cent. per annum,
- (iv) for the Mezzanine Class D Notes be equal to 4.00 per cent. per annum,
- (v) for the Junior Class E Notes be equal to 5.50 per cent. per annum and
- (vi) for the Subordinated Class F Notes be equal to 1.00 per cent. per annum.

Interest Step-up:

If on the first Optional Redemption Date the Notes of any Class have not been redeemed in full, the margin applicable to the relevant Class of Notes will be reset to:

- (i) for the Senior Class A Notes, a margin of 2.00 per cent. per annum;
- (ii) for the Mezzanine Class B Notes, a margin of 3.00 per cent. per annum;
- (iii) for the Mezzanine Class C Notes, a margin of 4.00 per cent. per annum;
- (iv) for the Mezzanine Class D Notes, a margin of 5.00 per cent. per annum;
- (v) for the Junior Class E Notes, a margin of 6.50 per cent. per annum; and
- (vi) for the Subordinated Class F Notes be equal to 1.00 per cent. per annum.

Final Maturity Date:

Unless previously redeemed as provided below, the Issuer will redeem the Notes, but in respect of the Mezzanine Class B Notes, the Mezzanine Class C Notes, the Mezzanine Class D Notes, the Junior Class E Notes and the Subordinated Class F Notes, subject to Condition 9(b), at their Principal Amount Outstanding on the Quarterly Payment Date falling in May 2090 (the **Final Maturity Date**).

Mandatory Redemption of the Notes:

Provided that no Enforcement Notice has been served in accordance with Condition 10, the Issuer will be obliged to apply the Notes Redemption Available Amount to redeem (or partially redeem) the Mortgage-Backed Notes on each Quarterly Payment Date at their respective Principal Amount Outstanding on a pro rata and *pari passu* basis in the following order:

- A. up to (but excluding) the first Optional Redemption Date
 - (a) first, the Senior Class A Notes, until fully redeemed and,
 - (b) second, the Mezzanine Class B Notes, until fully redeemed,
 - (c) third, the Mezzanine Class C Notes, until fully redeemed,
 - (d) fourth, the Mezzanine Class D Notes, until fully redeemed, and
 - (e) fifth, the Junior Class E Notes, until fully redeemed
- B. on any Optional Redemption Date
 - (a) first, the Senior Class A Notes until fully redeemed;
 - (b) second, the Mezzanine Class B Notes until fully redeemed;
 - (c) third, the Mezzanine Class C Notes until fully redeemed;
 - (d) fourth, the Mezzanine Class D Notes until fully redeemed; and
 - (e) fifth, the Junior Class E Notes until fully redeemed.

Provided that no Enforcement Notice has been served in accordance with Condition 10, the Issuer shall apply the Notes Interest Available Amount on each Quarterly Payment Date, if and to the extent that all payments ranking senior to item (r) in the Interest Priority of Payments have been made in full, to redeem (or partially redeem) on a pro rata basis the Subordinated Class F Notes on each Quarterly Payment Date.

In addition thereto, upon the Mortgage-Backed Notes being redeemed in full, each of the Reserve Fund Sub-Ledger Required Amount and the Liquidity Fund Sub-Ledger Required Amount becomes zero and any remaining balances standing to the credit of the Reserve Account and the Issuer Collection Account (if any) after all payments of the Interest Priority of Payments ranking higher in priority have been made, will be available for redemption of the Subordinated Class F Notes, provided that on any Optional Redemption Date the Subordinated Class F Noteholders will not be entitled to any repayment of principal in respect of the Subordinated Class F Notes until the date on which the Principal Amount Outstanding of the Mortgage-Backed Notes is reduced to zero.

Optional Redemption of the Notes:

Unless previously redeemed in full, on the Quarterly Payment Date falling in May 2016 and on each Quarterly Payment Date thereafter (each an **Optional Redemption Date**), the Issuer will have the option to redeem all (but not some only) of the Mortgage-Backed Notes, but not some only, at their respective Principal Amount Outstanding or, in case of the Junior Class E Notes, the Mezzanine Class D Notes, the Mezzanine Class C Notes and the Mezzanine Class B Notes, at their respective Principal Amount Outstanding less any relevant Principal Shortfall, on such date, subject to and in accordance with the Conditions. The Subordinated Class F Notes will remain to be redeemed in accordance with Condition 6(d).

If the Issuer exercises its right to redeem the Mortgage-Backed Notes on any Optional Redemption Date, it has the right to sell the Mortgage Receivables. The Issuer shall first offer such Mortgage Receivables for sale to the Seller. The Seller shall within a period of 15 business days inform the Issuer whether it wishes to repurchase the Mortgage Receivables. After such 15 business day period, the Issuer may offer such Mortgage Receivables for sale to any third party. The purchase price of such Mortgage Receivables will be calculated as described in

Sale of Mortgage Receivables by the Issuer below.

Withholding Tax:

All payments by the Issuer in respect of the Notes will be made without withholding of or deduction for, or on account of any present or future taxes, duties, assessments or charges of whatsoever nature imposed or levied by or on behalf of the Netherlands, any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or charges are required by law. In that event, the Issuer will make the required withholding or deduction of such taxes, duties, assessments or charges for the account of the Noteholders, as the case may be, and shall not pay any additional amounts to such Noteholders. In particular, but without limitation, no additional amounts shall be payable in respect of any Note presented for payment, where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to the European Union Directive on the taxation of savings that was adopted on 3 June 2003 or any law implementing or complying with, or introduced in order to conform to, such Directive. See further paragraph European Union Directive on the taxation of savings and Taxation in the Netherlands above.

Redemption for tax reasons:

If the Issuer (a) is or will become obliged to make any withholding or deduction for, or on account of, any taxes, duties or charges of whatsoever nature from payments in respect of any Class of Notes as a result of any change in, or amendment to, the laws or regulations of the Netherlands or any other jurisdiction or any political sub-division or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which becomes effective on or after the Closing Date and such obligation cannot be avoided by the Issuer taking reasonable measures available to it (a **Tax Change**) and (b) will have sufficient funds available on such Quarterly Payment Date to discharge all amounts of principal and interest due in respect of each Class of Notes and any amounts required to be paid in priority to or *pari passu* with each Class of Notes in accordance with the Trust Deed, the Issuer has the option to redeem the Notes, in whole but not in part, on any Quarterly Payment Date at their Principal Amount Outstanding, subject to, in respect of the Mezzanine Class B Notes, the Mezzanine Class C Notes, the Mezzanine Class D Notes, the Junior Class E Notes and the Subordinated Class F Notes, Condition 9(b). No Class of Notes may be redeemed under such circumstances unless the other Classes of Mortgage-

Backed Notes (or such of them as are then outstanding) are also redeemed in full at the same time. See further *Sale of Mortgage Receivables* below.

Clean-Up Call Option:

On each Quarterly Payment Date the Seller has the option (but not the obligation) to repurchase the Mortgage Receivables if on the Quarterly Calculation Date immediately preceding such Quarterly Payment Date the aggregate Outstanding Principal Amount in respect of the Mortgage Receivables is not more than 10 per cent. of the aggregate Outstanding Principal Amount in respect of the Mortgage Receivables on the Cut-Off Date (the **Clean-Up Call Option**).

The Issuer will undertake 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 Clean-Up Call Option. The purchase price will be calculated as set out in *Sale of Mortgage Receivables* below. If the Seller exercises its Clean-Up Call Option, then the Issuer will redeem the Mortgage-Backed Notes by applying the proceeds of the sale of the Mortgage Receivables towards redemption of the Notes subject to and in accordance with Condition 6(b) and subject to Condition 9(b).

Regulatory Call Option:

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 (the **Regulatory Call Option**).

The Issuer will undertake 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 at least the lesser of (a) the sum of the relevant Outstanding Principal Amount in respect of the relevant Mortgage Receivables, together with accrued interest due but unpaid, if any, and any other amount due under the Mortgage Conditions up to the relevant date of sale or repurchase and (b) an amount equal to the sum of the foreclosure value of the Mortgaged Assets or, if no valuation report of less than 12 months' old is available, the Indexed Foreclosure Value, provided that the purchase price shall be at least an amount equal to the Principal Amount Outstanding of the Senior Class A Notes together with accrued interest due but unpaid up to the date of sale. If the Seller exercises its Regulatory Call Option, then the Issuer will redeem the Notes by applying the proceeds of the sale of the Mortgage Receivables towards redemption of the Notes subject to

and in accordance with Condition 6(b) and subject to Condition 9(b).

Method of Payment:

So long as the Notes are represented by a Global Note, payments of principal and interest will be made in Euro to the Paying Agent for the credit of the respective accounts of the Noteholders through Euroclear and Clearstream, Luxembourg.

Security for the Notes:

The Notes will be indirectly secured by (i) a first ranking right of pledge granted by the Issuer to the Security Trustee over (a) the Mortgage Receivables including all rights ancillary thereto and (b) the Beneficiary Rights and (ii) a first ranking right of pledge vested by the Issuer in favour of the Security Trustee over the Issuer's rights under or in connection with the Mortgage Receivables Purchase Agreement, the Swap Agreement, the Servicing and Administration Agreement and the Floating Rate GIC and in respect of the Transaction Accounts. Upon enforcement in accordance with Condition 11, the amount payable to the Noteholders and the other Secured Parties will be limited to the amounts available for such purpose to the Security Trustee which, inter alia, will consist of amounts recovered by the Security Trustee on the Mortgage Receivables and the Beneficiary Rights and amounts received by the Security Trustee as creditor under the Mortgage Receivables Purchase Agreement and the Parallel Debt Agreement. Such payments to the Secured Parties will be made in accordance with the Priority of Payments upon Enforcement. See further *Risk Factors and Credit Structure*. For a more detailed description see Description of Security.

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

Use of proceeds:

The Issuer will use part of the net proceeds from the issue of the Senior Class A Notes, the Mezzanine Class B Notes, the Mezzanine Class C Notes, the Mezzanine Class D Notes and the Junior Class E Notes to pay to the Seller the Initial Purchase Price for the Mortgage Receivables, pursuant to the provisions of an agreement to be entered into prior to the Closing Date (the **Mortgage Receivables Purchase Agreement**) and made

between the Seller, the Issuer and the Security Trustee. See further Mortgage Receivables Purchase Agreement below. However, an amount equal to the Construction Amounts will be withheld by the Issuer and be deposited on the Construction Account (see *Construction Amounts* below).

The Issuer will credit the proceeds from the issue of the Subordinated Class F Notes to the Reserve Account. See further *Reserve Account*.

THE MORTGAGE RECEIVABLES:

Mortgage Receivables:

Under the Mortgage Receivables Purchase Agreement, the Issuer will purchase and on the Closing Date accept the assignment of any and all rights (the **Mortgage Receivables** and all Beneficiary Rights relating thereto) of the Seller against certain borrowers (the **Borrowers**) under or in connection with certain selected Mortgage Loans. The Issuer will be entitled to the proceeds of the Mortgage Receivables and all Beneficiary Rights relating thereto from (and including) the 1 January 2009 (the **Cut-Off Date**).

NHG Guarantees:

Some of the Mortgage Receivables will have the benefit of guarantees under the '*Nationale Hypotheek Garantie*' (**NHG Guarantees**).

Repurchase of Mortgage Receivables:

Under the Mortgage Receivables Purchase Agreement the Seller will undertake to repurchase and accept reassignment of a Mortgage Receivable and the Beneficiary Rights relating thereto:

- (a) if at any time after the Closing Date any of the representations and warranties relating to a Mortgage Loan or a Mortgage Receivable proves to have been untrue or incorrect, and the Seller has not within 14 days of receipt of written notice thereof from the Issuer remedied the matter giving rise thereto or if such matter is not capable of being remedied on the Mortgage Payment Date immediately succeeding such event; or
- (b) if the Seller agrees with a Borrower to make a further advance or a new mortgage loan which is only secured by the mortgage right which also secures a Mortgage Loan on the Mortgage Payment Date immediately succeeding such event; or
- (c) if the Seller agrees with a Borrower to amend the terms of the Mortgage Loan and such

amendment is not in accordance with the conditions set out in the Mortgage Receivables Purchase Agreement, which includes the condition that after such amendment the Mortgage Loan continues to meet each of the Mortgage Loan Criteria and the representations and warranties of the Mortgage Receivables Purchase Agreement will continue to be true and accurate in respect of such Mortgage Receivable on the Mortgage Payment Date immediately succeeding such event provided that if such amendment is made as part of the enforcement procedures to be complied with upon a default by the Borrower under the relevant Mortgage Loan or is otherwise made as part of a restructuring or renegotiation of the relevant Mortgage Loan due to a deterioration of the credit quality of the Borrower of such Mortgage Loan, the Seller shall not repurchase the relevant Mortgage Receivable.

The purchase price in such event will be as set forth under *Sale of Mortgage Receivables* below.

Mortgage Loans:

The Mortgage Receivables to be sold by the Seller pursuant to the Mortgage Receivables Purchase Agreement will result from loans secured by a first-ranking mortgage right over (i) a real property (*onroerende zaak*), (ii) an apartment right (*appartementsrecht*) or (iii) a long lease (*'erfpacht'*) and together with real property and apartment rights, the **Mortgaged Assets**) situated in the Netherlands and entered into by the Seller with the relevant Borrowers which meet the criteria set forth in the Mortgage Receivables Purchase Agreement and which will be selected prior to or on the Closing Date (the **Mortgage Loans**).

The Mortgage Loans (or any loan parts comprising a Mortgage Loan) may consist of any of the following types of redemption:

- (a) Interest-only Mortgage Loans (*aflossingsvrije hypotheken*);
- (b) Linear Mortgage Loans (*lineaire hypotheken*);
- (c) Annuity Mortgage Loans (*annuïteiten hypotheken*);
- (d) Savings Mortgage Loans (*spaarhypotheken*);
- (e) Life Mortgage Loans (*levenhypotheken*) to

which a Life Insurance Policy is connected with
(a) a guaranteed final payment; or (b) the Unit-Linked Alternative; and

- (f) combinations of any of the abovementioned types of mortgage loans.

If a Mortgage Loan consists of one or more loan parts, the Seller will sell and assign and the Issuer shall purchase and accept the assignment of all rights associated with all, but not some, loan parts of such Mortgage Loan at the Closing Date. See further *Description of Mortgage Loans and Risk Factors*.

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

Interest-only Mortgage Loans:

A portion of the Mortgage Loans (or parts thereof) will be in the form of interest-only mortgage loans (*aflossingsvrije hypotheek*, hereinafter **Interest-only Mortgage Loans**) entered into by the Seller with relevant Borrowers. Interest-only Mortgage Loans are Mortgage Loans on which only interest payments are due. The vast majority of these Mortgage Loans have no fixed maturity date but become due and payable in certain events, e.g. upon death of the Borrower, a sale or transfer (*vervreemding*) of the Mortgaged Asset or upon the Borrower leaving the Mortgaged Asset to take up his residence elsewhere, although retaining ownership of the Mortgaged Asset.

Linear Mortgage Loans:

A portion of the Mortgage Loans (or parts thereof) will be in the form of linear mortgage loans (*lineaire hypotheek*, hereinafter **Linear Mortgage Loans**) entered into by the Seller with relevant Borrowers. Linear Mortgage Loans are Mortgage Loans on which a periodical payment consists of a constant amount for redemption plus an amount of interest based on the remaining loan balance. The balance of the Mortgage Loan is thus being repaid in a straight-line fashion i.e. linear, while the interest payment declines between payments.

Annuity Mortgage Loans:

A portion of the Mortgage Loans (or parts thereof) will be in the form of annuity mortgage loans (*annuïteiten hypotheek*, hereinafter **Annuity Mortgage Loans**) entered into by the Seller with the relevant Borrower. Annuity Mortgage Loans are characterised by equal periodical payments by the Borrower. These payments contain both interest and principal redemption on the Mortgage Loan. As with each payment part of the Mortgage Loan is redeemed, the interest charge declines

between each successive payment. The redemption part of the periodical payment rises in such a way that the total payment amount is fixed and the remaining balance of the Mortgage Loan at maturity will be zero.

Savings Mortgage Loans :

A portion of the Mortgage Loans will be in the form of savings mortgage loans, which consist of mortgage loans (*spaarhypotheken*), entered into by the Seller with relevant Borrowers combined with an insurance policy (a **Savings Insurance Policy**) with the Savings Insurance Company (such mortgage loans hereinafter, **Savings Mortgage Loans**). A Savings Insurance Policy is a combined risk and capital insurance policy taken out by the relevant Borrower with the Savings Insurance Company in connection with the relevant Savings Mortgage Loan. In relation to the Savings Insurance Policies the savings part of the premium (the **Savings Premium**) is calculated in such a manner that, on an annuity basis, the proceeds of the Savings Insurance Policy due by the Savings Insurance Company to the relevant Borrower is equal to the amount due by the Borrower to the Seller at maturity of the Savings Mortgage Loan. See further *Risk Factors* above.

Life Mortgage Loans:

A portion of the Mortgage Loans will be in the form of life mortgage loans (*levenhypotheken*, hereinafter **Life Mortgage Loans**) entered into by the Seller with relevant Borrowers, i.e. Mortgage Loans which have the benefit of combined risk and capital insurance policies (**Life Insurance Policies**) taken out by Borrowers with any insurance company established in the Netherlands (each a **Life Insurance Company**).

Life Mortgage Loans are Mortgage Loans on which only interest is being paid until the maturity of the Mortgage Loan. At maturity the balance of the Mortgage Loan becomes due and payable. To facilitate full repayment of the Mortgage Loan, the Borrower has pledged a Life Insurance Policy to the Seller.

The Life Insurance Policy is a combined (life-) risk and capital endowment policy. This means that the policy will pay out either:

- the realised value of the policy at maturity of the policy; or
- the insured value at death, if earlier.

The Life Insurance Policies may be taken by Borrowers through intermediary Friesland Bank Assurantiën, independent intermediaries or directly with a Life Insurance Company. The Borrower has the choice

between (i) a guaranteed amount to be received when the Life Insurance Policy pays out, (ii) the Unit-Linked Alternative or (iii) a combination of (i) and (ii). Unit-Linked Alternative means the alternative under which the amount to be received upon pay-out of the Life Insurance Policy depends on the performance of certain investment funds chosen by the Borrower. See further *Risk Factors* above and *Description of the Mortgage Loans* below.

Construction Amounts:

Pursuant to the Mortgage Conditions, part of the Mortgage Loan may be withheld and will be applied towards construction of, or improvements to, the mortgaged property (such amount to be referred to as the **Construction Amount**). Such Construction Amount will only be paid to the Borrower in the event that certain conditions are met. The aggregate amount of the Construction Amounts as of the Cut-Off Date was EUR 14,078,126.49. The Issuer and the Seller will agree in the Mortgage Receivables Purchase Agreement that the Issuer will be entitled to withhold from the Initial Purchase Price an amount equal to the aggregate Construction Amounts as of the Cut-Off Date. Such amounts will be deposited in the Construction Account. On each Mortgage Payment Date the Issuer will release from the Construction Account such part of the Initial Purchase Price which equals the amount by which the Construction Amounts have been reduced during the preceding month and pay such amount to the relevant Seller.

Sub-Participation Agreements

On the Closing Date, the Issuer will enter into a sub-participation agreement with the Savings Insurance Company (each a **Sub-Participation Agreement**) under which the Savings Insurance Company will acquire participations in the relevant Savings Mortgage Receivables in consideration for the undertaking of the Savings Insurance Company to pay to the Issuer at the Closing Date all amounts received as Savings Premia on the Savings Insurance Policies. In return, the Savings Insurance Company is entitled to receive the Participation Redemption Available Amount (as defined in *Sub-Participation Agreement* below) from the Issuer. The amount of the participation (the **Participation**) with respect to a Savings Mortgage Receivable consists of the initial participation payable on the Closing Date (which is equal to the sum of all amounts received as Savings Premia and accrued interest) up to but excluding the Cut-Off Date, being the amount of euro EUR 21,200,348.93 increased on a monthly basis with the sum of (i) the Savings Premia received by the Savings Insurance Company and paid to the Issuer and (ii) a pro rata part, corresponding to the Participation in the relevant Savings Mortgage Receivable of the interest paid by the

Borrower in respect of such Savings Mortgage Receivable. See further Sub-Participation Agreement below.

Sale of Mortgage Receivables:

The Issuer may not dispose of the Mortgage Receivables and the Beneficiary Rights relating thereto, except to comply with its obligations under the Notes in certain circumstances as further provided in the Trust Deed. If the Issuer decides to offer for sale (part of) the Mortgage Receivables and the Beneficiary Rights relating thereto it will first offer such Mortgage Receivables and the Beneficiary Rights relating thereto to the Seller. The Seller shall within a period of 14 business days inform the Issuer whether it wishes to repurchase the Mortgage Receivables and the Beneficiary Rights relating thereto. After such 14 business day period, the Issuer may offer such Mortgage Receivables and the Beneficiary Rights relating thereto for sale to any third party. Except if differently set out below, the Seller will pay a purchase price equal to the purchase price a third party is willing to pay for the Mortgage Receivables and the Beneficiary Rights relating thereto.

Sale of Mortgage Receivables on an Optional Redemption Date

In case of sale and assignment of Mortgage Receivables and the Beneficiary Rights relating thereto on an Optional Redemption Date, the purchase price of the Mortgage Receivables and the Beneficiary Rights relating thereto shall be equal to at least the relevant Outstanding Principal Amount in respect of the relevant Mortgage Receivables, together with accrued interest due but unpaid, if any, except that, with respect to Mortgage Loans which are in arrears for a period exceeding 90 days or in respect of which an instruction has been given to the civil-law notary to start foreclosure proceedings, the purchase price shall be at least the lesser of (a) the sum of the relevant Outstanding Principal Amount in respect of the relevant Mortgage Receivables, together with accrued interest due but unpaid, if any, and any other amount due under the Mortgage Conditions up to the relevant date of sale or repurchase and (b) an amount equal to the foreclosure value of the Mortgaged Assets or, if no valuation report of less than 12 months old is available, the Indexed Foreclosure Value, provided that the purchase price shall be at least an amount equal to the Principal Amount Outstanding of the Senior Class A Notes together with accrued interest due but unpaid up to the date of sale.

Sale of Mortgage Receivables if the Clean-Up Call Option is exercised

On each Quarterly Payment Date, the Seller has the option to exercise the Clean-Up Call Option. In respect of the purchase price, the same as set out above under Sale of Mortgage Receivables on an Optional Redemption Date applies to the purchase price payable for the sale of Mortgage Receivables and the Beneficiary Rights relating thereto if the Seller exercises the Clean-Up Call Option. The proceeds of such sale shall be applied by the Issuer towards redemption of the Mortgage-Backed Notes in accordance with Condition 6(b) and subject to Condition 9(b).

Sale of Mortgage Receivables if the Regulatory Call Option is exercised

On each Quarterly Payment Date, the Seller has the option to exercise the Regulatory Call Option. The Issuer will undertake in the Mortgage Receivables Purchase Agreement to sell and assign the Mortgage Receivables and the Beneficiary Rights relating thereto to the Seller or any third party appointed by the Seller in its sole discretion if the Regulatory Call Option is exercised. The proceeds of such sale shall be applied by the Issuer towards redemption of the Notes in accordance with Condition 6(b) and subject to Condition 9(b). The purchase price of the Mortgage Receivables and the Beneficiary Rights relating thereto will be at least the lesser of (a) the sum of the relevant Outstanding Principal Amount in respect of the relevant Mortgage Receivables, together with accrued interest due but unpaid, if any, and any other amount due under the Mortgage Conditions up to the relevant date of sale or repurchase and (b) an amount equal to the sum of the foreclosure value of the Mortgaged Assets or, if no valuation report of less than 12 months' old is available, the Indexed Foreclosure Value, provided that the purchase price shall be at least an amount equal to the Principal Amount Outstanding of the Senior Class A Notes together with accrued interest due but unpaid up to the date of sale.

Sale of Mortgage Receivables for tax reasons

If the Issuer exercises its option to redeem the Notes for tax reasons in accordance with Condition 6(f), the Issuer will undertake in the Mortgage Receivables Purchase Agreement to first offer the Mortgage Receivables and the Beneficiary Rights relating thereto for sale to the Seller. The Seller shall within a period of 15 business days inform the Issuer whether it wishes to repurchase the Mortgage Receivables and the Beneficiary Rights relating thereto. After such 15 business day period, the

Issuer may offer the Mortgage Receivables and the Beneficiary Rights relating thereto to any third party. The purchase price of such Mortgage Receivables and the Beneficiary Rights relating thereto will be calculated in the same manner as described in Sale of Mortgage Receivables on an Optional Redemption Date if the Clean-Up Call is exercised above.

Sale of Mortgage Receivables if the Seller is obliged to repurchase

If the Seller is obliged to repurchase any Mortgage Receivable(s) and the Beneficiary Rights relating thereto pursuant to the Mortgage Receivables Purchase Agreement, the purchase price of the Mortgage Receivables and the Beneficiary Rights relating thereto will be equal to the Outstanding Principal Amount in respect of the relevant Mortgage Receivables together with any accrued interest up to but excluding the date of repurchase and reassignment of the Mortgage Receivables and the Beneficiary Rights relating thereto and any costs incurred by the Issuer in effecting and completing such sale and reassignment.

CASH-FLOW STRUCTURE

Seller Collection Accounts:

The Seller maintains accounts (the **Seller Collection Accounts**) to which collections of all amounts of interest, prepayment penalties and principal received under the Mortgage Loans will be paid. These accounts will also be used for the collection of moneys paid in respect of mortgage loans other than Mortgage Loans and in respect of other moneys belonging to the Seller.

Issuer Collection Account:

The Issuer shall maintain with the Floating Rate GIC Provider an account (the **Issuer Collection Account**) to which, inter alia, on a monthly basis, all amounts from the Seller Collection Accounts due to the Issuer will be transferred by the Seller.

Reserve Account:

On the Closing Date the Issuer will pay the proceeds of the Subordinated Class F Notes into an account (the **Reserve Account** and together with the Issuer Collection Account, the **Transaction Accounts**) held with the Floating Rate GIC Provider. The amount credited to the Reserve Account will be divided into two sub-ledgers, a reserve fund sub-ledger (the **Reserve Fund Sub Ledger**) and a liquidity fund sub-ledger (the **Liquidity Fund Sub-Ledger**). The purpose of the amounts credited to the Reserve Fund Sub-Ledger will be to enable the Issuer to meet the Issuer's payment obligations under items (a) up to and including (o) in the Interest Priority of Payments in the event that the Notes Interest Available Amount is

not sufficient to meet such payment obligations on a Quarterly Payment Date. If and to the extent that the Notes Interest Available Amount on any Quarterly Calculation Date exceeds the aggregate amounts payable under items (a) to (o) (inclusive) in the Interest Priority of Payments, such excess amount will be used to deposit in the Reserve Account by crediting such amount to the Reserve Account up to the Reserve Fund Sub-Ledger Required Amount. The Reserve Fund Sub-Ledger Required Amount shall on any Quarterly Payment Date be equal to (i) 1.1 per cent. of the aggregate Principal Amount Outstanding of the Mortgage-Backed Notes, on the Closing Date or (ii) zero, on the Optional Redemption Date whereon the Mortgage-Backed Notes, have been or are to be redeemed in full, subject to the Conditions. The purpose of the Liquidity Fund Sub-Ledger will be to enable the Issuer on any Quarterly Payment Date (other than on (a) a Quarterly Payment Date if and to the extent the Senior Class A Notes are redeemed in full on such Quarterly Payment Date or (b) the Final Maturity Date) to meet the Issuer's payment obligations under items (a) to (n) inclusive (but not items (g), (i), (k) and (m)) in the Interest Priority of Payments in the event that the Notes Interest Available Amount after any drawing from the Reserve Fund Sub-Ledger and without taking into account any drawing from the Liquidity Fund Sub-Ledger is not sufficient to meet such payment obligations on such Quarterly Payment Date. If and to the extent that the Notes Interest Available Amount on any Quarterly Calculation Date exceeds the aggregate amounts payable under items (a) to (c) (inclusive) in the Interest Priority of Payments, such excess amount will be used to deposit in the Reserve Account by crediting such amount to the Reserve Account up to the Liquidity Fund Sub-Ledger Required Amount. For these purposes, **'Liquidity Fund Sub-Ledger Required Amount'** means on any Quarterly Payment Date, an amount equal to the higher of (a) 2.4 per cent. of the aggregate Principal Amount Outstanding of the Mortgage-Backed Notes on such date and (b) 0.5 per cent. of the aggregate Principal Amount Outstanding of the Mortgage-Backed Notes on the Closing Date.

To the extent that the balance standing to the credit of the Reserve Account on any Quarterly Payment Date exceeds the Reserve Fund Sub-Ledger Required Amount and the Liquidity Fund Sub-Ledger Required Amount, such excess shall be drawn from the Reserve Account on the immediately succeeding Quarterly Payment Date and shall form part of the Notes Interest Available Amount on that Quarterly Payment Date and be available, after all payments of the Interest Priority of Payments ranking higher in priority have been made, for redemption of the

Subordinated Class F Notes.

Construction Account

The Issuer shall maintain with the Floating Rate GIC Provider an account to which, on the Closing Date an amount equal to the aggregate Construction Amounts will be transferred. On each Mortgage Payment Date, the Issuer will release from the Construction Account such part of the Initial Purchase Price which equals the amount by which the Construction Amounts have been reduced during the preceding month and pay such amount to the relevant Seller;

Floating Rate GIC:

The Issuer and the Floating Rate GIC Provider will enter into a guaranteed investment contract (the **Floating Rate GIC**) on the Closing Date, whereunder the Floating Rate GIC Provider will agree to pay a guaranteed rate of interest determined by reference to Euribor per annum minus a margin on the balance standing from time to time to the credit of the Transaction Accounts provided that the maximum Floating Rate GIC Interest Rate is the interest rate for deposits maintained by the European Central Bank plus a certain percentage.

Subordinated Loan:

On the Closing Date, the Issuer will enter into a subordinated loan agreement (the **Subordinated Loan**) with the Subordinated Loan Provider for an amount of euro 1,000,000. The proceeds of the Subordinated Loan will be used to pay certain start-up costs and expenses incurred by the Issuer in connection with the issue of the Notes.

Swap Agreement:

On the Closing Date, the Issuer will enter into a swap agreement with the Swap Counterparty to mitigate the risk between the rates of interest to be received by the Issuer on (a) the Mortgage Receivables and the interest received on the Transaction Accounts and (b) the floating rates of interest payable by the Issuer on the relevant Class of Mortgage-Backed Notes (as described in *Credit Structure* under *Interest Rate Hedging* below).

OTHER

Servicing and Administration Agreement:

Under a servicing and administration agreement to be entered into on the Closing Date (the **Servicing and Administration Agreement**) between the Issuer, the Pool Servicer, the Issuer Administrator and the Security Trustee, (a) the Pool Servicer will agree to provide (i) administration and management services to the Issuer on a day-to-day basis in relation to the Mortgage Loans and the Mortgage Receivables, including, without limitation, the collection and recording of payments of principal, interest and other amounts in respect of the Mortgage Receivables and the direction of amounts received by the

Seller to the Issuer Collection Account and (ii) the implementation of arrears procedures including the enforcement of mortgage rights (see further *Friesland Bank Residential Mortgage Business* below) and (b) the Issuer Administrator will agree to provide certain administration, calculation and cash management services to the Issuer, including without limitation, all calculations to be made in respect of the Notes pursuant to the Conditions.

Parallel Debt Agreement

Pursuant to a parallel debt agreement (the **Parallel Debt Agreement**) 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 Noteholders and certain other transaction parties (including, but not limited to, the Noteholders) (such payment undertaking and the obligations and liabilities resulting from it being referred to as the **Parallel Debt**). The Parallel Debt is secured by a first-ranking right of pledge over the Mortgage Receivables and the Beneficiary Rights relating thereto and over certain other assets pursuant to the Pledge Agreements.

Beneficiary Waiver Agreement

The Issuer and the Security Trustee will enter into a beneficiary waiver agreement (the **Beneficiary Waiver Agreement**) with the Seller and the Savings Insurance Company, under which the Seller, without prejudice to the rights of the Issuer as assignee and the rights of the Security Trustee as pledgee and subject to the condition precedent of the occurrence of a Notification Event waives its rights as beneficiary under the Insurance Policies with the Savings Insurance Company and appoints as first beneficiary (a) the Issuer subject to the dissolving condition (*ontbindende voorwaarde*) of a Trustee Notification Event and (b) the Security Trustee under the condition precedent (*opschortende voorwaarde*) of the occurrence of a Trustee Notification Event. In addition, the Seller will undertake in the Beneficiary Waiver Agreement that it will use its best efforts, following a Notification Event, to terminate the appointment of the Seller as beneficiary under the Life Insurance Policies and to appoint as first beneficiary under the Life Insurance Policies (i) the Issuer subject to the dissolving condition of a Trustee Notification Event and (ii) the Security Trustee under the condition precedent of the occurrence of a Trustee Notification Event.

Management Agreements:

Each of the Issuer and the Security Trustee have entered into a management agreement (together the **Management Agreements**) with the relevant Director, whereunder the relevant Director will undertake to act as

director of the Issuer or, as the case may be, the Security Trustee and to perform certain services in connection therewith.

Listing:

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

Selling Restrictions:

There are selling restrictions in relation to the European Economic Area, United Kingdom, United States, Italy, France and such other restrictions as may be required in connection with the offering and sale of the Notes. See Purchase and Sale.

Ratings:

It is a condition precedent to issuance of the Notes that the Senior Class A Notes, on issue, be assigned an Aaa rating by Moody's, the Mezzanine Class B Notes, on issue, be assigned an Aa3 rating by Moody's, the Mezzanine Class C Notes, on issue, be assigned an A3 rating by Moody's, the Mezzanine Class D Notes, on issue, be assigned a Baa3 rating by Moody's and the Junior Class E Notes, on issue, be assigned a Ba3 rating by Moody's.

CREDIT STRUCTURE

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

Mortgage Loan Interest Rates

The interest rate of each Mortgage Loan is fixed, subject to a reset from time to time, or floating. Interest rates vary between individual Mortgage Loans. The weighted average interest rate of the Mortgage Loans in the Provisional Mortgage Portfolio is 4.82 per cent. and the weighted average interest rate of the Mortgage Loans in the Final Portfolio is not expected to differ substantially from such rate of the Provisional Mortgage Portfolio. The range of interest rates is described further in *Description of the Mortgage Loans*.

Cash Collection Arrangement

Payments by the Borrowers of interest and scheduled principal under the Mortgage Loans are due on any calendar day of each month, interest being payable in arrear. All payments made by Borrowers will be paid into the Seller Collection Accounts. These accounts will also be used for the collection of moneys paid in respect of mortgage loans other than Mortgage Loans and in respect of other moneys belonging to the Seller.

If the rating of the short-term, unsecured and unguaranteed debt obligations of the Seller falls below Prime-1 by Moody's (the **Short Term Requisite Rating**) or any such rating is withdrawn the Seller will within 30 days either: (i) ensure that payments to be made in respect of amounts received on the Seller Collection Accounts relating to the Mortgage Receivables will be guaranteed by a party having at least the Short Term Requisite Rating or (ii) (a) open an escrow account in the name of the Issuer, at its own costs, with a party having at least the Short Term Requisite Rating and (b) transfer to the escrow account an amount equal to the highest aggregated amount of principal, interest and prepayment penalties received since the Closing Date on the Issuer Collection Account during one Mortgage Calculation Period.

On each **Mortgage Payment Date** (being the 8th day of each calendar month or if this is not a business day the next succeeding business day) the Pool Servicer shall transfer all amounts of principal, interest, prepayment penalties and interest penalties received by the Seller in respect of the Mortgage Loans during the immediately preceding Mortgage Calculation Period to the Issuer Collection Account.

For these purposes a **Mortgage Calculation Period** is the period commencing on (and including) the first day of a calendar month and ending on (and including) the last day of such calendar month and the first Mortgage Calculation Period will commence on (and include) the Cut-Off Date and end on (and include) the last day of March 2009.

Transaction Accounts

Issuer Collection Account

The Issuer will maintain with the Floating Rate GIC Provider the Issuer Collection Account to which all amounts received (a) in respect of the Mortgage Loans, (b) from the Savings Insurance Company pursuant to the Sub-Participation Agreement and (c) from the other parties to the Relevant Documents will be paid.

The Issuer Administrator will identify all amounts paid into the Issuer Collection Account by

crediting such amounts to ledgers established for such purpose. Payments received on each Mortgage Payment Date in respect of the Mortgage Loans will be identified as principal or revenue receipts and credited to a principal ledger (the **Principal Ledger**) or a revenue ledger (the **Revenue Ledger**), as the case may be.

Payments may be made from the Issuer Collection Account other than on a Quarterly Payment Date only to satisfy amounts due to third parties (other than pursuant to the Relevant Documents) and payable in connection with the Issuer's business.

Reserve Account

The Issuer will also maintain with the Floating Rate GIC Provider the Reserve Account. The net proceeds of the Subordinated Class F Notes will be credited to the Reserve Account.

The amount credited to the Reserve Account will be divided into two sub-ledgers, a reserve fund sub-ledger (the **Reserve Fund Sub Ledger**) and a liquidity fund sub-ledger (the **Liquidity Fund Sub-Ledger**).

Reserve Fund Sub-Ledger

On the Closing Date an amount equal to 1.1 per cent. of the aggregate Principal Amount Outstanding of the Mortgage-Backed Notes will be credited to the Reserve Fund Sub-Ledger. Amounts credited to the Reserve Fund Sub-Ledger will be available on any Quarterly Payment Date to meet items (a) to (o) (inclusive) of the Interest Priority of Payments.

If and to the extent that the Notes Interest Available Amount excluding the amount standing on any Reserve Fund Sub-Ledger on any Quarterly Payment Date exceeds the amounts required to meet items ranking higher than (o) in the Interest Priority of Payments, the excess amount will be deposited in the Reserve Fund Sub-Ledger, until the balance standing to the credit of the Reserve Fund Sub-Ledger equals the Reserve Fund Sub-Ledger Required Amount. The Reserve Fund Sub-Ledger Required Amount shall on any Quarterly Payment Date be equal to (i) 1.1 per cent. of the aggregate Principal Amount Outstanding of the Mortgage-Backed Notes, on the Closing Date or (ii) zero, on the Optional Redemption Date whereon the Mortgage-Backed Notes, have been or are to be redeemed in full, in accordance with the Conditions.

To the extent that the balance standing to the credit of the Reserve Fund Sub-Ledger on any Quarterly Payment Date exceeds the Reserve Fund Sub-Ledger Required Amount, such excess shall be drawn from the Reserve Account on the immediately succeeding Quarterly Payment Date and shall form part of the Notes Interest Available Amount on that Quarterly Payment Date and be available, after all payments of the Interest Priority of Payments ranking higher in priority have been made, for redemption of the Subordinated Class F Notes.

On the Quarterly Payment Date on which all amounts of principal due in respect of the Mortgage-Backed Notes have been or will be paid, any amount standing to the credit of the Reserve Fund Sub-Ledger will thereafter form part of the Notes Interest Available Amount and will be applied by the Issuer in or towards satisfaction of all items in the Interest Priority of Payments in accordance with the priority set out therein, including for redemption of principal of the Subordinated Class F Notes.

If at any time the short-term unsecured, unsubordinated and unguaranteed debt obligations of the Floating Rate GIC Provider are assigned a rating of less than the Short Term Requisite Rating, the Issuer will be required within 30 days to (i) transfer the balance of the Transaction Accounts to an alternative bank with the Short Term Requisite Rating or (ii) obtain a third party, acceptable to Moody's, to guarantee the obligations of the Floating Rate GIC Provider or (iii) implement any other actions to maintain the then current ratings assigned to the Notes.

Liquidity Fund Sub-Ledger

On the Closing Date an amount equal to 2.4 per cent. of the aggregate Principal Amount Outstanding of the Mortgage-Backed Notes will be credited to Liquidity Fund Sub-Ledger.

The purpose of the Liquidity Fund Sub-Ledger will be to enable the Issuer on any Quarterly Payment Date (other than on (a) a Quarterly Payment Date if and to the extent the Senior Class A Notes are redeemed in full on such Quarterly Payment Date or (b) the Final Maturity Date) to meet the Issuer's payment obligations under items (a) to (n) inclusive (but not items (g), (i), (k) and (m)) in the Interest Priority of Payments in the event that the Notes Interest Available Amount after any drawing from the Reserve Fund Sub-Ledger and without taking into account any drawing from the Liquidity Fund Sub-Ledger is not sufficient to meet such payment obligations on such Quarterly Payment Date.

For these purposes, '**Liquidity Fund Sub-Ledger Required Amount**' means on any Quarterly Payment Date, an amount equal to the higher of (a) 2.4 per cent. of the aggregate Principal Amount Outstanding of the Mortgage-Backed Notes on such date and (b) 0.5 per cent. of the aggregate Principal Amount Outstanding of the Mortgage-Backed Notes on the Closing Date.

To the extent that the balance standing to the credit of the Liquidity Fund Sub-Ledger on any Quarterly Payment Date exceeds the Liquidity Fund Sub-Ledger Required Amount, such excess shall be drawn from the Reserve Account on the immediately succeeding Quarterly Payment Date and shall form part of the Notes Interest Available Amount on that Quarterly Payment Date and be available, after all payments of the Interest Priority of Payments ranking higher in priority have been made, for redemption of the Subordinated Class F Notes.

On the Quarterly Payment Date on which all amounts of principal due in respect of the Mortgage-Backed Notes have been or will be paid, any amount standing to the credit of the Liquidity Fund Sub-Ledger will thereafter form part of the Notes Interest Available Amount and will be applied by the Issuer in or towards satisfaction of all items in the Interest Priority of Payments in accordance with the priority set out therein, including for redemption of principal of the Subordinated Class F Notes.

If and to the extent that the Notes Interest Available Amount on any Quarterly Calculation Date exceeds the amounts required to meet items (a) to (c) (inclusive) in the Interest Priority of Payments, the excess amount will be applied to deposit on or, as the case may be, replenish the Liquidity Fund Sub-Ledger up to the Liquidity Fund Sub-Ledger Required Amount.

Construction Account

The Issuer will maintain, with the Floating Rate GIC Provider, the Construction Account to which, on the Closing Date, an amount corresponding to the aggregate Construction Amounts of the Mortgage Loans will be credited. Payments may be made from the Construction Account on a Mortgage Payment Date only to satisfy payment by the Issuer to the Seller of (part of) the Purchase Price as a result of the distribution of (part of) the Construction Amount by the Seller to the Borrower. In addition, the Construction Account will be debited with the amount of the Construction Amount which has been set off against the relevant Mortgage Receivable as a result of which the Issuer has no further obligation to pay (such part) of the Purchase Price. Such amount will be transferred to the Issuer Collection Account and form part of the Notes Redemption Available Amount.

Swap Collateral Account

If any collateral in the form of cash is provided by the Swap Counterparty to the Issuer, the Issuer will be required to open a separate account in which such cash provided by the Swap Counterparty will be held. If any collateral in the form of securities is provided, the Issuer will be required to open a custody account in which such securities provided by the Swap Counterparty will be held. No

payments or deliveries may be made in respect of such accounts other than in relation to the provision of collateral or the return of Excess Swap Collateral, unless pursuant to the termination of the Swap Agreement, an amount is owed by the Swap Counterparty to the Issuer, in which case, the collateral may be applied in accordance with the Trust Deed.

Excess Swap Collateral means an amount equal to the value of any collateral transferred to the Issuer by the Swap Counterparty under the Swap Agreement that is in excess of the Swap Counterparty's liability to the Issuer thereunder.

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

If any collateral is transferred pursuant to the Swap Agreement in favour of the Issuer, the Issuer may apply such collateral in accordance with the Swap Agreement and the Trust Deed, subject to the Issuer's obligation to return any Excess Swap Collateral directly to the Swap Counterparty under the Swap Agreement.

Priority of Payments in respect of interest

Prior to the delivery of an Enforcement Notice by the Security Trustee, the sum of the following amounts, calculated as at the fourth business day prior to each Quarterly Payment Date (a **Quarterly Calculation Date**) and which have been received or deposited during the Quarterly Calculation Period immediately preceding such Quarterly Calculation Date (items (a) up to and including (k) being hereafter referred to as the **Notes Interest Available Amount**):

- (a) as interest, including prepayment penalties and interest penalties, on the Mortgage Receivables and the Beneficiary Rights relating thereto, less with respect to each Savings Mortgage Receivable, an amount equal to the amount received in respect of each Mortgage Calculation Period falling in such Quarterly Calculation Period, multiplied by the quotient of the relevant Participation on the first day of the relevant Mortgage Calculation Period divided by the Outstanding Principal Amount in respect of such Savings Mortgage Receivable on the first day of the relevant Mortgage Calculation Period (the **Participation Fraction**);
- (b) as interest paid on the Transaction Accounts;
- (c) as Net Proceeds on any Mortgage Receivables to the extent such proceeds do not relate to principal less, with respect to each Savings Mortgage Receivable, an amount equal to the amount of interest received multiplied by the Participation Fraction in respect of such Savings Mortgage Receivable;
- (d) after the Quarterly Payment Date falling in August 2009, any outstanding proceeds remaining from the Subordinated Loan;
- (e) as amounts to be drawn from the Reserve Account (from either the Reserve Fund Sub-Ledger or the Liquidity Fund Sub-Ledger) on the immediately succeeding Quarterly Payment Date;
- (f) as amounts to be received from the Swap Counterparty under the Swap Agreement on the immediately succeeding Quarterly Payment Date, if any, excluding, for the avoidance of doubt, any collateral transferred pursuant to the Swap Agreement;
- (g) as amounts received in connection with a repurchase of Mortgage Receivables and the Beneficiary Rights relating thereto pursuant to the Mortgage Receivables Purchase Agreement, or any other amounts received pursuant to the Mortgage Receivables Purchase

Agreement, to the extent such amounts do not relate to principal less, with respect to each Savings Mortgage Receivable, an amount equal to the amount of interest received multiplied by the Participation Fraction in respect of such Savings Mortgage Receivable;

- (h) as amounts received in connection with a sale of Mortgage Receivables and the Beneficiary Rights relating thereto pursuant to the Trust Deed to the extent such amounts do not relate to principal less, with respect to each Savings Mortgage Receivable, an amount equal to the amount of interest received multiplied by the Participation Fraction in respect of such Savings Mortgage Receivable;
- (i) as amounts received as post-foreclosure proceeds on the Mortgage Receivables;
- (j) on the Quarterly Payment Date on which the Mortgage-Backed Notes will be or have been redeemed in full, any (remaining) amounts standing to the credit of the Issuer Collection Account which are not included in items (a) up to and including (i) above on such Quarterly Payment Date; less
- (k) on any Optional Redemption Date until the Mortgage-Backed Notes will be or have been redeemed in full, an amount equal to the positive difference, if any, between the Notes Interest Available Amount and the sum of all amounts payable by the Issuer as set forth in the Interest Priority of Payments under (a) up to and including (t) excluding (r), on such date both as calculated on the immediately succeeding Quarterly Calculation Date (the **Interest Excess Amount**);

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, of any amounts due and payable to the Directors in connection with the Management Agreements and any costs, charges, liabilities and expenses incurred by the Security Trustee under or in connection with any of the Relevant Documents;
- (b) *second*, in or towards satisfaction, *pro rata*, according to the respective amounts thereof, of any amounts due and payable to the Pool Servicer, the Back-up Servicer (if appointed) and the Issuer Administrator under the Servicing and Administration Agreement;
- (c) *third*, in or towards satisfaction, *pro rata*, according to the respective amounts thereof, (i) of any amounts due and payable to third parties under obligations incurred in the Issuer's business (other than under the Relevant Documents), including, without limitation, in or towards satisfaction of sums due or provisions for any payment of the Issuer's liability, if any, to tax (which amount will be equal to the minimum profit to be earned by the Issuer for Dutch tax purposes, which minimum profit should be the higher of (A) an amount of 10 per cent. of the annual fee due and payable by the Issuer to the Directors in connection with the Management Agreement between the Issuer and the Directors relating to the management of the Issuer or (B) EUR 2,500) and sums due to Moody's and fees and expenses of any legal advisor, auditor and/or accountant appointed by the Issuer and/or the Security Trustee and (ii) of any amounts due to the Paying Agent and the Reference Agent under the Paying Agency Agreement;
- (d) *fourth*, in or towards satisfaction of any sums required to be deposited to the Reserve Account to bring the Liquidity Fund Sub-Ledger balance up to the amount of the Liquidity Fund Sub-Ledger Required Amount;

- (e) *fifth*, in or towards satisfaction of amounts, if any, due but unpaid under the Swap Agreement, (except for any termination payment due or payable as a result of the occurrence of an Event of Default where the Swap Counterparty is the Defaulting Party or an Additional Termination Event relating to the credit rating of the Swap Counterparty, where the Swap Counterparty is the Affected Party (as such terms are defined in the Swap Agreement) (a **Swap Counterparty Default Payment**) payable under (s) below) but excluding, for the avoidance of doubt, the repayment to the Swap Counterparty of any Excess Swap Collateral and any Tax Credit;
- (f) *sixth*, in or towards satisfaction of all amounts of interest due or interest accrued 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 until the debit balance, if any, on the Class A Principal Deficiency Ledger is reduced to zero;
- (h) *eighth*, in or towards satisfaction of interest due or interest accrued but unpaid on the Mezzanine Class B Notes;
- (i) *ninth*, in or towards making good any shortfall reflected in the Class B Principal Deficiency Ledger until the debit balance, if any, on the Class B Principal Deficiency Ledger is reduced to zero;
- (j) *tenth*, in or towards satisfaction of interest due or interest accrued but unpaid on the Mezzanine Class C Notes;
- (k) *eleventh*, in or towards making good any shortfall reflected in the Class C Principal Deficiency Ledger until the debit balance, if any, on the Class C Principal Deficiency Ledger is reduced to zero;
- (l) *twelfth*, in or towards satisfaction of interest due or interest accrued but unpaid on the Mezzanine Class D Notes;
- (m) *thirteenth*, in or towards making good any shortfall reflected in the Class D Principal Deficiency Ledger until the debit balance, if any, on the Class D Principal Deficiency Ledger is reduced to zero;
- (n) *fourteenth*, in or towards satisfaction of interest due or interest accrued but unpaid on the Junior Class E Notes;
- (o) *fifteenth*, in or towards making good any shortfall reflected in the Class E Principal Deficiency Ledger until the debit balance, if any, on the Class E Principal Deficiency Ledger is reduced to zero;
- (p) *sixteenth*, in or towards satisfaction of any sums required to be deposited to the Reserve Account to bring the Reserve Fund Sub-Ledger balance up to the amount of the Reserve Fund Sub-Ledger Required Amount;
- (q) *seventeenth*, in or towards satisfaction of interest due or interest accrued but unpaid in respect of the Subordinated Class F Notes;
- (r) *eighteenth*, in or towards satisfaction of principal amounts due under the Subordinated Class F Notes on the relevant Quarterly Payment Date, including the Final Maturity Date;

- (s) *nineteenth*, in or towards satisfaction of the Swap Counterparty Default Payment payable to the Swap Counterparty under the terms of the Swap Agreement;
- (t) *twentieth*, in or towards satisfaction of interest due or interest accrued but unpaid in respect of the Subordinated Loan;
- (u) *twenty-first*, in or towards satisfaction of principal due and payable but unpaid in respect of the Subordinated Loan; and
- (v) *twenty-second*, in or towards satisfaction of a Deferred Purchase Price Instalment to the Seller.

Priority of Payments in respect of principal

Prior to the delivery of an Enforcement Notice by the Security Trustee, the sum of the following amounts, calculated as at any Quarterly Calculation Date, as being received or deposited during the immediately preceding Quarterly Calculation Period (items (i) up to and including (x) hereinafter referred to as the **Notes Redemption Available Amount**):

- (i) by means of repayment and prepayment of principal under the Mortgage Receivables from any person, but, for the avoidance of doubt, excluding prepayment penalties, if any less, with respect to each Savings Mortgage Receivable, the Participation in respect of such Savings Mortgage Receivable;
- (ii) as Net Proceeds on any Mortgage Receivable to the extent such proceeds relate to principal less, with respect to each Savings Mortgage Receivable, the Participation in respect of such Savings Mortgage Receivable;
- (iii) as amounts received in connection with a repurchase of Mortgage Receivables and the Beneficiary Rights relating thereto, whether or not as a result of the exercise of the Regulatory Call Option or Clean-Up Call Option, pursuant to the Mortgage Receivables Purchase Agreement and any other amounts received pursuant to the Mortgage Receivables Purchase Agreement to the extent such amounts relate to principal less, with respect to each Savings Mortgage Receivable, the Participation in respect of such Savings Mortgage Receivable;
- (iv) as amounts received in connection with a sale of Mortgage Receivables and the Beneficiary Rights relating thereto pursuant to the Trust Deed to the extent such amounts relate to principal less, with respect to each Savings Mortgage Receivable, the Participation in respect of such Savings Mortgage Receivable;
- (v) as amounts to be credited to the Principal Deficiency Ledger on the immediately succeeding Quarterly Payment Date in accordance with the Servicing and Administration Agreement;
- (vi) any part of the Notes Redemption Available Amount calculated on the immediately preceding Quarterly Calculation Date which has not been applied towards redemption of the Notes on the preceding Quarterly Payment Date;
- (vii) as Savings Participation Increase pursuant to the Sub-Participation Agreement and as consideration for the Initial Participation to the extent such amounts relate to Mortgage Receivables;
- (viii) as partial prepayment in respect of the Mortgage Receivables;

- (ix) as amounts debited from the Construction Account equal to the part of the Construction Amounts not paid out to the Borrower;
- (x) the Interest Excess Amount; and
- (xi) without double-counting in respect of the items listed above, amounts standing to the credit of the Issuer Collection Account but, for the avoidance of doubt, excluding prepayment penalties, if any less, with respect to each Savings Mortgage Receivable, the Participation in respect of such Savings Mortgage Receivable;

will, pursuant to the terms of the Trust Deed be applied by the Issuer on each Quarterly Payment Date on a *pro rata* and *pari passu* basis (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. up to (but excluding) the first Optional Redemption Date:
 - (a) *first*, the Senior Class A Notes, until fully redeemed,
 - (b) *second*, the Mezzanine Class B Notes, until fully redeemed,
 - (c) *third*, the Mezzanine Class C Notes, until fully redeemed,
 - (d) *fourth*, the Mezzanine Class D Notes, until fully redeemed, and
 - (e) *fifth*, the Junior Class E Notes, until fully redeemed;
- B. on any Optional Redemption Date:
 - (a) *first*, the Senior Class A Notes until fully redeemed;
 - (b) *second*, the Mezzanine Class B Notes until fully redeemed;
 - (c) *third*, the Mezzanine Class C Notes until fully redeemed;
 - (d) *fourth*, the Mezzanine Class D Notes until fully redeemed; and
 - (e) *fifth*, the Junior Class E Notes until fully redeemed.

Priority of Payments upon Enforcement

Following delivery of an Enforcement Notice any amounts payable by the Security Trustee under the Trust Deed will be paid to the Secured Parties (including the Noteholders) (but excluding the Savings Insurance Company which shall be entitled to receive an amount equal to the Participation in each of the Savings Mortgage Receivables or, if the amount recovered, which will not be part of the Enforcement Available Amount, is less than the Participation, then an amount equal to the actual amount recovered and which shall be paid before the other Secured Parties are paid) 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 **Priority of Payments upon Enforcement**):

- (a) *first*, in or towards satisfaction, *pro rata* and *pari passu*, according to the respective amounts thereof, of (i) any amounts due to the Directors, (ii) any cost, charge, liability and expenses incurred by the Security Trustee under or in connection with any of the Relevant Documents, which will include, *inter alia*, the fees and expenses of Moody's, any legal advisor, auditor and/or accountant appointed by the Security Trustee, (iii) any amounts due to the Paying

Agent and the Reference Agent incurred under the provisions of the Paying Agency Agreement and (iv) any amounts due to the Pool Servicer and the Issuer Administrator under the Servicing and Administration Agreement;

- (b) *second*, in or towards satisfaction of amounts, if any, due but unpaid to the Swap Counterparty under the Swap Agreement including any Settlement Amounts (as defined therein) to be paid by the Issuer upon early termination of the Swap Agreement as determined in accordance with its terms but excluding any Swap Counterparty Default Payment payable under subparagraph (o) below, and excluding, for the avoidance of doubt, the repayment to the Swap Counterparty of any Excess Swap Collateral and any Tax Credit;
- (c) *third*, in or towards satisfaction of all amounts of interest due but unpaid in respect of the Senior Class A Notes;
- (d) *fourth*, in or towards satisfaction of all amounts of principal and any other amount due but unpaid in respect of the Senior Class A Notes;
- (e) *fifth*, in or towards satisfaction of all amounts of interest due or interest accrued but unpaid in respect of the Mezzanine Class B Notes;
- (f) *sixth*, in or towards satisfaction of all amounts of principal and any other amount due but unpaid in respect of the Mezzanine Class B Notes;
- (g) *seventh*, in or towards satisfaction of all amounts of interest due or interest accrued but unpaid in respect of the Mezzanine Class C Notes;
- (h) *eighth*, in or towards satisfaction of all amounts of principal and any other amount due but unpaid in respect of the Mezzanine Class C Notes;
- (i) *ninth*, in or towards satisfaction of all amounts of interest due or interest accrued but unpaid in respect of the Mezzanine Class D Notes;
- (j) *tenth*, in or towards satisfaction of all amounts of principal and any other amount due but unpaid in respect of the Mezzanine Class D Notes;
- (k) *eleventh*, in or towards satisfaction of all amounts of interest due or interest accrued but unpaid in respect of the Junior Class E Notes;
- (l) *twelfth*, in or towards satisfaction of all amounts of principal and any other amount due but unpaid in respect of the Junior Class E Notes;
- (m) *thirteenth*, in or towards satisfaction of all amounts of interest due or interest accrued but unpaid in respect of the Subordinated Class F Notes;
- (n) *fourteenth*, in or towards satisfaction of all amounts of principal and any other amount due but unpaid in respect of the Subordinated Class F Notes;
- (o) *fifteenth*, in or towards satisfaction of the Swap Counterparty Default Payment payable to the Swap Counterparty under the terms of the Swap Agreement;
- (p) *sixteenth*, in or towards satisfaction of all amounts of interest due, interest accrued and principal due but unpaid in respect of the Subordinated Loan; and
- (q) *seventeenth*, in and towards satisfaction of any Deferred Purchase Price Instalment to the

Seller.

Subordinated Loan

On the Closing Date the Seller will make available to the Issuer the Subordinated Loan. The Subordinated Loan will be in an amount of euro 1,000,000 and will be used by the Issuer to pay certain initial costs and expenses in connection with the issue of the Notes.

Liquidity Fund Sub-Ledger

The proceeds of the Class F Notes will be deposited on the Reserve Account. An amount equal to 2.4 per cent. of the aggregate Principal Amount Outstanding of the Mortgage-Backed Notes will be credited to Liquidity Fund Sub-Ledger. The purpose of the Liquidity Fund Sub-Ledger will be to enable the Issuer on any Quarterly Payment Date (other than on (a) a Quarterly Payment Date if and to the extent the Senior Class A Notes are redeemed in full on such Quarterly Payment Date or (b) the Final Maturity Date) to meet the Issuer's payment obligations under items (a) to (n) inclusive (but not item (g), (i), (k) and (m)) in the Interest Priority of Payments in the event that the Notes Interest Available Amount after any drawing from the Reserve Fund Sub-Ledger and without taking into account any drawing from the Liquidity Fund Sub-Ledger is not sufficient to meet such payment obligations on such Quarterly Payment Date.

Principal Excess Ledger

On each Optional Redemption Date, the Issuer will apply the Interest Excess Amount to partially redeem the Mortgage-Backed Notes in accordance with Condition 6(b). Any Interest Excess Amount so applied will be credited on a ledger known as the **Principal Excess Ledger**. Any Realised Losses on the Mortgage Loans will first be debited to the Principal Excess Ledger until the credit balance on such ledger will be zero. Any further Realised Losses on the Mortgage Loans will be recorded on the Principal Deficiency Ledger (see below).

Principal Deficiency Ledger

A Principal Deficiency Ledger comprising five sub-ledgers (the Class A Principal Deficiency Ledger, the Class B Principal Deficiency Ledger, the Class C Principal Deficiency Ledger, the Class D Principal Deficiency Ledger and the Class E Principal Deficiency Ledger) will be established by or on behalf of the Issuer in order to record Realised Losses (a **Principal Deficiency**). An amount equal to any Principal Deficiency will be debited to the Class E Principal Deficiency Ledger (such debit items being credited at item (o) of the Interest Priority of Payments, to the extent any part of the Notes Interest Available Amount is available for such purpose) so long as the debit balance on such sub-ledger is less than Principal Amount Outstanding of the Junior Class E Notes and thereafter such amount will be debited, to the Class D Principal Deficiency Ledger (such debit items being credited at item (m) of the Interest Priority of Payments, to the extent any part of the Notes Interest Available Amount is available for such purpose) so long as the debit balance on such ledger is less than Principal Amount Outstanding of the Mezzanine Class D Notes and thereafter such amount will be debited, to the Class C Principal Deficiency Ledger (such debit items being credited at item (k) of the Interest Priority of Payments, to the extent any part of the Notes Interest Available Amount is available for such purpose) so long as the debit balance on such ledger is less than Principal Amount Outstanding of the Mezzanine Class C Notes and thereafter such amount will be debited to the Class B Principal Deficiency Ledger (such debit items being credited at item (i) of the Interest Priority of Payments, to the extent any part of the Notes Interest Available Amount is available for such purpose) so long as the debit balance on such ledger is less than the Principal Amount Outstanding of the Mezzanine Class B Notes and thereafter such amount will be debited, according to the Principal Amount Outstanding of the Senior Class A Notes on the Closing Date, to the Class A Principal

Deficiency Ledger (such debit items being recredited at item (g) of the Interest Priority of Payments).

Realised Losses means, on any Quarterly Calculation Date, the sum of (a) the difference between (i) the aggregate Outstanding Principal Amount in respect of Mortgage Receivables (reduced, with respect to the Savings Mortgage Receivable, the relevant Participations) on which the Seller or the Pool Servicer or the Issuer has foreclosed from the Closing Date up to and including such Quarterly Calculation Period and (ii) the sum of (x) the Net Proceeds on such Mortgage Receivables other than Savings Mortgage Receivables and (y) the Net Proceeds on such Savings Mortgage Receivables up to the amount of the relevant Savings Mortgage Receivables less the Participations and (b) with respect to Mortgage Receivables sold by the Issuer, the difference, if any, between (x) the aggregate Outstanding Principal Amount (reduced, in respect of such Savings Mortgage Receivables, the relevant Participations) in respect of such Mortgage Receivables sold by the Issuer from the Closing Date up to and including such Quarterly Payment Date, and (y) the purchase price received in respect of such Mortgage Receivables and the Beneficiary Rights relating thereto to the extent relating to the principal (reduced, with respect to Savings Mortgage Receivables, the relevant Participations), whereby, in respect of both item (a) as well as item (b), listed above, for the purpose of establishing the outstanding principal amount of the relevant Mortgage Receivable, any amount by which the Mortgage Receivables have been extinguished (*teniet gegaan*) as a result of set-off or defence to payments asserted by Borrowers will be disregarded and shall hence form part of the Outstanding Principal Amount and shall hence form part of the Outstanding Principal Amount.

Interest Rate Hedging

The Mortgage Loan Criteria require that all Mortgage Receivables sold and assigned to the Issuer at Closing either bear a fixed rate of interest or a floating rate of interest or slight variations thereon (as further described in *Description of the Mortgage Loans* below). The interest rate payable by the Issuer with respect to the Notes is calculated as a margin over Euribor. The Issuer will mitigate this interest rate exposure over the Mortgage-Backed Notes by entering into the Swap Agreement with the Swap Counterparty.

Under the Swap Agreement, the Issuer will agree to pay on each Quarterly Payment Date the sum of:

- (i) the aggregate amount of the interest on the Mortgage Receivables scheduled to be paid during the relevant Quarterly Calculation Period less, with respect to each Savings Mortgage Receivable, an amount equal to such scheduled interest for each month on such receivables multiplied by the Participation Fraction; plus
- (ii) any prepayment penalties received during the immediately preceding Quarterly Calculation Period; plus
- (iii) interest received on the Issuer Collection Account; less
- (iv) an excess margin (the **Excess Margin**) of 0.35 per cent. per annum applied to the relevant Outstanding Principal Amount of the Mortgage Receivables on the first day of the relevant Quarterly Calculation Period; and less
- (v) certain operating expenses as described under (a), (b), and (c) of the Interest Priority of Payments (the **Issuer Expenses**).

The Swap Counterparty will agree to pay on each Quarterly Payment Date an amount equal to the sum of the scheduled interest due under the Mortgage-Backed Notes, calculated by reference to the floating rate of interest applied to the Principal Amount Outstanding of the relevant Mortgage-Backed Notes (as reduced by any outstanding debit balance on the Principal Deficiency Ledger) on the first day of the relevant Floating Rate Interest Period.

If on any Quarterly Payment Date, the sum of scheduled interest actually received and interest (including penalties) recovered on the Mortgage Receivables, less with respect of a Savings Mortgage Receivable, the amount received multiplied by the Participation Fraction, falls short of scheduled interest to be received on the Mortgage Receivables, less in case of a Savings Mortgage Receivable, the relevant Participation during the immediately preceding Quarterly Calculation Period, the payment obligation of the Issuer will be reduced with an amount equal to such shortfall. In such event the payment of the Swap Counterparty on the immediately succeeding Quarterly Payment Date will be adjusted accordingly on a euro for euro basis. Such reduction could result in the Issuer not having sufficient funds available to meet its payment obligations in accordance with the priorities described above on such Quarterly Payment Date.

Payments under the Swap Agreement in respect of the same transaction and payable on the same day and in the same currency will be netted.

The Swap Agreement will be documented under an ISDA Master Agreement. Prior to its scheduled termination date, the Transaction under the Swap Agreement may be terminated in accordance with certain Events of Default and Termination Events (each as defined in the Swap Agreement). The Transaction under the Swap Agreement may be terminated by the Swap Counterparty in circumstances including, broadly, where the Issuer is in default by reason of failure by the Issuer to make payments, where certain insolvency-related events affect the Issuer, in the event that the Security Trustee enforces payment of the Notes or if the Notes are redeemed in full. The Transaction under the Swap Agreement may be terminated by the Issuer in circumstances including, broadly, where the Swap Counterparty is in default by reason of failure to make payments, where certain insolvency-related or events affect the Swap Counterparty and where certain tax representations given by the Swap Counterparty prove to be incorrect.

In the event that the Transaction under the Swap Agreement is terminated prior to the service of any Enforcement Notice, the Issuer shall, upon prior notification to Moody's, enter into a replacement swap agreement on terms and with a swap counterparty acceptable to Moody's and the Security Trustee and will not cause the then current ratings of the Mortgage-Backed Notes to be downgraded, withdrawn or qualified. If the Issuer is unable to enter into a replacement swap agreement on terms acceptable to Moody's, this may affect amounts available to pay interest on the Notes.

Upon the early termination of the Transaction under the Swap Agreement, the Issuer or the Swap Counterparty may be liable to make a termination payment to the other. This termination payment will be calculated and made in Euro. The amount of any termination payment will be based on the market value of the terminated swap transaction as determined on the basis of quotations sought from leading dealers as to the cost of entering into a swap with the same terms and conditions that would have the effect of preserving the economic equivalent of the respective full payment obligations of the parties (or based upon a good faith determination of total losses and costs (or gains) if an insufficient number of quotations can be obtained or if basing the valuation on quotations would not produce a commercially reasonable result) and will include any unpaid amounts that became due and payable prior to the date of termination. Any such termination payment could be substantial.

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 transaction under the Swap Agreement. Upon such termination, the Issuer or the Swap Counterparty may be liable to make a termination payment to the other party. Under the Swap Agreement, in the event that the relevant rating(s) of the Swap Counterparty, or its respective guarantor, as applicable, is or are, as applicable, downgraded by the Moody's below the relevant required rating (in accordance with the requirements of Moody's), and, if applicable, as a result of the downgrade, the then current ratings of the Mortgage-Backed Notes would be adversely effected, the Swap Counterparty will, in accordance with the Swap Agreement, be required to take certain remedial measures which may include providing collateral for its obligations under the Swap Agreement, arranging for its obligations under the Swap Agreement to be transferred to an entity with the required rating (in accordance with the requirements of Moody's), procuring another entity with the required rating (in accordance with the requirements of Moody's) to become co-obligor or guarantor, as applicable, in respect of its obligations under the Swap Agreement, or taking such other action as Swap Counterparty may agree with Moody's.

The Swap Counterparty may, subject to certain conditions specified in the Swap Agreement, including (without limitation) the satisfaction of certain requirements of Moody's, transfer its obligations under any Swap Agreement to another entity. The Issuer and the Swap Counterparty have entered into a Credit Support Annex to the Swap Agreement on the basis of ISDA documentation, which provides for requirements relating to the providing of collateral by the Swap Counterparty if it ceases to have at least the required ratings.

Sale of Mortgage Receivables

The Issuer may not dispose of the Mortgage Receivables and the Beneficiary Rights relating thereto, except to comply with its obligations under the Notes in certain circumstances and further as provided in the Trust Deed. If the Issuer decides to offer for sale (part of) the Mortgage Receivables and the Beneficiary Rights relating thereto it will first offer such Mortgage Receivables and the Beneficiary Rights relating thereto to the Seller. Except in the circumstances as set out below, the Seller will pay a purchase price equal to the purchase price a third party is willing to pay for the Mortgage Receivables and the Beneficiary Rights relating thereto.

Sale of Mortgage Receivables on an Optional Redemption Date

The Issuer will have the right to sell and assign all but not some of the Mortgage Receivables and the Beneficiary Rights relating thereto on each Optional Redemption Date, provided that the Issuer shall apply the proceeds of such sale to redeem the Notes. The Issuer shall first offer the Mortgage Receivables and the Beneficiary Rights relating thereto for sale to the Seller. The Seller shall within a period of 15 business days inform the Issuer whether it wishes to repurchase the Mortgage Receivables and the Beneficiary Rights relating thereto. After such 15 business day period, the Issuer may offer such Mortgage Receivables and the Beneficiary Rights relating thereto for sale to any third party.

The purchase price of the Mortgage Receivables and the Beneficiary Rights relating thereto in the case of a sale and assignment of the Mortgage Receivables and the Beneficiary Rights relating thereto in such event shall be equal to at least the relevant Outstanding Principal Amount in respect of the relevant Mortgage Receivables, together with accrued interest due but unpaid, if any, except that, with respect to Mortgage Loans which are in arrears for a period exceeding 90 days or in respect of which an instruction has been given to the civil-law notary to start foreclosure proceedings, the purchase

price shall be at least the lesser of (a) the sum of the relevant Outstanding Principal Amount in respect of the relevant Mortgage Receivables, together with accrued interest due but unpaid, if any, and any other amount due under the Mortgage Conditions up to the relevant date of sale or repurchase and (b) an amount equal to the foreclosure value of the Mortgaged Assets or, if no valuation report of less than 12 months old is available the original foreclosure value as increased or decreased in accordance with the index of increases of house prices issued by the Dutch land registry (*kadaster*) in relation to residential properties in the Netherlands (the **Indexed Foreclosure Value**) provided that the purchase price shall be at least an amount equal to the Principal Amount Outstanding of the Senior Class A Notes together with accrued interest due but unpaid up to the date of sale.

Sale of Mortgage Receivables if the Clean-Up Call Option is exercised

On each Quarterly Payment Date, the Seller has the option to exercise the Clean-Up Call Option. In respect of the purchase price, the same as set out above under *Sale of Mortgage Receivables on an Optional Redemption Date* applies to the purchase price payable for the sale of Mortgage Receivables and the Beneficiary Rights relating thereto if the Seller exercises the Clean-Up Call Option. The proceeds of such sale shall be applied by the Issuer towards redemption of the Notes in accordance with Condition 6(b) and subject to Condition 9(b).

Sale of Mortgage Receivables if the Regulatory Call Option is exercised

On each Quarterly Payment Date, the Seller has the option to exercise the Regulatory Call Option. The Issuer will undertake in the Mortgage Receivables Purchase Agreement to sell and assign the Mortgage Receivables and the Beneficiary Rights relating thereto to the Seller or any third party appointed by the Seller in its sole discretion if the Regulatory Call Option is exercised. The proceeds of such sale shall be applied by the Issuer towards redemption of the Notes in accordance with Condition 6(b) and subject to Condition 9(b). The purchase price of the Mortgage Receivables and the Beneficiary Rights relating thereto will be at least the lesser of (a) the sum of the relevant Outstanding Principal Amount in respect of the relevant Mortgage Receivables, together with accrued interest due but unpaid, if any, and any other amount due under the Mortgage Conditions up to the relevant date of sale or repurchase and (b) an amount equal to the sum of the foreclosure value of the Mortgaged Assets or, if no valuation report of less than 12 months' old is available, the Indexed Foreclosure Value, provided that the purchase price shall be at least an amount equal to the Principal Amount Outstanding of the Senior Class A Notes together with accrued interest due but unpaid up to the date of sale.

Sale of Mortgage Receivables for tax reasons

If the Issuer exercises its option to redeem the Notes for tax reasons in accordance with Condition 6(f), the Issuer will undertake in the Mortgage Receivables Purchase Agreement to first offer the Mortgage Receivables and the Beneficiary Rights relating thereto for sale to the Seller. The Seller shall within a period of 15 business days inform the Issuer whether it wishes to repurchase the Mortgage Receivables and the Beneficiary Rights relating thereto. After such 15 business day period, the Issuer may offer the Mortgage Receivables and the Beneficiary Rights relating thereto to any third party. The purchase price of such Mortgage Receivables and the Beneficiary Rights relating thereto will be calculated in the same manner as described in *Clean-Up Call Option* above.

Sale of Mortgage Receivables if the Seller is obliged to repurchase

If the Seller is obliged to repurchase any Mortgage Receivable(s) and the Beneficiary Rights relating thereto pursuant to the Mortgage Receivables Purchase Agreement, the purchase price of the Mortgage Receivables and the Beneficiary Rights relating thereto will be equal to the Outstanding Principal Amount in respect of the relevant Mortgage Receivables together with any accrued interest

up to but excluding the date of repurchase and reassignment of the Mortgage Receivables and the Beneficiary Rights relating thereto and any costs incurred by the Issuer in effecting and completing such sale and reassignment.

OVERVIEW OF THE DUTCH HOUSING AND RESIDENTIAL MORTGAGE MARKET

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

1. Mortgage market characteristics

Mortgage interest payments are generally tax deductible

The Dutch tax authorities allow borrowers to deduct all mortgage interest payments from their taxable income. Since January 2001, the new income tax system limits tax deductibility to interest payments on mortgage loans only and the number of years that interest payments can be deducted is capped at 30 years. 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.

On 1 January 2004, new legislation was enacted that further limits the deductibility of mortgage interest payments. If a tax payer has sold his house to purchase a new one, deduction of interest on the new mortgage loan will be limited to the purchase price of the new home less any equity resulting from the sale of the former residence after reimbursement of the previous mortgage loan, i.e. borrowers have a strong incentive to reinvest any capital gains into the new property.

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

The tax system has had a positive effect on the average Loan-to-Value ratio. As the Dutch tax system allows 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 per cent. of foreclosure value. For new construction, most financial institutions are prepared to finance up to 110 per cent. of total building costs of the house. Foreclosure value is typically around 85 per cent. of the market value. By the end of 2008, the average house price was EUR 233,000 (source: *Nederlandse Vereniging van Makelaars (NVM)*).

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 100 per cent. in 2007. Due to rising home-ownership and house prices, total mortgage debt accumulation increased in the late 1990's and continued to grow in recent years at a strong pace. Total mortgage debt in the Netherlands at the end of September 2008 equalled EUR 578 billion, a considerable increase compared to the EUR 559 billion outstanding as per year end 2007 (source: De Nederlandsche Bank (**DNB**)).

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 assets or in some

circumstances even the borrower's earnings from his employer in case the borrower defaults.

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. Generally, Dutch mortgages also benefit from good overall quality of mortgage servicing.

Prepayment is discouraged

Lending terms in the Netherlands generally allow a borrower to prepay up to 10 to 15 per cent. 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 death of the borrower. 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. Declining interest rates in the mid- and late 1990's and again in the 2003-2005 period encouraged many mortgagors to refinance. However, even when they were incurring heavy prepayment penalties, refinancing often appeared to be worthwhile, also supported by the fact that prepayment penalties can be partly tax deductible for the borrower.

Housing market trends in recent years

Owner-Occupancy Rates are increasing

The Dutch housing market shows a relatively low owner-occupancy rate of 54 per cent. (end of 2007) compared to an average owner-occupancy rate in the EU as a whole of 64 per cent.. However, the owner-occupancy rate in the Netherlands has been steadily increasing in the last 25 years, from 42 per cent. of the total housing stock in 1982 (source: "*Centraal Bureau voor de Statistiek*" (CBS)).

House Prices have been increasing in recent years whilst mortgage interest rates are still at relatively low levels

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. Between 2000 and 2003 house price growth slightly slowed to pick up from 2004 onwards and then stabilising in 2008. Interest rates on mortgage loans have been relatively low in the past years, but have steadily been going up since the end of 2004. The most important factors for the Dutch housing market are outlined below.

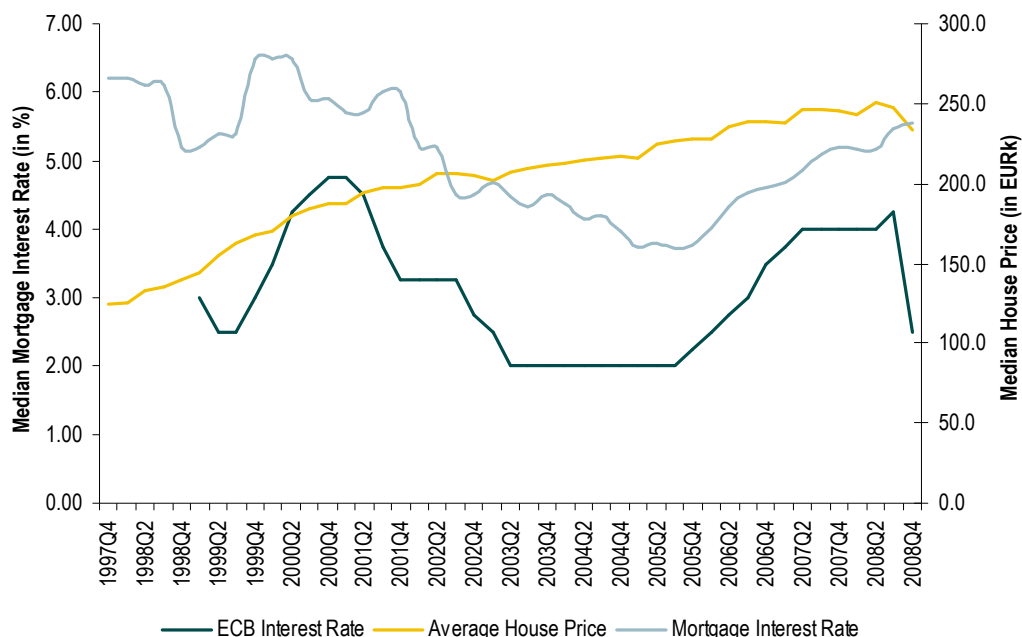
Demand factors:

- The level of borrowing costs and the tightness of mortgage lending standards are very decisive factors for housing demand. Dutch mortgage rates have steadily risen from the beginning of 2006, as the European Central Bank (ECB) has remained vigilant for upward inflation pressures and was on a tightening bias in interest rates from the beginning of 2006 to Q3 2008. However, as illustrated by Graph 1.1, this has not yet resulted in a slowdown of the housing market. Since Q3 2008, oil, commodity and food prices have declined substantially, there is mounting evidence that inflationary pressures are decreasing. The ECB has cut 50 basis point in both November 2008

and March 2009. These cuts will have a direct effect on the mortgage interest rates particularly on short term rates.

- Demographic trends, such as the composition of households and population growth have widely affected the demand for housing. In the Netherlands, the number of single-person households has doubled in the past 25 years leading to a substantial increase in total households.
- The final and probably most important factor is the overall economic climate. The Netherlands clearly benefits from its strong social security framework, which is likely to support housing demand in weaker economic years. In 2008, the Dutch economy expanded by 2.0 per cent. (vs. GDP growth of 3.5 per cent. in 2007). The CPB forecasts a decline of 3,5 per cent. in 2009 and is very uncertain about growth expectations for 2010 and 2011.(Source: CPB Netherlands Bureau for Economic Policy Analysis). Unemployment is expected to rise significantly.

Graph 1.1 Median house prices and mortgage interest rates



Source: NVM (Median house prices), DNB (Mortgage interest rates)

Supply factors:

- The availability of land for housing development and related land prices are highly important to house price development. Due to the densely populated Dutch territory and strict infrastructural arrangements, land for housing development is scarce which continues to have a strong upward effect on house prices.
- Statistical analysis has shown that building costs – including labour and materials – have not had a significant effect on house prices overall. Main reason is that during recent years, building costs have only gradually gone up without having incurred any severe shocks.
- The housing market continues to have a shortfall of overall and high quality supply.

In recent years an upward trend could however be seen in new housing construction, heavily supported by a strong increase in new construction permits and long-running governmental initiatives such as the so-called Vinex-regions. New agreements have been made to reduce the total housing shortfall to 1.5 per cent. by 2010, which should translate into a total housing production in urbanised regions of 358,000 houses within five years (source: TNO Bouw en Ondergrond).

- The Dutch government generally supports the sale of publicly-owned rental housings to the occupants. According to plans ownership of around 25,000 houses a year should be transferred to the private individuals to attain owner occupancy target level of 65 per cent. (source: Ministerie van Volkshuisvesting, Ruimtelijke Ordening en Milieubeheer (Ministry of VROM)).

The Dutch mortgage lending sector

The Dutch mortgage market has typically been dominated by a handful of major banking groups which now controls nearly 70 per cent. of the mortgage lending market, distributing mortgages through their traditional branch network combined, for most of them, with a more specialised network selling under different brand names. The remaining part is divided amongst various other types of lenders, such as smaller banks, dedicated mortgage lenders and insurance companies. In Table 1.2, an overview of the domestic market shares of the different sectors is provided.

Table 1.2 Market shares per sector

| Year | 2007 |
|------------------------------------|-----------------------|
| | <i>(market share)</i> |
| General banks | 69.9 per cent. |
| Insurance companies | 3.5 per cent. |
| Specialised mortgage lenders | 24.7 per cent. |
| Other legal entities | 2.0 per cent. |

Source: DNB

2. Relative economic performance of the Northern provinces of the Netherlands

In line with the Dutch economy, the Northern provinces of the Netherlands (Friesland, Groningen and Drenthe) saw an expansion of economic activity in 2006. The 2006 growth figures are the highest in a period of five years.

Due to the relatively small size of the country, the business cycle in the Northern provinces is fairly similar to the rest of the country. To a large extent this is caused by more and more businesses moving their operations to the North of the Netherlands in the last decade. The Northern provinces are still more reliant on the agricultural and industrial sectors, but the focus is seriously shifting towards the services industries.

Table 2.1: Frisian and Dutch economy

| Variables | Netherlands | North of the Netherlands* |
|---|----------------|---------------------------|
| Inhabitants (2008) | 16,405,399 | 1,705,000 |
| Labour force (2008) | 7,307,692 | 762,000 |
| Unemployment Rate (2008) | 3.9 per cent. | 5.8 per cent. |
| Gross Regional Product (in million euro) (2007) | 567,066 | |
| agriculture and fishery | 2.2 per cent. | 4.4 per cent. |
| industry | 18.7 per cent. | 25.9 per cent. |
| services | 79.1 per cent. | 69.7 per cent. |
| Housing stock (2007) | 7,030,000 | |
| Average price of a house (end of June) (in euro) (source: NVM) | 252,000 | 189,835 |

* the provinces of Friesland, Groningen and Drenthe
Source: CBS/Chamber of Commerce

The last years has seen a trend of large international companies moving their business away from the (North of the) Netherlands to countries with lower labour costs. This affected both the economic growth and the unemployment rate in the Netherlands. However, due to the robust economic expansion during 2006 and 2007 the unemployment rate in the Netherlands declined rapidly. End of 2007 unemployment stood at 314.000, which is 4,0 per cent. of the total labour force. During the first half of 2008 the unemployment figure declined with 3.000 a month. This resulted in an unemployment rate of 3.7 per cent. of the total labour force in September 2008. However deteriorating economic condition has caused an increase in unemployment rate. This resulted in an unemployment rate of 3.9 per cent in 2008 year end (source: CBS).

The last five years, the favourable economic situation has offered Friesland Bank new opportunities. In the past years Friesland Bank has notably strengthened its retail business, resulting in a comprehensive and promising customer base in Friesland.

3. Conclusion

The Dutch housing market is stable compared to housing markets in other countries in the European Union. The housing market continues to be undersupplied with overall and high quality offering. Owner occupancy levels are low, but gradually increasing, compared to other countries in the EU. The economic environment (including GDP growth, unemployment levels, etc.) remains strong although it has slowed down significantly. This has caused pressure on the housing market and data shows that the increase in house prices has slowed in the first three quarters of 2008 and house prices has fallen in the fourth quarter of 2008.

Several steps have been taken by the Dutch government to reduce/moderate the benefits of tax deduction like the maximum period of 30 years in which mortgage interest payment can be deducted. However, these small changes in the tax regime have so far not had a material effect on the housing market.

FRIESLAND BANK N.V.

History and Incorporation

Friesland Bank N.V. was incorporated in 1912 in Leeuwarden as Coöperatieve Zuivelbank by a number of Frisian co-operative dairy industries to regulate their cash positions and to provide them with short-term credits. Soon Friesland Bank extended its operations to all agrisector business in Friesland organised on a co-operative basis, and to local authorities and water boards. From 1963 onwards, Friesland Bank's strategy was fundamentally changed: services were offered also to non-co-operative businesses in Friesland and a retail banking operation was set up. In 1992, Friesland Bank decided, in view of the ongoing concentration in the Dutch banking industry, to expand its activities to the whole northern part of the Netherlands and to enter into alliances with other financial institutions. In 2006 Friesland Bank announced a further implementation of its strategy and the positioning of the bank. Several smaller branches in the province of Friesland will be closed. In other parts of the Netherlands new branches will be started. In Friesland, Friesland Bank will act as a general bank. Outside Friesland, the bank will focus on business banking and personal/private banking. In 1995, the legal structure of Friesland Bank was changed from a co-operative to a public company with limited liability, with the share capital held by Vereniging Friesland Bank. The legal structure of Friesland Bank was further amended in 1997 by the introduction of Friesland Bank Holding N.V.

Friesland Bank Holding N.V. currently holds all of the shares of Friesland Bank N.V. The Vereniging Friesland Bank holds all shares in the share capital of Friesland Bank Holding N.V. In November 2004 Friesland Bank significantly strengthened its financial position with the issue of € 125 million Perpetual Capital Securities.

Activities and Results

Friesland Bank is a general bank engaged in both retail and wholesale banking. The bank's activities are focused on mortgages, savings, and services to small and medium sized enterprises primarily in the northern part of the Netherlands. The bank offers a full range of banking and insurance products and services to its clients. Besides its branches, Friesland Bank uses intermediaries to generate business. One of the key points of the bank is its focus on customer intimacy. Although Friesland Bank has its origins in the agricultural sector, its current business loan book is well diversified across a number of sectors. In terms of volume, mortgages form the major part of Friesland Bank's assets. The bank has been successful in developing and selling innovative mortgage products. The bank's strong presence in the northern part of the Netherlands and its unique history and independent status make it a credible alternative to larger competitors. Friesland Bank expects to show a loss for 2008 as the bank is affected by the turbulence on the financial markets, in spite of the strong focus on banking services for Dutch clients.

Key figures:**Friesland Bank N.V. key figures as at 31 December**
(unless otherwise specified)**2008*****2007****2006****2005****(€ x 1 million)****Balance sheet**

| | | | | |
|-------------------------------------|----------|----------|---------|---------|
| Balance sheet total | 10,608.6 | 10,188.8 | 9,346.8 | 9,093.7 |
| Loans and advances | 7,896.9 | 7,622.0 | 7,271.2 | 7,028.4 |
| Savings | 2,373.7 | 2,283.7 | 2,088.1 | 1,979.3 |
| Other fund deposited | 3,434.4 | 3,128.5 | 2,916.9 | 3,100.3 |
| Debt securities | 2,659.7 | 2,929.0 | 2,513.2 | 2,209.6 |
| Shareholders' equity | 925.6 | 938.0 | 856.7 | 819.8 |
| Group funds | 1,336.7 | 1,341.4 | 1,230.2 | 1,154.0 |
| BIS core capital ratio (per cent.) | 12.4 | 12.6 | 13.2 | 13.4 |
| BIS total capital ratio (per cent.) | 12.4 | 12.6 | 13.2 | 13.4 |

Income statement

| | | | | |
|---------------------------------|-------|-------|-------|-------|
| Operating income | 257.7 | 438.9 | 389.1 | 326.2 |
| Operating expenses | 197.8 | 271.2 | 247.6 | 191.3 |
| Result from business operations | 59.9 | 167.7 | 141.5 | 134.9 |
| Value adjustments | 17.3 | 49.7 | 17.6 | 38.5 |
| Net operating result | 42.5 | 118.0 | 123.9 | 96.4 |
| Net profit | 40.8 | 120.6 | 106.9 | 76.7 |

Managing Board

G.T. van Wakeren
A. Vlaskamp
E.H.M.M. Krijnsen
R. Klaasman

* Unaudited half year figures as per 30 June 2008

Supervisory Board

K. Wezeman, Chairman
J. Keijzer
B.R.I.M. Gerner
R.J. Meuter
G. Benedictus
A. Oosterhof
L. Lindner

Credit Ratings

| Ratings | Fitch | Moody's |
|----------------|---------------|----------------|
| Long Term | A- | A2 |
| Assigned | February 2009 | November 2008 |
| Short Term | F2 | P-1 |
| Assigned | February 2009 | November 2008 |
| Outlook | Stable | Stable |

FRIESLAND BANK RESIDENTIAL MORTGAGE BUSINESS

1. Positioning of Friesland Bank in the residential mortgage market

The development of the mortgage loan portfolio of the bank over the last five years is reflected in the Table 1.1 below:

Table 1.1: Mortgage loans portfolio of Friesland Bank

| Variables | 2004 | 2005 | 2006 | 2007 | 2008 |
|--------------------------------------|-----------|-----------|-----------|-----------|-----------|
| <i>(amounts in thousand euro)</i> | | | | | |
| Residential loans and advances | 3,777,048 | 4,207,576 | 4,529,387 | 4,544,234 | 4,470,355 |

Source: Friesland Bank

In the years 2002-2004, Friesland Bank's growth in newly registered mortgages exceeded the growth in the Province of Friesland. The temporary market downturn in 2004 did not stop the growth of Friesland Bank's franchise, as the bank benefited from the success of the popular and innovative '*Marge Plus Hypotheek*'. Friesland Bank's marketing efforts were also successful and as a consequence its regional market share at that time has risen to 13.9 per cent..

However, in the following years the annual volume growth experienced a backdrop: competition in the mortgage market increased in those years, putting further pressure on mortgage rates and margins. Friesland Bank accepted lower growth in the personal lending portfolio as it did not want to join the price war nor the war on underwriting criteria. In 2008 there was a strong growth in volume, due to a less restrictive pricing policy and a more favourable market as several low-price competitors withdrew from the Dutch market.

Table 1.2: Friesland Bank's market share in the Frisian mortgage market

| Year | Newly registered mortgages Friesland | Annual growth | Newly registered mortgages Friesland Bank | Annual growth | Market share newly registered mortgages |
|------------|--------------------------------------|------------------|---|-----------------|---|
| 2002 | 2,779,9 | 16.0 per cent. | 301.8 | 17.4 per cent. | 10.9 per cent. |
| 2003 | 3,446,7 | 24.0 per cent. | 390.8 | 29.5 per cent. | 11.3 per cent. |
| 2004 | 3,615,1 | 4.9 per cent. | 503.7 | 28.9 per cent. | 13.9 per cent. |
| 2005 | 4,275,7 | 18.3 per cent. | 468.5 | -7.0 per cent. | 11.0 per cent. |
| 2006 | 4,439,6 | 3.8 per cent. | 391.3 | -16.5 per cent. | 8.8 per cent. |
| 2007 | 3,984.1 | - 10.3 per cent. | 217.0 | -44.5 per cent. | 5,45 per cent. |

| | | | | | |
|------------|---------|-----------------|-------|-----------------|----------------|
| 2008 | 3.128,1 | -21.5 per cent. | 294,7 | 35,8% per cent. | 5,91 per cent. |
|------------|---------|-----------------|-------|-----------------|----------------|

Source: Kadaster, Friesland Bank

Compared to the average loan size in the Frisian market, Friesland Bank's average loan size has increased in 2002 and 2003. However, from 2004 onwards this trend stagnated as (secondary) loans to existing mortgage clients rose compared to mortgages to new clients. More competitive pricing in 2008 resulted in a significant rise in average loan size for Friesland Bank.

Table 1.3: Average size of mortgage loans in Frisian mortgage market

| Year | Market average | Annual Growth | Average Friesland Bank | Annual Growth |
|--------------------------|----------------|------------------|------------------------|------------------|
| <i>(amounts in euro)</i> | | | | |
| 2002 | 136,225 | 10.8 per cent. | 141,671 | 12.6 per cent. |
| 2003 | 151,643 | 11.3 per cent. | 157,836 | 11.4 per cent. |
| 2004 | 164,516 | 8.5 per cent. | 164,391 | 4.2 per cent. |
| 2005 | 180,008 | 9.4 per cent. | 170,372 | 3.9 per cent. |
| 2006 | 198,683 | 10.4 per cent. | 178,695 | 4.7 per cent. |
| 2007 | 211,552 | - 4.31 per cent. | 186,736 | - 5.31 per cent. |
| 2008 | 216,236 | 2,2 per cent. | 210,171 | 12.5 per cent. |

Source: Kadaster, Friesland Bank

2. Origination and acceptance procedures

Application procedure and underwriting criteria

Mortgage origination at Friesland Bank takes place through the branch network of Friesland Bank and through the channel of intermediaries (i.e. independent agents). The process is more or less identical for both the direct and the intermediary channel.

New mortgage loans are granted to Friesland Bank's clients subject to a strict underwriting protocol. The protocol requires a face to face meeting with the client, in which a loan application form is completed in an automated approval system: Friesland Bank Hypotheken System (**FHS**). Next to the personal data, the following criteria for loan issuance are addressed in the approval system:

- (a) Can the mortgage loan be serviced?

The Stichting Waarborgfonds Eigen Woning uses a strict set of requirements for the granting of a guarantee to the borrower. Friesland Bank uses this same set of requirements as basis to estimate whether a borrower will be able to fulfil its obligations under the mortgage loan. The specific terms and conditions of NHG,

such as eligible income, building deposits etc. are described in publicly available documents. Besides the above, Friesland Bank complies with the Code of Conduct for Mortgage lending, enforced on 1 January 2007.

(b) Will the mortgage loan be serviced?

Friesland Bank's relationship approach towards its borrowers provides it with in-depth knowledge of the borrower and its background. This information can be very useful in the process of evaluating the credit worthiness of a borrower.

In addition, the payment history of each individual borrower is checked with the Bureau Krediet Registratie (**BKR**), a registration office that administrates credits of financial institutions to individuals in the Netherlands. Friesland Bank has a general policy of excluding individuals with defaulting payment records to their borrower database. Furthermore, individual borrowers are run through an identification system (VIS) and a fraud system (EVA).

(c) Has sufficient collateral been deposited?

A conservative policy of collateral requirements is in place for the granting of mortgage loans to individuals. Generally, advances are limited to a maximum of approx. 112 per cent. of the market value of the underlying property, which is normal compared to Dutch standards.

Evaluation and acceptance of the loan applications

The above information, including income to loan ratio, loan to value ratio, evaluation of the total debt position of the borrower and his chosen standard of living, is recorded in FHS (Friesland Bank Hypotheken System). This system automatically approves applications of loans up to EUR 750,000. If automatic system approval is not possible, a credit analyst from the centralised mortgage mid-office will approve or decline. Applications through FHS of loans from EUR 750,000 to EUR 1,000,000 – will always be handled for approval by a credit analyst of the mid-office. Loans above EUR 1,000,000 will be handled for approval by the Credit Committee of Friesland Bank.

Subsequently, an appropriate credit officer double-checks the mortgage application, even in case of automated approval. After various checks, the mortgage loan proposal is sent to the relevant account manager, who then discusses it with the prospective borrower. Note that the account manager is not able to amend the approved proposal anymore at this stage.

If the borrower accepts the mortgage loan proposal of Friesland Bank, he countersigns it and returns it together with all necessary documents (proof of income, proof of employment, taxation report, etc.) to Friesland Bank.

Documentation process and final checks

Upon receipt of the accepted proposal, an officer of the mid-office checks whether the proposal is complete and has been duly signed. If complete and signed, the file is transferred to the back-office Operations Administration Department. Subsequently, the contracts regarding the mortgage loan are drafted and sent to the notary. The notary prepares the final notary deed for the mortgage loan, while the Operations Administration Department drafts the debt declaration and any other relevant document, such as pledge agreements where applicable. The Loan Administration System prepares a checklist of all the pledge documents that need to be registered. With respect to the correctness of the mortgage deed/security in

the respective public files, the notary performs an additional check. He will, for example, verify the ranking of the mortgage loan and make proper adjustments if so required.

Note that in the Netherlands, details of all land and properties are recorded in public registers (*Kadaster*). The mortgage right is acquired by a notary deed and registration of the mortgage loan in the public registers (*Kadaster*).

Finally, the file is transferred to the File Management Department who archives the documents in the safe at the head-office of Friesland Bank.

For the avoidance of doubt, a strict separation of authorisation and control of the loan application is maintained.

Once an offer for a mortgage loan has been accepted, the borrower is required to open an account with Friesland Bank, if he is not already holding one, and to provide direct debit instructions. Direct debit ensures automatic debit of the borrower's current account for instalments on the mortgage loan. Arrears on instalments will appear as an overdue on the current account of the borrower.

3. Mortgage administration

Loan Administration System

The Loan Administration System automatically calculates the instalments for the mortgage loan for each individual borrower. Mistakes and errors, if any, will be manually corrected, after being verified by experienced back office employees.

The Loan Administration System records all kind of (historical) data of the mortgage loans. Both the Risk Control Department and the Internal Audit Department perform frequent checks with respect to the administration of the mortgage loans (i.e. proper authorisation, monitoring of the procedures and standards). In addition, the Loan Administration System can automatically generate reports for management purposes and for Dutch Central Bank reporting requirements.

A contingency plan is available with respect to the Loan Administration System, including back-up and recovery procedures. In order to guarantee the continuity of the Loan Administration System, the back-up system is installed outside the headquarters of Friesland Bank.

Arrears management

Arrears management is an integrated process based on both an automated system and a personal approach. The automated system causes all arrears to be reported from day-one on a so-called To-do list. Each account manager receives daily in his To-do box a list of his clients which are in arrears, irrespective of the product or service on which the arrears is based.

The account manager has to take action, triggered by his To-do list. In general, he will contact his client and discuss the reason for the arrears. This assessment constitutes the basis for further action. Apart from actions by the account manager, the system automatic send out letters to the client after 14, 45, 60 and 75 days, if the arrears are not resolved.

On a monthly basis, the Risk control department prepares a 'Credit Risk Rayon Rapportage'. This report is sent to the management team of each regional office, and contains a detailed

past due list on client level. Apart from this, a monthly 'Credit Risk Management Rapportage' is sent to the senior management of the bank including the Board of Management. These reports make sure that all arrears are known at all levels within the bank.

Delinquencies management

If arrears are not resolved after 90 days, the relevant file will be transferred to the Credit Management Group (*Bijzonder Beheer* or **CMG**). Transfer to the CMG is also possible in an earlier stage of the arrears process, in case default indicators and regional management indicate that additional time until 90 days will not resolve the arrears situation.

The CMG will approach the borrower on the matter. Depending on the borrower's situation, the Central Risk Management Group will try to reach an agreement with the borrower. If all negotiations fail, the Central Risk Management Group will initiate a forced sale.

With regard to disallowed overdue amounts on current accounts, Friesland Bank calculates a special interest fee. This fee will automatically be deducted from the borrower's current account.

Foreclosure Process

When a voluntary sale of the mortgaged assets is not possible within a given time frame, the Central Risk Management Group will either reconsider the conditions or will decide to sell the property through a public sale (as defined by Dutch Civil law).

Friesland Bank has to decide within fourteen (14) days whether it wishes an announced public auction of the mortgaged assets. This depends on the position of the borrower towards Friesland Bank. If the other party agrees with the decision, it has to promise to co-operate with the annulment even if it will not receive any proceeds. In the meantime the Central Risk Management Group will inform the borrower by written notices.

Debt after sale

If the proceeds of the mortgaged assets are not sufficient to pay the liabilities under the mortgage loan, Friesland Bank will become ordinary creditor for the remaining amount. This means that Friesland Bank will have a claim on the borrower for the coming years until the debt has been satisfied.

DESCRIPTION OF MORTGAGE LOANS

Mortgaged Assets

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

Mortgage Types

Friesland Bank offers a selection of mortgage products. The Provisional Mortgage Portfolio contains five distinguishable repayment types annuity, linear, life, interest only mortgages and savings mortgage loans.

Repayment Types

Interest-only Mortgage Loans

Interest-only Mortgage Loans are Mortgage Loans on which only interest is due. The vast majority of these Mortgage Loans have no fixed maturity date but become due and payable in certain events, e.g. upon death of the Borrower, a sale or transfer (*vervreemding*) of the Mortgaged Asset or upon the Borrower leaving the Mortgaged Asset to take up his residence elsewhere, although retaining ownership of the Mortgaged Asset.

Linear Mortgage Loans

Linear Mortgage Loans are Mortgage Loans on which a periodical payment consists of a constant amount for redemption plus an amount of interest based on the remaining loan balance. The balance of the Mortgage Loan is thus being repaid in a straight-line fashion i.e. linear, while the interest payment declines between payments.

Annuity Mortgage Loans

Annuity Mortgage Loans are characterised by equal periodical payments[†] by the Borrower. These payments contain both interest and principal redemption on the Mortgage Loan. As with each payment part of the Mortgage Loan is redeemed, the interest charge declines between each successive payment. The redemption part of the periodical payment rises in such a way that the total payment amount is fixed and the remaining balance of the Mortgage Loan at maturity will be zero.

Savings Mortgage Loans

This type of mortgage combines a loan with a capital/life insurance policy. The payout at the end of the contract or at the time when the build up value under the insurance policy is equal to or higher than the outstanding amount of the mortgage loan (or earlier at the death of the borrower) always

[†] This assumes the interest rate charged on the loan to be constant over the entire life of the Mortgage Loan. Upon the occurrence of an "Interest Rate Reset" (see below) the payment amount may be changed.

corresponds exactly to the amount of the mortgage loan. The constant monthly payments consist of interest on the principal and a savings/risk premium for the capital/life insurance (*spaar/risicopremie*). If the rates have gone up at the end of the chosen fixed-rate period, the interest charge on the loan will increase but the savings premium on the life insurance will decrease and vice versa. The reinvestment rate on accumulated mortgage principal is guaranteed at the mortgage rate. The loans can have a maximum maturity of 30 years.

Life Mortgage Loans

Life Mortgage Loans are Mortgage Loans on which only interest is being paid until the maturity of the Mortgage Loan. At maturity the balance of the Mortgage Loan becomes due and payable. To facilitate full repayment of the Mortgage Loan, the Borrower has pledged a Life Insurance Policy to the Seller.

The Life Insurance Policy is a combined (life-) risk and capital endowment policy. This means that the policy will pay out either:

- (a) the realised value of the policy at maturity of the policy; or
- (b) the insured value at death, if earlier.

The Life Insurance Policies may be taken by the Borrowers through intermediary Friesland Bank Assurantiën, independent intermediaries or directly with a Life Insurance Company.

Prepayments

A Borrower may prepay on his Mortgage Loan either partially or in full. Prepayments are free of penalty:

- up to 10 per cent. of the original balance is prepaid per calendar year;
- full outstanding balance if and when the property is sold;
- full outstanding balance if and when the Borrower dies; and
- full outstanding balance if and when a life policy connected to the loan pays out.

In all other cases a penalty will be due on the amounts prepaid that do not conform to the conditions above. For almost all types of Mortgage Loans the penalty forms a compensation for the differences between the coupon rate of a Mortgage Loan and the applicable current market rate, both taken over the size and the remaining tenor of the Mortgage Loan.

Interest Rate Characteristics

At origination Friesland Bank allows the Borrowers to choose from a range of interest rate periods (**Interest Rate Periods**). The interest on the Mortgage Loan will be fixed depending on the tenor of the interest period and the conditions as set out in the mortgage contract. The interest will be renegotiated at the end of that period (**Interest Rate Reset Date**), enabling the Borrower to choose a new interest fixed period.

A wide range of Interest Rate Periods are available to the Borrower. Friesland Bank offers standard 1, 3, 5, 7, 10, 12, 15 and 20 years fixed interest periods, but other periods are also possible (tailor made).

Borrowers may also choose a floating rate interest on their Mortgage Loan at an Interest Rate Reset

Date or at the origination date of their Mortgage Loan. At any payment date the Borrower of a floating rate Mortgage Loan is allowed to switch to a fixed rate interest, again for a selected period.

Finally, Friesland Bank also offers a margin (**Marge Plus**) interest rate feature on most of their mortgage products. The basis for the interest rate payable is a short term interest rate, which may be reset quarterly by Friesland Bank. The Borrower is protected against changes in this short term interest rate to the extent that changes within a certain bandwidth will not affect the interest rate on the relevant Mortgage Loan. Only if the change in the short term interest rate exceeds the bandwidth will the interest rate payable by the Borrower change by the excess in interest rate movement over the bandwidth. The base rate and bandwidth are subject to reset from time to time, comparable to normal rate resets.

NHG GUARANTEE PROGRAMME

NHG Guarantee

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

Since 1 January 1995 '*Stichting Waarborgfonds Eigen Woningen*' (the **WEW**), a central privatised entity, is responsible for the administration and granting of the NHG Guarantee, under a set of uniform rules. The NHG Guarantee covers the outstanding principal, accrued unpaid interest and disposal costs. Irrespective of scheduled repayments or prepayments made on the mortgage loans, the NHG Guarantee reduces on a monthly basis by an amount which is equal to the monthly payments (principal and interest) as if the mortgage loan were being repaid on a 30 year annuity basis. In respect of each mortgage loan, the NHG Guarantee reduces further to take account of scheduled repayments and prepayments under such mortgage loan (See *Risk Factors*).

Financing of the WEW

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

Terms and conditions of the NHG Guarantee

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

The specific terms and conditions for the granting of NHG Guarantees, such as eligible income, purchasing or building costs etc. are set forth in published documents by WEW (www.nhg.nl).

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

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

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

As of 1 January 2008 an NHG Guarantee can be issued up to a maximum amount of EUR 265,000.

Claiming under the NHG Guarantees

When a borrower is in arrears with payments under the mortgage loan for a period of four months', a lender informs the WEW in writing within 30 days of the outstanding payments, including the guarantee number, borrower's name and address, information about the underlying security, the date of start of late payments and the total of outstanding payments. When the borrower is in arrears the WEW may approach the lender and/or the borrower to attempt to solve the problem and make the borrower aware of the consequences. If an agreement cannot be reached, the WEW reviews the situation with the lender to endeavour to generate the highest possible proceeds from the property. The situation is reviewed to see whether a private sale of the property, rather than a public auction, would generate proceeds sufficient to cover the outstanding mortgage loan. Permission of the WEW is required in case of a private sale unless sold for an amount higher than the foreclosure value. A forced sale of the mortgaged property is only allowed in case the borrower is in arrears with payments under the mortgage loan for a period of seven or more monthly instalments, unless the WEW has agreed that the forced sale may take place for other reasons or within a period of seven months'.

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

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

his inability to repay the mortgage loan and has failed to render his full co-operation in trying to have the mortgage loan repaid to the lender to the extent possible.

Additional loans

Furthermore, on 1 July 2005 provisions were added to the NHG Underwriting Criteria pursuant to which a borrower who is or threatens to be in arrears with payments under the existing mortgage loan may have the right to request the WEW for a second guarantee to be granted by it in respect of an additional mortgage loan to be granted by the relevant lender. The monies drawn down under the additional loan have to be placed on deposit with the relevant lender and may, up to a maximum period of two years, be used for, *inter alia*, payment of the amounts which are due and payable under the existing mortgage loan, interest due and payable under the additional mortgage loan and the costs made with respect to the granting of the additional mortgage loan. The relevant borrower needs to meet certain conditions, including, *inter alia*, the fact that the financial difficulties are caused by a divorce, unemployment, disability or death of the partner.

Main NHG underwriting criteria (NHG Underwriting Criteria), (*voorwaarden en normen*) per 2008

As from January 2008 an NHG loan must also meet with the criteria of The Code of Conduct (*Gedragsscode Hypothecaire Financieringen*) monitored by the Mortgage Federation (*Contactorgaan Hypothecaire Financiers*) for example with respect to the maximum loan to income (www.nvb.nl).

As from 1 July 2008, the interest rate used to calculate the maximum loan to income is also prescribed by the Mortgage Federation (*Contactorgaan Hypothecaire Financiers*) for fixed interest periods of less than ten years.

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

- The lender has to perform a BKR check. 'A' and 'A1' registrations are allowed in certain circumstances.
- As a valid source of income the following applies: indefinite contract of employment, temporarily contract of employment if the employer states that the employee will be provided an indefinite contract of employment in case of equal performance of the employee and equal business circumstances, for flexworkers a three year history of income statements, for self employed three year annual statements.
- The maximum loan based on the income will be based on the 'woonquote' tables and an annuity style redemption (even if the actual loan is (partially) interest only). The interest rate to be used is prescribed by the Mortgage Federation (*Contactorgaan Hypothecaire Financiers*) at least 6 per cent. for loans with a fixed interest rate period less than or equal to five years and the actual interest rate for loans with a fixed interest rate period in excess of five years.

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

- The absolute maximum loan amount is EUR 265,000. The loan amount is also limited by the amount of income and the market value of the property. With respect to the latter:
 - For the purchase of existing properties, the loan amount is broadly based on the sum of (a) the lower of the purchase price and the market value based on a valuation report, (b) the costs of improvements, (c) 12 per cent. of the amount under (a) plus

- (b). In case an existing property can be bought without paying stamp duty (*vrij op naam*), the purchase amount under (a) is multiplied by 93 per cent.
- For the purchase of a properties to be built, the maximum loan amount is broadly based on the sum of (a) purchase-/construction cost increased with a number of costs such as the cost of construction interest, VAT and architects (to the extent not included already in the purchase-/construction cost), (b) 8 per cent. of the amount under (a).
 - The maximum loan amount that is interest only is 50 per cent. of the market value of the property.
 - The Risk Insurance Policy should at a minimum cover the loan amount in excess of 80 per cent. of the market value.

SUMMARY OF THE MORTGAGE PORTFOLIO

Under the Mortgage Receivables Purchase Agreement the Issuer will agree to purchase and on the Closing Date accept the assignment of the Mortgage Receivables and the Beneficiary Rights relating thereto relating to the Mortgage Loans selected from the Provisional Mortgage Portfolio (see the section *Mortgage Receivables Purchase Agreement* below) (the **Final Portfolio**). The Mortgage Loans have been selected according to the Mortgage Loan Criteria to be set out in the Mortgage Receivables Purchase Agreement and are selected in accordance with such agreement, on or before the Closing Date (see the section *Mortgage Receivables Purchase Agreement* below). All of the Mortgage Loans were originated by the Seller between August 1972 and November 2008.

The numerical information set out below relates to a provisional mortgage portfolio of Mortgage Loans (the **Provisional Mortgage Portfolio**) which was selected on 1 January 2009. Therefore, the information set out below in relation to the Mortgage Portfolio may not necessarily correspond to that of the Mortgage Receivables and the Beneficiary Rights relating thereto actually sold on the Closing Date. After the Closing Date, the portfolio will change from time to time as a result of substitution, repayment, prepayment, amendment and repurchase of Mortgage Receivables and the Beneficiary Rights relating thereto. After the Closing Date, the portfolio will change from time to time as a result of repayment, prepayment, amendment and repurchase of Mortgage Receivables and the Beneficiary Rights relating thereto.

All amounts below are in euro. In each table, the weighted average coupon (**WAC**) and weighted average maturity (**WAM**) are specified. The WAM always pertains to those Mortgage Loans that have a legal maturity only.

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

All valuations quoted are as at the date of the original initial mortgage loan origination, unless specified otherwise.

A summary of general characteristics of the Mortgage Loans is set out in Table A.

Eleven Cities No 5 Pool Stratifications

Pool Cut Date: 1 Jan 2009

TABLE A

Key characteristics of the Provisional Pool as of 01-January-2009

| | Guaranteed | Non-Guaranteed | All Loans |
|-------------------------------------|-------------|----------------|-------------|
| outstanding principal balance (EUR) | 135,947,282 | 680,836,905 | 816,784,186 |
| average balance by borrower (EUR) | 107,383 | 149,437 | 156,083 |
| maximum loan value (EUR) | 265,000 | 7,000,000 | 7,000,000 |
| number of loan parts | 2,152 | 8,904 | 11,056 |
| number of borrowers | 1,266 | 4,556 | 5,233 |
| weighted average seasoning (months) | 50.80 | 48.28 | 48.70 |
| weighted average coupon (%) | 4.59 | 4.87 | 4.82 |
| cumulative building deposit (EUR) | 2,257,202 | 13,104,888 | 14,456,527 |

TABLE B

Origination date of the mortgage loan parts in the Provisional Pool

| Year of origination | Aggregate Outstanding Principal Amount (EUR) | Proportion of pool (%) | Number of loan parts | Proportion of pool (%) | Aggregate Outstanding Principal Amount (EUR) NHG Separately | Proportion of pool (%) | Number of loan parts NHG Separately | Proportion of pool (%) |
|---------------------|--|------------------------|----------------------|------------------------|---|------------------------|-------------------------------------|------------------------|
| 1960-1969 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 |
| 1970-1979 | 650,829 | 0.08 | 48 | 0.43 | 573,156 | 0.07 | 43 | 0.39 |
| 1980-1989 | 11,215,660 | 1.37 | 444 | 4.02 | 7,272,294 | 0.89 | 270 | 2.44 |
| 1990-1994 | 13,438,382 | 1.65 | 490 | 4.43 | 10,458,044 | 1.28 | 381 | 3.45 |
| 1995-1999 | 73,606,367 | 9.01 | 1,797 | 16.25 | 59,421,278 | 7.28 | 1,435 | 12.98 |
| 2000 | 15,503,748 | 1.90 | 275 | 2.49 | 14,374,077 | 1.76 | 254 | 2.30 |
| 2001 | 17,807,789 | 2.18 | 291 | 2.63 | 16,695,970 | 2.04 | 272 | 2.46 |
| 2002 | 35,982,465 | 4.41 | 394 | 3.56 | 34,912,536 | 4.27 | 376 | 3.40 |
| 2003 | 54,148,380 | 6.63 | 653 | 5.91 | 48,495,758 | 5.94 | 577 | 5.22 |
| 2004 Q1 | 13,223,423 | 1.62 | 185 | 1.67 | 12,029,900 | 1.47 | 170 | 1.54 |
| 2004 Q2 | 18,677,678 | 2.29 | 228 | 2.06 | 15,861,214 | 1.94 | 193 | 1.75 |
| 2004 Q3 | 18,888,020 | 2.31 | 238 | 2.15 | 15,714,490 | 1.92 | 193 | 1.75 |
| 2004 Q4 | 19,885,104 | 2.43 | 245 | 2.22 | 16,422,001 | 2.01 | 196 | 1.77 |
| 2005 Q1 | 19,821,039 | 2.43 | 247 | 2.23 | 16,171,859 | 1.98 | 194 | 1.75 |
| 2005 Q2 | 31,270,117 | 3.83 | 391 | 3.54 | 25,190,118 | 3.08 | 311 | 2.81 |
| 2005 Q3 | 29,357,853 | 3.59 | 353 | 3.19 | 23,656,323 | 2.90 | 274 | 2.48 |
| 2005 Q4 | 35,980,801 | 4.41 | 418 | 3.78 | 29,429,011 | 3.60 | 335 | 3.03 |
| 2006 Q1 | 43,236,245 | 5.29 | 486 | 4.40 | 29,876,313 | 3.66 | 321 | 2.90 |
| 2006 Q2 | 34,805,070 | 4.26 | 415 | 3.75 | 27,403,399 | 3.36 | 316 | 2.86 |
| 2006 Q3 | 21,903,681 | 2.68 | 276 | 2.50 | 17,753,977 | 2.17 | 220 | 1.99 |
| 2006 Q4 | 20,657,765 | 2.53 | 231 | 2.09 | 18,888,259 | 2.31 | 209 | 1.89 |
| 2007 Q1 | 15,847,903 | 1.94 | 190 | 1.72 | 15,237,453 | 1.87 | 181 | 1.64 |
| 2007 Q2 | 21,830,586 | 2.67 | 259 | 2.34 | 19,660,515 | 2.41 | 224 | 2.03 |
| 2007 Q3 | 17,367,110 | 2.13 | 222 | 2.01 | 16,344,703 | 2.00 | 205 | 1.85 |

| | | | | | | | | |
|----------------|--------------------|---------------|---------------|---------------|--------------------|---------------|---------------|---------------|
| 2007 Q4 | 23,350,936 | 2.86 | 239 | 2.16 | 20,988,861 | 2.57 | 207 | 1.87 |
| 2008 Q1 | 34,559,630 | 4.23 | 331 | 2.99 | 29,120,748 | 3.57 | 266 | 2.41 |
| 2008 Q2 | 42,375,909 | 5.19 | 436 | 3.94 | 35,113,331 | 4.30 | 344 | 3.11 |
| 2008 Q3 | 87,852,176 | 10.76 | 845 | 7.64 | 66,225,087 | 8.11 | 582 | 5.26 |
| 2008 Q4 | 43,539,518 | 5.33 | 429 | 3.88 | 37,546,231 | 4.60 | 355 | 3.21 |
| NHG Guaranteed | | | | | 135,947,282 | 16.64 | 2,152 | 19.46 |
| Total | 816,784,186 | 100.00 | 11,056 | 100.00 | 816,784,186 | 100.00 | 11,056 | 100.00 |

TABLE C
Seasoning of the mortgage loan parts in the Provisional Pool

| Seasoning in months | Aggregate Outstanding Principal Amount (EUR) | Proportion of pool (%) | Number of loan parts | Proportion of pool (%) | Aggregate Outstanding Principal Amount (EUR) <i>NHG Separately</i> | Proportion of pool (%) | Number of loan parts <i>NHG Separately</i> | Proportion of pool (%) |
|---------------------------|--|---------------------------|----------------------------|---------------------------|---|---------------------------|--|---------------------------|
| months < 3 | 39,661,836 | 4.86 | 391 | 3.54 | 34,343,573 | 4.20 | 328 | 2.97 |
| 3 ≤ months < 6 | 89,615,598 | 10.97 | 863 | 7.81 | 67,745,570 | 8.29 | 594 | 5.37 |
| 6 ≤ months < 9 | 43,831,528 | 5.37 | 446 | 4.03 | 36,158,236 | 4.43 | 350 | 3.17 |
| 9 ≤ months < 12 | 35,060,200 | 4.29 | 338 | 3.06 | 29,721,468 | 3.64 | 274 | 2.48 |
| 12 ≤ months < 18 | 40,332,715 | 4.94 | 461 | 4.17 | 36,826,711 | 4.51 | 410 | 3.71 |
| 18 ≤ months < 24 | 38,194,392 | 4.68 | 450 | 4.07 | 35,413,870 | 4.34 | 406 | 3.67 |
| 24 ≤ months < 36 | 120,601,743 | 14.77 | 1,408 | 12.74 | 93,920,931 | 11.50 | 1,066 | 9.64 |
| 36 ≤ months < 48 | 116,277,964 | 14.24 | 1,409 | 12.74 | 94,295,464 | 11.54 | 1,114 | 10.08 |
| 48 ≤ months < 60 | 70,606,397 | 8.64 | 893 | 8.08 | 59,959,777 | 7.34 | 749 | 6.77 |
| 60 ≤ months < 72 | 54,361,680 | 6.66 | 657 | 5.94 | 48,709,058 | 5.96 | 581 | 5.26 |
| 72 ≤ months Guaranteed | 168,240,133 | 20.60 | 3,740 | 33.83 | 143,742,248 135,947,282 | 17.60 16.64 | 3,032 2,152 | 27.42 19.46 |
| Total | 816,784,186 | 100.00 | 11,056 | 100.00 | 816,784,186 | 100.00 | 11,056 | 100.00 |

TABLE D
Type of mortgage loan parts in the Provisional Pool

| Type of mortgage | Aggregate Outstanding Principal Amount (EUR) | Proportion of pool (%) | Number of loan parts | Proportion of pool (%) | Aggregate Outstanding Principal Amount (EUR) <i>NHG Separately</i> | Proportion of pool (%) | Number of loan parts <i>NHG Separately</i> | Proportion of pool (%) |
|------------------|--|---------------------------|----------------------------|---------------------------|---|---------------------------|--|---------------------------|
| Interest Only | 602,739,416 | 73.79 | 7,483 | 67.68 | 545,469,606 | 66.78 | 6,573 | 59.45 |
| Life | 114,547,449 | 14.02 | 1,240 | 11.22 | 69,268,161 | 8.48 | 738 | 6.68 |

| | | | | | | | | |
|--------------|--------------------|---------------|---------------|---------------|--------------------|---------------|---------------|---------------|
| Savings | 67,236,662 | 8.23 | 1,460 | 13.21 | 37,631,804 | 4.61 | 830 | 7.51 |
| Linear | 17,391,968 | 2.13 | 466 | 4.21 | 16,735,139 | 2.05 | 443 | 4.01 |
| Cascaded | | | | | | | | |
| Linear | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 |
| Annuity | 14,868,691 | 1.82 | 407 | 3.68 | 11,732,194 | 1.44 | 320 | 2.89 |
| Guaranteed | | | | | 135,947,282 | 16.64 | 2,152 | 19.46 |
| Total | 816,784,186 | 100.00 | 11,056 | 100.00 | 816,784,186 | 100.00 | 11,056 | 100.00 |

* Combiplus

TABLE E
Interest rates applicable to the mortgage loan parts in the Provisional Pool

| Range of interest rates | Aggregate Outstanding Principal Amount (EUR) | Proportion of pool (%) | Number of loan parts | Proportion of pool (%) | Aggregate Outstanding Principal Amount (EUR) <i>NHG Separately</i> | Proportion of pool (%) | Number of loan parts <i>NHG Separately</i> | Proportion of pool (%) |
|-------------------------|--|------------------------|----------------------|------------------------|--|------------------------|--|------------------------|
| 0% ≤ r < 3% | 110,805 | 0.01 | 2 | 0.02 | 110,805 | 0.01 | 2 | 0.02 |
| 3% ≤ r < 3.25% | 86,529 | 0.01 | 2 | 0.02 | 50,000 | 0.01 | 1 | 0.01 |
| 3.25% ≤ r < 3.5% | 8,196,982 | 1.00 | 90 | 0.81 | 6,758,889 | 0.83 | 68 | 0.62 |
| 3.5% ≤ r < 3.75% | 32,170,570 | 3.94 | 358 | 3.24 | 21,702,797 | 2.66 | 221 | 2.00 |
| 3.75% ≤ r < 4% | 68,793,004 | 8.42 | 866 | 7.83 | 44,567,429 | 5.46 | 540 | 4.88 |
| 4% ≤ r < 4.25% | 98,890,480 | 12.11 | 1,130 | 10.22 | 86,482,186 | 10.59 | 944 | 8.54 |
| 4.25% ≤ r < 4.5% | 46,773,259 | 5.73 | 592 | 5.35 | 39,543,505 | 4.84 | 469 | 4.24 |
| 4.5% ≤ r < 4.75% | 71,632,564 | 8.77 | 1,024 | 9.26 | 62,865,729 | 7.70 | 867 | 7.84 |
| 4.75% ≤ r < 5% | 105,215,537 | 12.88 | 1,441 | 13.03 | 77,181,800 | 9.45 | 1,007 | 9.11 |
| 5% ≤ r < 5.25% | 162,133,732 | 19.85 | 2,199 | 19.89 | 140,772,155 | 17.23 | 1,826 | 16.52 |
| 5.25% ≤ r | 222,780,724 | 27.28 | 3,352 | 30.32 | 200,801,609 | 24.58 | 2,959 | 26.76 |
| Guaranteed | | | | | 135,947,282 | 16.64 | 2,152 | 19.46 |
| Total | 816,784,186 | 100 | 11,056 | 100 | 816,784,186 | 100.00 | 11,056 | 100.00 |

TABLE F
Interest rate reset dates applicable to the mortgage loan parts in the Provisional Pool

| Range of years | Aggregate Outstanding Principal Amount (EUR) | Proportion of pool (%) | Number of loan parts | Proportion of pool (%) | Aggregate Outstanding Principal Amount (EUR) <i>NHG Separately</i> | Proportion of pool (%) | Number of loan parts <i>NHG Separately</i> | Proportion of pool (%) |
|-----------------|--|------------------------|----------------------|------------------------|--|------------------------|--|------------------------|
| ≤ 2008 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 |
| 2009 | 97,245,535 | 11.91 | 1,720 | 15.56 | 91,575,924 | 11.21 | 1,569 | 14.19 |
| 2010 | 49,813,915 | 6.10 | 830 | 7.51 | 43,825,419 | 5.37 | 698 | 6.31 |
| 2011 | 71,890,596 | 8.80 | 1,189 | 10.75 | 55,092,554 | 6.75 | 919 | 8.31 |
| 2012 | 30,531,072 | 3.74 | 561 | 5.07 | 25,775,978 | 3.16 | 458 | 4.14 |
| 2013 | 48,823,857 | 5.98 | 718 | 6.49 | 43,317,011 | 5.30 | 606 | 5.48 |
| 2014 | 33,160,580 | 4.06 | 453 | 4.10 | 29,059,544 | 3.56 | 378 | 3.42 |
| 2015 | 106,710,677 | 13.06 | 956 | 8.65 | 97,454,653 | 11.93 | 832 | 7.53 |
| 2015 < interest | 336,456,126 | 41.19 | 4,178 | 37.79 | 259,613,926 | 31.78 | 3,094 | 27.98 |

| | | | | | | | | |
|--|--------------------|---------------|---------------|---------------|--------------------|---------------|---------------|---------------|
| reset date ≤ 2020 | | | | | | | | |
| 2020 < interest reset date ≤ 2025 | 13,634,094 | 1.67 | 154 | 1.39 | 10,788,609 | 1.32 | 116 | 1.05 |
| 2025 < interest reset date ≤ 2030 | 15,803,564 | 1.93 | 170 | 1.54 | 13,449,297 | 1.65 | 132 | 1.19 |
| 2030 < interest reset date ≤ 2038 | 12,714,169 | 1.56 | 127 | 1.15 | 10,883,990 | 1.33 | 102 | 0.92 |
| Guaranteed | | | | | 135,947,282 | 16.64 | 2,152 | 19.46 |
| Total | 816,784,186 | 100.00 | 11,056 | 100.00 | 816,784,186 | 100.00 | 11,056 | 100.00 |

TABLE G
Maturity of the mortgage loan parts in the Provisional Pool

| Range of years | Aggregate Outstanding Principal Amount (EUR) | Proportion of pool (%) | Number of loan parts | Proportion of pool (%) | Aggregate Outstanding Principal Amount (EUR) <i>NHG Separately</i> | Proportion of pool (%) | Number of loan parts <i>NHG Separately</i> | Proportion of pool (%) |
|------------------------------|--|---------------------------|----------------------------|---------------------------|---|---------------------------|--|---------------------------|
| 2009 ≤ maturity < 2010 | 379,523 | 0.05 | 36 | 0.33 | 364,272 | 0.04 | 34 | 0.31 |
| 2010 ≤ maturity < 2015 | 16,619,995 | 2.03 | 389 | 3.52 | 16,016,876 | 1.96 | 342 | 3.09 |
| 2015 ≤ maturity < 2020 | 20,810,787 | 2.55 | 527 | 4.77 | 16,951,468 | 2.08 | 368 | 3.33 |
| 2020 ≤ maturity < 2025 | 21,773,743 | 2.67 | 460 | 4.16 | 18,240,430 | 2.23 | 347 | 3.14 |
| 2025 ≤ maturity < 2030 | 51,999,258 | 6.37 | 953 | 8.62 | 37,179,490 | 4.55 | 672 | 6.08 |
| 2030 ≤ maturity < 2035 | 60,149,448 | 7.36 | 656 | 5.93 | 42,075,040 | 5.15 | 444 | 4.02 |
| 2035 ≤ maturity < 2040 | 275,577,567 | 33.74 | 2,749 | 24.86 | 212,784,314 | 26.05 | 1,992 | 18.02 |
| 2040 ≤ maturity < 2047 | 338,680 | 0.04 | 7 | 0.06 | 338,680 | 0.04 | 7 | 0.06 |
| 2047 ≤ maturity | 645,109 | 0.08 | 6 | 0.05 | 645,109 | 0.08 | 6 | 0.05 |
| Perpetual | 368,490,077 | 45.11 | 5,273 | 47.69 | 336,241,226 | 41.17 | 4,692 | 42.44 |
| Guaranteed | | | | | 135,947,282 | 16.64 | 2,152 | 19.46 |
| Total | 816,784,186 | 100.00 | 11,056 | 100.00 | 816,784,186 | 100.00 | 11,056 | 100.00 |

TABLE H
Original loan term of the mortgage loan parts in the Provisional Pool

| Original loan term | Aggregate Outstanding Principal Amount (EUR) | Proportion of pool (%) | Number of loan parts | Proportion of pool (%) | Aggregate Outstanding Principal Amount (EUR) <i>NHG Separately</i> | Proportion of pool (%) | Number of loan parts <i>NHG Separately</i> | Proportion of pool (%) |
|-----------------------|--|---------------------------|----------------------------|---------------------------|---|---------------------------|--|---------------------------|
|-----------------------|--|---------------------------|----------------------------|---------------------------|---|---------------------------|--|---------------------------|

| | | | | | | | | |
|----------------------|--------------------|---------------|---------------|---------------|--------------------|---------------|---------------|---------------|
| Months < 120 | 10,874,925 | 1.33 | 178 | 1.61 | 10,818,473 | 1.32 | 175 | 1.58 |
| 120 ≤ months < 240 | 23,974,826 | 2.94 | 385 | 3.48 | 23,432,005 | 2.87 | 365 | 3.30 |
| 240 ≤ months < 270 | 16,957,762 | 2.08 | 306 | 2.77 | 15,168,550 | 1.86 | 271 | 2.45 |
| 270 ≤ months < 300 | 13,212,184 | 1.62 | 184 | 1.66 | 9,164,738 | 1.12 | 126 | 1.14 |
| 300 ≤ months < 330 | 25,031,586 | 3.06 | 370 | 3.35 | 18,648,139 | 2.28 | 273 | 2.47 |
| 330 ≤ months < 360 | 16,201,948 | 1.98 | 265 | 2.40 | 11,639,486 | 1.43 | 167 | 1.51 |
| 360 ≤ months < 366 | 339,865,924 | 41.61 | 4,025 | 36.41 | 253,793,926 | 31.07 | 2,779 | 25.14 |
| 366 ≤ months | 2,174,955 | 0.27 | 70 | 0.63 | 1,930,361 | 0.24 | 56 | 0.51 |
| Perpetual Guaranteed | 368,490,077 | 45.11 | 5,273 | 47.69 | 336,241,226 | 41.17 | 4,692 | 42.44 |
| | | | | | 135,947,282 | 16.64 | 2,152 | 19.46 |
| Total | 816,784,186 | 100.00 | 11,056 | 100.00 | 816,784,186 | 100.00 | 11,056 | 100.00 |

TABLE I
Size of outstanding mortgage loans in the Provisional Pool (on a borrower basis)

| Range of loans sizes (Euro) | Aggregate Outstanding Principal Amount (EUR) | Proportion of pool (%) | Number of loans | Proportion of pool (%) | Aggregate Outstanding Principal Amount (EUR) <i>NHG Separately</i> | Proportion of pool (%) | Number of loans * <i>NHG Separately</i> | Proportion of pool (%) |
|-------------------------------|--|------------------------|-----------------|------------------------|--|------------------------|---|------------------------|
| Loan Size ≤ 50,000 | 27,900,889 | 3.42 | 1,036 | 19.80 | 24,200,064 | 2.96 | 941 | 16.16 |
| 50,000 < Loan Size ≤ 100,000 | 83,867,292 | 10.27 | 1,106 | 21.14 | 69,152,943 | 8.47 | 1,016 | 17.45 |
| 100,000 < Loan Size ≤ 150,000 | 135,377,256 | 16.57 | 1,072 | 20.49 | 101,758,675 | 12.46 | 891 | 15.30 |
| 150,000 < Loan Size ≤ 200,000 | 142,832,890 | 17.49 | 820 | 15.67 | 93,795,003 | 11.48 | 611 | 10.49 |
| 200,000 < Loan Size ≤ 250,000 | 100,843,571 | 12.35 | 450 | 8.60 | 73,459,338 | 8.99 | 363 | 6.23 |
| 250,000 < Loan Size ≤ 265,000 | 19,618,336 | 2.40 | 76 | 1.45 | 14,618,315 | 1.79 | 61 | 1.05 |
| 265,000 < Loan Size ≤ 300,000 | 42,231,335 | 5.17 | 149 | 2.85 | 40,706,339 | 4.98 | 149 | 2.56 |
| 300,000 < Loan Size ≤ 350,000 | 54,793,913 | 6.71 | 167 | 3.19 | 54,219,640 | 6.64 | 167 | 2.87 |
| 350,000 < Loan Size ≤ 400,000 | 37,567,792 | 4.60 | 99 | 1.89 | 37,462,201 | 4.59 | 99 | 1.70 |
| 400,000 < Loan Size ≤ 500,000 | 50,695,552 | 6.21 | 113 | 2.16 | 50,409,027 | 6.17 | 113 | 1.94 |
| 500,000 < Loan Size ≤ 750,000 | 55,755,615 | 6.83 | 92 | 1.76 | 55,755,615 | 6.83 | 92 | 1.58 |
| 750,000 < Loan Size ≤ | 24,054,656 | 2.95 | 27 | 0.52 | 24,054,656 | 2.95 | 27 | 0.46 |

| | | | | | | | | |
|--------------|--------------------|---------------|--------------|---------------|--------------------|---------------|--------------|---------------|
| 1,000,000 | | | | | | | | |
| 1,000,000 | | | | | | | | |
| < Loan | | | | | | | | |
| Size ≤ | | | | | | | | |
| 3,500,000 | 34,245,089 | 4.19 | 25 | 0.48 | 34,245,089 | 4.19 | 25 | 0.43 |
| 3,500,000 | | | | | | | | |
| < Loan | | | | | | | | |
| Size ≤ | | | | | | | | |
| 7,000,000 | 7,000,000 | 0.86 | 1 | 0.02 | 7,000,000 | 0.86 | 1 | 0.02 |
| Guarante | | | | | | | | |
| ed | | | | | 135,947,282 | 16.64 | 1,266 | 21.75 |
| Total | 816,784,186 | 100.00 | 5,233 | 100.00 | 816,784,186 | 100.00 | 5,822 | 100.00 |

* Loans with both a NHG and Non-NHG balance are counted twice

TABLE J
Geographical distribution of the mortgage loans in the Provisional Pool

| Region | Aggregate Outstanding Principal Amount (EUR) | Proportion of pool (%) | Number of loans | Proportion of pool (%) | Aggregate Outstanding Principal Amount (EUR) <i>NHG Separately</i> | Proportion of pool (%) | Number of loans * <i>NHG Separately</i> | Proportion of pool (%) |
|---------------|--|------------------------|-----------------|------------------------|--|------------------------|---|------------------------|
| Drenthe | 40,224,020 | 4.92 | 202 | 3.86 | 32,792,034 | 4.01 | 172 | 2.95 |
| Flevoland | 10,817,633 | 1.32 | 62 | 1.18 | 7,863,518 | 0.96 | 48 | 0.82 |
| Friesland | 501,911,083 | 61.45 | 3,965 | 75.77 | 411,741,425 | 50.41 | 3,498 | 60.08 |
| Gelderland | 23,715,826 | 2.90 | 81 | 1.55 | 21,718,440 | 2.66 | 72 | 1.24 |
| Groningen | 67,697,967 | 8.29 | 332 | 6.34 | 57,566,336 | 7.05 | 287 | 4.93 |
| Limburg | 7,125,673 | 0.87 | 39 | 0.75 | 3,366,080 | 0.41 | 24 | 0.41 |
| Noord-Brabant | 10,762,158 | 1.32 | 42 | 0.80 | 7,758,257 | 0.95 | 29 | 0.50 |
| Noord-Holland | 68,117,741 | 8.34 | 181 | 3.46 | 63,959,442 | 7.83 | 158 | 2.71 |
| Overijssel | 35,254,853 | 4.32 | 141 | 2.69 | 28,802,818 | 3.53 | 111 | 1.91 |
| Utrecht | 23,644,620 | 2.89 | 79 | 1.51 | 20,652,990 | 2.53 | 66 | 1.13 |
| Zuid-Holland | 26,221,223 | 3.21 | 100 | 1.91 | 23,495,358 | 2.88 | 84 | 1.44 |
| Zeeland | 1,051,388 | 0.13 | 7 | 0.13 | 880,207 | 0.11 | 5 | 0.09 |
| No Data | 240,000 | 0.03 | 2 | 0.04 | 240,000 | 0.03 | 2 | 0.03 |
| Guaranteed | | | | | 135,947,282 | 16.64 | 1,266 | 21.75 |
| Total | 816,784,186 | 100.00 | 5,233 | 100.00 | 816,784,186 | 100.00 | 5,822 | 100.00 |

* Loans with both a NHG and Non-NHG balance are counted twice

TABLE K
Income data of borrowers in the Provisional Pool

| Range of income (in EUR) | Aggregate Outstanding Principal Amount (EUR) | Proportion of pool (%) | Number of loans | Proportion of pool (%) | Aggregate Outstanding Principal Amount (EUR) <i>NHG Separately</i> | Proportion of pool (%) | Number of loans * <i>NHG Separately</i> | Proportion of pool (%) |
|--------------------------|--|------------------------|-----------------|------------------------|--|------------------------|---|------------------------|
| Income < 10,000 | 1,321,704 | 0.16 | 27 | 0.52 | 1,043,924 | 0.13 | 24 | 0.41 |
| 10,000 ≤ Income < 20,000 | 20,022,333 | 2.45 | 381 | 7.28 | 17,718,650.58 | 2.17 | 333 | 5.72 |
| 20,000 ≤ Income < 30,000 | 82,126,955 | 10.05 | 996 | 19.03 | 61,932,728.44 | 7.58 | 840 | 14.43 |

| | | | | | | | | |
|----------------------------------|--------------------|---------------|--------------|---------------|--------------------|---------------|--------------|---------------|
| 30,000 ≤ Income < 40,000 | 122,965,844 | 15.05 | 1,122 | 21.44 | 91,916,302. 74 | 11.25 | 945 | 16.23 |
| 40,000 ≤ Income < 50,000 | 134,688,316 | 16.49 | 945 | 18.06 | 98,480,301. 38 | 12.06 | 801 | 13.76 |
| 50,000 ≤ Income < 60,000 | 102,792,966 | 12.59 | 588 | 11.24 | 73,823,682. 68 | 9.04 | 487 | 8.36 |
| 60,000 ≤ Income < 70,000 | 73,752,487 | 9.03 | 370 | 7.07 | 63,289,383. 62 | 7.75 | 344 | 5.91 |
| 70,000 ≤ Income < 80,000 | 52,694,133 | 6.45 | 218 | 4.17 | 49,449,477. 85 | 6.05 | 207 | 3.56 |
| 80,000 ≤ Income < 100,000 | 70,922,765 | 8.68 | 261 | 4.99 | 69,181,930. 10 | 8.47 | 254 | 4.36 |
| 100,000 ≤ Income < 250,000 | 124,716,160 | 15.27 | 289 | 5.52 | 123,219,999 .14 | 15.09 | 285 | 4.90 |
| 250,000 ≤ Income | 30,780,524 | 3.77 | 36 | 0.69 | 30,780,523. 80 | 3.77 | 36 | 0.62 |
| Guaranteed | | | | | 135,947,282 | 16.64 | 1,266 | 21.75 |
| Total | 816,784,186 | 100.00 | 5,233 | 100.00 | 816,784,186 | 100.00 | 5,822 | 100.00 |

* Loans with both a NHG and Non-NHG balance are counted twice

TABLE L
Employment of borrowers of the mortgage loans in the Provisional Pool

| Employment type | Aggregate Outstanding Principal Amount (EUR) | Proportion of pool (%) | Number of loans | Proportion of pool (%) | Aggregate Outstanding Principal Amount (EUR) <i>NHG Separately</i> | Proportion of pool (%) | Number of loans * <i>NHG Separately</i> | Proportion of pool (%) |
|-----------------|--|------------------------|-----------------|------------------------|--|------------------------|---|------------------------|
| Employed | 645,498,418 | 79.03 | 4,626 | 88.40 | 515,153,927 | 63.07 | 3,970 | 68.19 |
| Self employed | 171,285,768 | 20.97 | 607 | 11.60 | 165,682,977 | 20.28 | 586 | 10.07 |
| Unknown | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 |
| Guaranteed | | | | | 135,947,282 | 16.64 | 1,266 | 21.75 |
| Total | 816,784,186 | 100.00 | 5,233 | 100.00 | 816,784,186 | 100.00 | 5,822 | 100.00 |

* Loans with both a NHG and Non-NHG balance are counted twice

TABLE M
Debt service-to-Income (DTI) data of borrowers in the Provisional Pool

| Range of DTI | Aggregate Outstanding Principal Amount (EUR) | Proportion of pool (%) | Number of loans | Proportion of pool (%) | Aggregate Outstanding Principal Amount (EUR) <i>NHG Separately</i> | Proportion of pool (%) | Number of loans * <i>NHG Separately</i> | Proportion of pool (%) |
|-----------------|--|------------------------|-----------------|------------------------|--|------------------------|---|------------------------|
| DTI < 10% | 85,116,819 | 10.42 | 1,433 | 27.38 | 77,796,327 | 9.52 | 1,351 | 23.21 |
| 10% ≤ DTI < 20% | 339,048,673 | 41.51 | 2,247 | 42.94 | 250,094,109 | 30.62 | 1,839 | 31.59 |
| 20% ≤ DTI < 30% | 253,512,972 | 31.04 | 1,144 | 21.86 | 216,085,084 | 26.46 | 967 | 16.61 |

| | | | | | | | | |
|-----------------------|--------------------|---------------|--------------|---------------|--------------------|---------------|--------------|---------------|
| 30% ≤ DTI < 40% | 79,147,416 | 9.69 | 244 | 4.66 | 77,665,050 | 9.51 | 238 | 4.09 |
| 40% ≤ DTI | 59,958,305 | 7.34 | 165 | 3.15 | 59,196,334 | 7.25 | 161 | 2.77 |
| Guaranteed | | | | | 135,947,282 | 16.64 | 1,266 | 21.75 |
| Total | 816,784,186 | 100.00 | 5,233 | 100.00 | 816,784,186 | 100.00 | 5,822 | 100.00 |

* Loans with both a NHG and Non-NHG balance are counted twice

TABLE N

Seller of the mortgage loans in the Provisional Pool

| Sellers | Aggregate Outstanding Principal Amount (EUR) | Proportion of pool (%) | Number of loans | Proportion of pool (%) |
|----------------|--|---------------------------|--------------------|---------------------------|
| Friesland Bank | 816,784,186 | 100.00 | 5,233 | 100.00 |
| Total | 816,784,186 | 100.00 | 5,233 | 100.00 |

TABLE O***Servicer of the mortgage loans in the Provisional Pool***

| Servicer | Aggregate Outstanding Principal Amount (EUR) | Proportion of pool (%) | Number of loans | Proportion of pool (%) |
|----------------|--|---------------------------|--------------------|---------------------------|
| Friesland Bank | 816,784,186 | 100.00 | 5,233 | 100.00 |
| Total | 816,784,186 | 100.00 | 5,233 | 100.00 |

TABLE P***Loan-to-Income (LTI) of
borrowers in the
Provisional Pool***

| Loan-to- income | Aggregate Outstanding Principal Amount (EUR) | Proportion of pool (%) | Number of loans | Proportion of pool (%) | Aggregate Outstanding Principal Amount (EUR) <i>NHG Separately</i> | Proportion of pool (%) | Number of loans * <i>NHG Separately</i> | Proportion of pool (%) |
|--------------------|--|---------------------------|--------------------|---------------------------|---|---------------------------|---|---------------------------|
| LTI < 2 | 90,912,474 | 11.13 | 1,614 | 30.84 | 81,210,452 | 9.94 | 1,502 | 25.80 |
| 2 ≤ LTI < 3 | 126,276,727 | 15.46 | 979 | 18.71 | 106,210,487 | 13.00 | 888 | 15.25 |
| 3 ≤ LTI < 4 | 173,758,080 | 21.27 | 944 | 18.04 | 133,489,491 | 16.34 | 773 | 13.28 |
| 4 ≤ LTI < 4.5 | 108,282,221 | 13.26 | 527 | 10.07 | 77,054,452 | 9.43 | 388 | 6.66 |
| 4.5 ≤ LTI < 5 | 92,116,265 | 11.28 | 439 | 8.39 | 71,199,130 | 8.72 | 345 | 5.93 |
| 5 ≤ LTI < 6 | 102,338,275 | 12.53 | 385 | 7.36 | 90,466,608 | 11.08 | 322 | 5.53 |
| 6 ≤ LTI < 7 | 42,511,175 | 5.20 | 134 | 2.56 | 41,857,255 | 5.12 | 132 | 2.27 |
| 7 ≤ LTI | 80,588,970 | 9.87 | 211 | 4.03 | 79,349,031 | 9.71 | 206 | 3.54 |
| Guaranteed | | | | | 135,947,282 | 16.64 | 1,266 | 21.75 |
| Total | 816,784,186 | 100.00 | 5,233 | 100.00 | 816,784,186 | 100.00 | 5,822 | 100.00 |

* Loans with both a NHG and Non-NHG balance are counted twice

TABLE Q***Payment frequency of the mortgage loan parts in the Provisional Pool***

| Payment frequency | Aggregate Outstanding Principal Amount (EUR) | Proportion of pool (%) | Number of loan parts | Proportion of pool (%) |
|-------------------|--|---------------------------|-------------------------|---------------------------|
| Semi-annual | 19,306,121 | 2.36 | 340 | 3.08 |
| Annual | 683,215 | 0.08 | 10 | 0.09 |
| Quarterly | 2,540,694 | 0.31 | 44 | 0.40 |
| Monthly | 794,254,156 | 97.24 | 10,662 | 96.44 |
| Total | 816,784,186 | 100.00 | 11,056 | 100.00 |

TABLE R

Savings values in the Provisional Pool (on a borrower basis)

| Range of saving amounts | Aggregate Savings Amount (EUR) | proportion of deposit (%) | Aggregate Outstanding Principal Amount (EUR) | Proportion of pool (%) | number of loans | proportion of pool (%) | Aggregate Outstanding Principal Amount (EUR) <i>NHG Separately</i> | Proportion of pool (%) | Number of loans * <i>NHG Separately</i> | Proportion of pool (%) |
|----------------------------|--------------------------------|---------------------------|--|------------------------|-----------------|------------------------|---|------------------------|--|------------------------|
| Savings < 1,000 | 39,398 | 0.19 | 15,936,321 | 1.95 | 87 | 1.66 | 6,365,269 | 0.78 | 33 | 0.57 |
| 1,000 ≤ Savings < 2,500 | 52,260 | 0.25 | 5,388,567 | 0.66 | 32 | 0.61 | 2,988,905 | 0.37 | 18 | 0.31 |
| 2,500 ≤ Savings < 5,000 | 214,753 | 1.01 | 7,281,843 | 0.89 | 54 | 1.03 | 4,652,740 | 0.57 | 38 | 0.65 |
| 5,000 ≤ Savings < 7,500 | 655,395 | 3.08 | 12,591,949 | 1.54 | 102 | 1.95 | 7,424,991 | 0.91 | 74 | 1.27 |
| 7,500 ≤ Savings < 10,000 | 1,307,168 | 6.14 | 16,573,927 | 2.03 | 148 | 2.83 | 13,758,030 | 1.68 | 137 | 2.35 |
| 10,000 ≤ Savings < 20,000 | 8,813,790 | 41.43 | 66,241,311 | 8.11 | 607 | 11.60 | 50,209,605 | 6.15 | 535 | 9.19 |
| 20,000 ≤ Savings < 30,000 | 5,254,818 | 24.70 | 25,395,400 | 3.11 | 218 | 4.17 | 20,495,837 | 2.51 | 199 | 3.42 |
| 30,000 ≤ Savings < 40,000 | 2,741,213 | 12.88 | 11,145,555 | 1.36 | 80 | 1.53 | 9,834,660 | 1.20 | 75 | 1.29 |
| 40,000 ≤ Savings < 50,000 | 1,011,281 | 4.75 | 3,599,452 | 0.44 | 23 | 0.44 | 3,503,264 | 0.43 | 22 | 0.38 |
| 50,000 ≤ Savings < 75,000 | 633,390 | 2.98 | 2,162,126 | 0.26 | 11 | 0.21 | 2,151,817 | 0.26 | 11 | 0.19 |
| 75,000 ≤ Savings < 150,000 | 551,429 | 2.59 | 2,448,236 | 0.30 | 6 | 0.11 | 2,437,868 | 0.30 | 5 | 0.09 |
| No Savings | | 0.00 | 648,019,500 | 79.34 | 3,865 | 73.86 | 557,013,917 | 68.20 | 3,409 | 58.55 |
| Guaranteed | | | | | | | 135,947,282 | 16.64 | 1,266 | 21.75 |
| Total | 21,274,894.29 | 100.00 | 816,784,186 | 100.00 | 5,233 | 100.00 | 816,784,186 | 100.00 | 5,822 | 100.00 |

* Loans with both a NHG and Non-NHG balance are counted twice

TABLE S

| Weighted average LTV ratio | <i>NHG</i> | <i>Non-Guaranteed</i> | <i>All Loans</i> |
|---|------------|-----------------------|------------------|
| Current Loan-to-Value (Recorded Foreclosure Value) | 93.41% | 77.36% | 80.03% |
| Current Loan-to-Value (Indexed ¹ Recorded Foreclosure Value) | 88.23% | 72.21% | 74.88% |
| Current Loan-to-Value (Estimated Fair Market ² Value) | 74.73% | 61.89% | 64.02% |
| Current Loan-to-Value (Indexed ¹ Estimated Fair Market ² Value) | 70.59% | 57.77% | 59.90% |
| Original Loan-to-Value (Estimated Fair Market ² Value) | 77.23% | 65.06% | 67.09% |
| Original Loan-to-Value (Recorded Foreclosure Value) | 96.54% | 81.33% | 83.86% |

1: NVM index, 1/1/1985 to Q3/2007 on a province basis

TABLE T**Current Loan-to-Value (Recorded Foreclosure Value)**

| range of Loan-to- Value | Aggregate Outstanding Principal Amount (EUR) | proportion of pool (%) | number of loans | proportion of pool (%) | Aggregate Outstanding Principal Amount (EUR) <i>NHG Separately</i> | Proportion of pool (%) | Number of loans * <i>NHG Separately</i> | Proportion of pool (%) |
|-------------------------------|--|---------------------------|--------------------|---------------------------|---|---------------------------|---|------------------------------|
| LTV < 25% | 34,848,807 | 4.27 | 988 | 18.88 | 32,917,881 | 4.03 | 926 | 15.91 |
| 25% ≤ LTV < 50% | 111,227,929 | 13.62 | 1,030 | 19.68 | 103,517,287 | 12.67 | 984 | 16.90 |
| 50% ≤ LTV < 60% | 77,136,381 | 9.44 | 486 | 9.29 | 67,568,347 | 8.27 | 433 | 7.44 |
| 60% ≤ LTV < 70% | 94,768,843 | 11.60 | 548 | 10.47 | 78,540,316 | 9.62 | 470 | 8.07 |
| 70% ≤ LTV < 80% | 89,677,101 | 10.98 | 448 | 8.56 | 81,425,105 | 9.97 | 417 | 7.16 |
| 80% ≤ LTV < 90% | 79,446,097 | 9.73 | 341 | 6.52 | 67,009,635 | 8.20 | 285 | 4.90 |
| 90% ≤ LTV < 100% | 79,627,647 | 9.75 | 328 | 6.27 | 68,726,058 | 8.41 | 280 | 4.81 |
| 100% ≤ LTV < 105% | 35,117,151 | 4.30 | 142 | 2.71 | 28,000,040 | 3.43 | 116 | 1.99 |
| 105% ≤ LTV < 110% | 35,785,052 | 4.38 | 149 | 2.85 | 27,653,718 | 3.39 | 118 | 2.03 |
| 110% ≤ LTV < 115% | 41,752,321 | 5.11 | 146 | 2.79 | 34,845,285 | 4.27 | 123 | 2.11 |
| 115% ≤ LTV < 120% | 42,163,805 | 5.16 | 181 | 3.46 | 28,086,624 | 3.44 | 117 | 2.01 |
| 120% ≤ LTV < 125% | 60,206,036 | 7.37 | 288 | 5.50 | 36,658,787 | 4.49 | 174 | 2.99 |
| 125% ≤ LTV < 130% | 32,456,183 | 3.97 | 148 | 2.83 | 23,566,989 | 2.89 | 104 | 1.79 |
| 130% ≤ LTV < 140% | 1,891,419 | 0.23 | 7 | 0.13 | 1,641,419 | 0.20 | 6 | 0.10 |
| 140% ≤ LTV < 150% | 679,415 | 0.08 | 3 | 0.06 | 679,415 | 0.08 | 3 | 0.05 |

| | | | | | | | | |
|--------------|--------------------|---------------|--------------|---------------|--------------------|---------------|--------------|---------------|
| 150% = | | | | | | | | |
| LTV | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 |
| Guaranteed | | | | | 135,947,282 | 16.64 | 1,266 | 21.75 |
| Total | 816,784,186 | 100.00 | 5,233 | 100.00 | 816,784,186 | 100.00 | 5,822 | 100.00 |

* Loans with both a NHG and Non-NHG balance are counted twice

TABLE U
Current Loan-to-Value (Indexed Recorded Foreclosure Value)

| range of Loan-to- Value | Aggregate Outstanding Principal Amount (EUR) | proportion of pool (%) | number of loans | proportion of pool (%) | Aggregate Outstanding Principal Amount (EUR) <i>NHG Separately</i> | Proportion of pool (%) | Number of loans * <i>NHG Separately</i> | Proportion of pool (%) |
|-------------------------------|--|---------------------------|--------------------|---------------------------|---|---------------------------|---|---------------------------|
| LTV < 25% | 46,400,488 | 5.68 | 1,182 | 22.59 | 43,227,953 | 5.29 | 1,099 | 18.88 |
| 25% ≤ LTV < 50% | 140,074,515 | 17.15 | 1,167 | 22.30 | 128,191,925 | 15.69 | 1,090 | 18.72 |
| 50% ≤ LTV < 60% | 87,772,677 | 10.75 | 504 | 9.63 | 72,845,354 | 8.92 | 432 | 7.42 |
| 60% ≤ LTV < 70% | 91,455,602 | 11.20 | 472 | 9.02 | 80,367,949 | 9.84 | 431 | 7.40 |
| 70% ≤ LTV < 80% | 83,370,323 | 10.21 | 393 | 7.51 | 75,473,237 | 9.24 | 359 | 6.17 |
| 80% ≤ LTV < 90% | 78,441,258 | 9.60 | 311 | 5.94 | 66,288,958 | 8.12 | 261 | 4.48 |
| 90% ≤ LTV < 100% | 75,577,327 | 9.25 | 306 | 5.85 | 63,429,651 | 7.77 | 259 | 4.45 |
| 100% ≤ LTV < 105% | 46,078,943 | 5.64 | 177 | 3.38 | 36,575,470 | 4.48 | 141 | 2.42 |
| 105% ≤ LTV < 110% | 43,626,730 | 5.34 | 180 | 3.44 | 33,032,818 | 4.04 | 142 | 2.44 |
| 110% ≤ LTV < 115% | 46,264,042 | 5.66 | 182 | 3.48 | 35,109,421 | 4.30 | 131 | 2.25 |
| 115% ≤ LTV < 120% | 34,566,209 | 4.23 | 161 | 3.08 | 20,803,541 | 2.55 | 99 | 1.70 |
| 120% ≤ LTV < 125% | 33,570,632 | 4.11 | 158 | 3.02 | 18,632,512 | 2.28 | 88 | 1.51 |
| 125% ≤ LTV < 130% | 8,202,323 | 1.00 | 36 | 0.69 | 5,474,999 | 0.67 | 20 | 0.34 |
| 130% ≤ LTV < 140% | 1,183,117 | 0.14 | 3 | 0.06 | 1,183,117 | 0.14 | 3 | 0.05 |
| 140% ≤ LTV < 150% | 200,000 | 0.02 | 1 | 0.02 | 200,000 | 0.02 | 1 | 0.02 |
| Guaranteed | | | | | 135,947,282 | 16.64 | 1,266 | 21.75 |
| Total | 816,784,186 | 100.00 | 5,233 | 100.00 | 816,784,186 | 100.00 | 5,822 | 100.00 |

* Loans with both a NHG and Non-NHG balance are counted twice

TABLE V

Current Loan-to-Value (Estimated Fair Market Value)

| range of Loan-to- Value | Aggregate Outstanding Principal Amount (EUR) | proportion of pool (%) | number of loans | proportion of pool (%) | Aggregate Outstanding Principal Amount (EUR) <i>NHG Separately</i> | Proportion of pool (%) | Number of loans * <i>NHG Separately</i> | Proportion of pool (%) |
|-------------------------------|--|---------------------------|--------------------|---------------------------|---|---------------------------|---|------------------------------|
| LTV < 25% | 52,467,866 | 6.42 | 1,203 | 22.99 | 49,171,688 | 6.02 | 1,127 | 19.36 |
| 25% ≤ LTV < 50% | 193,649,797 | 23.71 | 1,447 | 27.65 | 173,184,097 | 21.20 | 1,337 | 22.96 |
| 50% ≤ LTV < 60% | 111,985,918 | 13.71 | 621 | 11.87 | 96,529,872 | 11.82 | 554 | 9.52 |
| 60% ≤ LTV < 70% | 104,109,254 | 12.75 | 478 | 9.13 | 90,371,901 | 11.06 | 420 | 7.21 |
| 70% ≤ LTV < 80% | 104,519,971 | 12.80 | 420 | 8.03 | 90,447,072 | 11.07 | 357 | 6.13 |
| 80% ≤ LTV < 90% | 97,548,974 | 11.94 | 382 | 7.30 | 78,597,857 | 9.62 | 311 | 5.34 |
| 90% ≤ LTV < 100% | 117,475,390 | 14.38 | 524 | 10.01 | 76,646,596 | 9.38 | 337 | 5.79 |
| 100% ≤ LTV < 105% | 32,630,198 | 3.99 | 149 | 2.85 | 23,741,004 | 2.91 | 105 | 1.80 |
| 105% ≤ LTV < 110% | 1,353,455 | 0.17 | 4 | 0.08 | 1,353,455 | 0.17 | 4 | 0.07 |
| 110% ≤ LTV < 115% | 709,746 | 0.09 | 3 | 0.06 | 459,746 | 0.06 | 2 | 0.03 |
| 115% ≤ LTV < 120% | 333,618 | 0.04 | 2 | 0.04 | 333,618 | 0.04 | 2 | 0.03 |
| 120% ≤ LTV < 125% | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 |
| Guaranteed | | | | | 135,947,282 | 16.64 | 1,266 | 21.75 |
| Total | 816,784,186 | 100.00 | 5,233 | 100.00 | 816,784,186 | 100.00 | 5,822 | 100.00 |

* Loans with both a NHG and Non-NHG balance are counted twice

TABLE W

Current Loan-to-Value (Indexed Estimated Fair Market Value)

| range of Loan-to- Value | Aggregate Outstanding Principal Amount (EUR) | proportion of pool (%) | number of loans | proportion of pool (%) | Aggregate Outstanding Principal Amount (EUR) <i>NHG Separately</i> | Proportion of pool (%) | Number of loans * <i>NHG Separately</i> | Proportion of pool (%) |
|-------------------------------|--|---------------------------|--------------------|---------------------------|---|---------------------------|---|------------------------------|
| LTV < 25% | 69,909,641 | 8.56 | 1,453 | 27.77 | 64,535,614 | 7.90 | 1,350 | 23.19 |
| 25% ≤ LTV < 50% | 223,110,002 | 27.32 | 1,513 | 28.91 | 195,600,436 | 23.95 | 1,375 | 23.62 |
| 50% ≤ LTV < 60% | 112,562,490 | 13.78 | 554 | 10.59 | 100,019,795 | 12.25 | 506 | 8.69 |

| | | | | | | | | |
|-------------------------|--------------------|---------------|--------------|---------------|--------------------|---------------|--------------|---------------|
| 60% ≤ LTV < 70% | 102,914,307 | 12.60 | 435 | 8.31 | 90,695,922 | 11.10 | 382 | 6.56 |
| 70% ≤ LTV < 80% | 94,595,750 | 11.58 | 380 | 7.26 | 78,973,260 | 9.67 | 318 | 5.46 |
| 80% ≤ LTV < 90% | 119,172,684 | 14.59 | 459 | 8.77 | 93,149,088 | 11.40 | 359 | 6.17 |
| 90% ≤ LTV < 100% | 84,933,871 | 10.40 | 399 | 7.62 | 51,004,674 | 6.24 | 242 | 4.16 |
| 100% ≤ LTV < 105% | 8,812,323 | 1.08 | 37 | 0.71 | 6,084,999 | 0.74 | 21 | 0.36 |
| 105% ≤ LTV < 110% | 573,117 | 0.07 | 2 | 0.04 | 573,117 | 0.07 | 2 | 0.03 |
| 110% ≤ LTV < 115% | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 |
| 115% ≤ LTV < 120% | 200,000 | 0.02 | 1 | 0.02 | 200,000 | 0.02 | 1 | 0.02 |
| 120% ≤ LTV < 125% | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 |
| Guaranteed | | | | | 135,947,282 | 16.64 | 1,266 | 21.75 |
| Total | 816,784,186 | 100.00 | 5,233 | 100.00 | 816,784,186 | 100.00 | 5,822 | 100.00 |

* Loans with both a NHG and Non-NHG balance are counted twice

The double counting in respect of loans with both a NHG and a Non-NHG balance as mentioned in the footnotes in tables I, J, K, L, M, O, R, T, U, V and W above, relates to Borrowers who entered into several loan parts, of which some of them has the benefit of the NHG guarantee. It is only in relating to these tables (that relate to income and data LTV data) that a minor overlap cannot be avoided in order to make proper calculations for these fields.

MORTGAGE RECEIVABLES PURCHASE AGREEMENT

Under the Mortgage Receivables Purchase Agreement the Issuer will purchase and, on the Closing Date, 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 is transferred to the Issuer. It is a condition precedent of the Issuer for the purchase and acceptance of the assignment of the Mortgage Receivables that any Beneficiary Rights which are connected to the Mortgage Receivables and are to be applied towards redemption of the Mortgage Receivables, to the extent legally possible and required, are assigned to the Issuer together with such Mortgage Receivables. The Seller will agree to assign such Beneficiary Rights to the Issuer and the Issuer will agree to accept such assignment. 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, except upon the occurrence of special events as further described hereunder (**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 proceeds in respect of the Mortgage Receivables and the Beneficiary Rights relating thereto from (and including) the Cut-Off Date. The Seller (or a third party on its behalf) will pay to the Issuer on each Mortgage Payment Date all proceeds received during the immediately preceding Mortgage Calculation Period in respect of the Mortgage Receivables and the Beneficiary Rights relating thereto.

Purchase Price

The purchase price for the Mortgage Receivables and the Beneficiary Rights relating thereto shall consist of an initial purchase price (the **Initial Purchase Price**), being the aggregate Outstanding Principal Amount in respect of the Mortgage Receivables at the Cut-Off Date, which shall be payable on the Closing Date (except for the part to be deposited on the Construction Account), and a deferred purchase price (the **Deferred Purchase Price**). The Deferred Purchase Price shall be equal to the sum of all Deferred Purchase Price Instalments and each Deferred Purchase Price Instalment on any Quarterly Payment Date will be equal to (A) prior to delivery of an Enforcement Notice an amount equal to the positive difference, if any, between the Notes Interest Available Amount as calculated on immediately preceding Quarterly Calculation Date and the sum of all amounts payable by the Issuer as set forth in the Interest Priority of Payments under (a) up to and including (u) on such date and (B) following delivery of an Enforcement Notice, the amount remaining after all the payments as set forth in the Priority of Payments upon Enforcement under (a) up to and including (p) (see *Credit Structure* above) on such date have been made (each a **Deferred Purchase Price Instalment**). The **Outstanding Principal Amount** means, at any moment in time, (a) the principal balance (*hoofdsom*) of a Mortgage Receivable resulting from a Mortgage Loan at such time and (b) zero, after the occurrence of a Realised Loss in respect of such Mortgage Receivable.

Construction Amounts

Pursuant to the Mortgage Conditions, part of the Mortgage Loan may be applied towards construction of, or improvements to, the Mortgaged Asset. In that case, part of the Mortgage Loan is placed on deposit with the Seller (the **Construction Amount**). The Seller has undertaken to pay out such deposits to the Borrower to pay for such construction or improvement if certain conditions are met. The aggregate amount of the Construction Amounts as per the Cut-Off Date was EUR 14,078,126.49. The Issuer and the Seller will agree in the Mortgage Receivables Purchase Agreement that the Issuer will be entitled to withhold from the Initial Purchase Price an amount equal to such aggregate Construction Amounts. Such amount will be deposited by the Issuer into the Construction Account. On each Mortgage Payment Date, the Issuer will release from the Construction Account such part of the Initial Purchase Price which equals the difference between the aggregate Construction Amounts

and the balance standing to the credit of the Construction Account and pay such amount to the Seller.

Pursuant to the Mortgage Conditions, Construction Amounts have to be paid out within a nine month period, which period may be extended once with another nine months. After such period, any remaining Construction Amounts will either (i) be paid out by the Seller to the relevant Borrower and consequently the remaining part of the Initial Purchase Price will be paid by the Issuer to the Seller or (ii) be set off against the Mortgage Loan, up to the amount of the Construction Amount, in which case the Issuer shall have no further obligation towards the Seller to pay the remaining part of the Initial Purchase Price with respect to such Mortgage Receivable and the Beneficiary Rights relating thereto and any amount equal to such part of the Initial Purchase Price will be debited from the Construction Account and will form part of the Notes Redemption Available Amount

Representations and warranties

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

- (a) each of the Mortgage Receivables and the Beneficiary Rights is duly and validly existing and is not subject to annulment or dissolution as a result of circumstances which have occurred prior to or on the Closing Date;
- (b) it has full right and title (*titel*) to the Mortgage Receivables and the Beneficiary Rights and power (*is beschikkingsbevoegd*) to assign the Mortgage Receivables and the Beneficiary Rights and no restrictions on the sale and assignment of the Mortgage Receivables and the Beneficiary Rights are in effect and the Mortgage Receivables and the Beneficiary Rights are capable of being assigned or pledged;
- (c) the Mortgage Receivables and the Beneficiary Rights are free and clear of any encumbrances and attachments (*beslagen*) and no option rights to acquire the Mortgage Receivables and the Beneficiary Rights relating thereto have been granted in favour of any third party with regard to the Mortgage Receivables and the Beneficiary Rights;
- (d) each Mortgage Receivable and Beneficiary Right is secured by a first ranking mortgage right (*hypotheekrecht*) on a Mortgaged Asset used for a residential purpose in the Netherlands and is governed by Dutch law;
- (e) each of the Mortgage Loans was originated solely by the Seller and granted to a private individual only;
- (f) each Mortgaged Asset concerned was valued when application for the relevant Mortgage Loan was made (i) by an independent qualified valuer or surveyor, or (ii) in the case of Mortgage Loans of which the Outstanding Principal Amount did not exceed 90 per cent. of the fair market value of the residential property, by an authorised employee of the Seller or on the basis of an assessment by the Netherlands tax authorities pursuant to the Act on Valuation of Real Property (*Wet Waardering Onroerende Zaken*); valuations are not older than 6 months prior to the date of the mortgage loan application by the Borrower; in the case of Mortgage Loans secured by newly built properties no valuation is required, and no revaluation of the Mortgaged Assets has been made for the purpose of this transaction;
- (g) none of the Mortgage Loans originated after 2000 has been valued by an employee of the Seller;
- (h) each Mortgage Receivable, the Mortgage and Borrower Pledge, if any, securing such receivable constitute legal, valid, binding and enforceable obligations of the relevant

Borrower vis-à-vis the Seller;

- (i) all Mortgages and Borrower Pledges securing the Mortgage Loans (i) constitute valid mortgage rights (*hypotheekrechten*) and rights of pledge (*pandrechten*) respectively on the Mortgaged Assets and the assets which are the subject of the Borrower Pledges and, to the extent relating to the Mortgages, have been entered into the appropriate public register (*Dienst van het Kadaster en de Openbare Registers*), (ii) have first priority (*eerste in rang*) and (iii) were vested for a principal sum which is at least equal to 135 per cent. of the Outstanding Principal Amount in respect of the relevant Mortgage Receivable upon origination;
- (j) each of the Mortgage Loans meets the Mortgage Loan Criteria as set forth below;
- (k) each Mortgaged Asset is legally owned by the Borrower and is not the subject of residential letting and was to be occupied by the relevant Borrower at the time of origination of the Mortgage Loan;
- (l) each of the Mortgage Loans will have been granted in accordance with all applicable legal requirements, the Code of Conduct on Mortgage Loans (*Gedragcode Hypothecaire Financieringen*) and the Seller's standard underwriting criteria and procedures prevailing at that time and these underwriting criteria and procedures are in the form as may be expected from a reasonably prudent lender of Dutch residential mortgages;
- (m) none of the Insurance Policies have been offered by the Seller;
- (n) as of April 1993 each of the Mortgage Loans has been granted, and each of the Mortgages and Borrower Pledges has been vested, subject to the general mortgage conditions (*algemene voorwaarden voor hypotheeken*), general loan conditions (*algemene voorwaarden voor geldleningen*), the general pledge conditions (*algemene voorwaarden van verpanding*) of Friesland Bank and the general banking conditions (*algemene voorwaarden van de Nederlandse Vereniging van Banken*);
- (o) with respect to each Mortgage Loan secured by a mortgage right on a long lease (*erfpacht*), the maturity date of the relevant Mortgage Loan falls before the maturity date of the long lease;
- (p) each receivable under a mortgage loan (*hypothecaire lening*) which is secured by the same mortgage right is sold and assigned to the Issuer pursuant to the Mortgage Receivables Purchase Agreement;
- (q) each Mortgage Loan constitutes the entire mortgage loan granted to the relevant Borrower and not merely one or more loan parts (*leningdelen*);
- (r) the Borrowers are not in any material breach of any provision of their Mortgage Loans;
- (s) the loan files relating to Mortgage Loans which are in electronic format, contain the same information and details with regard to the Mortgage Loans as the loan files relating to such Mortgage Loans which are kept in paper format;
- (t) on the Cut-Off Date, no amounts due and payable under any of the Mortgage Receivables were in arrear;
- (u) with respect to each of the Mortgage Receivables secured by a mortgage right on a long lease (*erfpacht*) provide that the relevant Outstanding Principal Amount, including interest, will

become immediately due and payable if the long lease terminates as a result of a breach by the leaseholder, the leaseholder materially breaches or ceases to perform his payment obligation under the long lease (*canon*) or if the leaseholder in any other manner breaches the conditions of the long lease;

- (v) other than the aggregate Construction Amounts under construction mortgage loans (*bouwhypotheken*), all Mortgage Loans have been fully disbursed and no amounts are held in deposit with respect to the Mortgage Loans as premia and interest payments (*rente- en premiedepot*) and no further advances are required to be made under the Mortgage Loans;
- (w) the particulars of each Mortgage Receivable, as set forth in the Transaction Documents are correct and complete in all material respects;
- (x) it has accounted for and distinguished between all interest and principal payments relating to the Mortgage Loans;
- (y) it has not been notified and is not aware of anything affecting its title to the Mortgage Receivables;
- (z) the notarial mortgage deeds (*minuut*) relating to the Mortgages are kept by a civil law notary in the Netherlands, while the Seller keeps the Loan Files relating to the Mortgage Loans, which Loan Files include certified copies of the notarial mortgage deeds;
- (aa) it is a requirement for the granting of a Mortgage Loan that each of the Mortgaged Assets, on which a Mortgage has been vested to secure the Mortgage Receivable, had, at the time the Mortgage Loan was advanced, the benefit of buildings insurance (*opstalverzekering*) for the full reinstatement value (*herbouwwaarde*);
- (bb) under each of the Mortgage Receivables interest and, if applicable, principal due in respect of a period of at least one payment has been received by the Seller;
- (cc) each of the Life Mortgage Receivables has the benefit of a Life Insurance Policy and either (i) the Seller has been validly appointed as beneficiary (*begunstigde*) under such Life Insurance Policy upon the terms of the relevant Life Mortgage Loan and the relevant Life Insurance Policy, which has been notified to the relevant Life Insurance Company, or (ii) the relevant Life Insurance Company is irrevocably authorised by the beneficiary to pay the insurance proceeds directly to the Seller in satisfaction of the relevant Mortgage Receivable;
- (dd) each of the Savings Mortgage Receivables has the benefit of a Savings Insurance Policy and either (i) the Seller has been validly appointed as beneficiary (*begunstigde*) under such Savings Insurance Policy, upon the terms of the relevant Savings Mortgage Loan and the relevant Savings Insurance Policy, which appointment has been notified to the relevant Insurance Company, or (ii) the relevant Insurance Company is irrevocably authorised to apply the insurance proceeds in satisfaction of the relevant Savings Mortgage Receivable;
- (ee) with respect to each of the Life Mortgage Loans and Savings Mortgage Loans a Borrower Insurance Pledge has been entered into by the Seller and the relevant Borrower;
- (ff) it has not been notified and is not aware that any of the Insurance Policies are not in full force and effect and the lapse of time will result in any event affecting such force and effectiveness;
- (gg) in the Mortgage Conditions no further drawings and/or further credits have been agreed or anticipated;

- (hh) the Mortgage Conditions do not allow a conversion of any Mortgage Loan into any other type of mortgage loan;
- (ii) the Mortgage Conditions in respect of Mortgage Loans originated prior to April 1993 do not impose any restriction on the assignment and/or pledge of the Mortgage Receivables;
- (jj) the aggregate Outstanding Principal Amount of all Mortgage Loans on the Cut-Off Date is equal to the Initial Purchase Price;
- (kk) it can be determined in its administration without any uncertainty which Beneficiary Rights belong to which Mortgage Receivables;
- (ll) with respect to Life Mortgage Loans and Savings Mortgage Loans, (i) there is no connection, whether from a legal or a commercial point of view, between the Life Mortgage Loan or the Savings Mortgage Loan and the relevant Insurance Policy other than the relevant Borrower Insurance Pledge and the relevant Beneficiary Rights, (ii) the Life Mortgage Loans and the Savings Mortgage Loans and the relevant Insurance Policies are not marketed as one product or under one name, (iii) the Borrowers are free to choose the Insurance Company subject to approval by the Seller, (iv) the Insurance Company is not a group company (*groepsmaatschappij*) (within the meaning of article 2:24b of the Dutch Civil Code) of the Seller;
- (mm) as at the Cut-Off Date the aggregate Construction Amounts did not exceed the amount of EUR 14,078,126.49;
- (nn) with respect to Mortgage Receivables that have the benefit of a NHG Guarantee: (i) the NHG Guarantee is granted for the full amount of the Mortgage Loan, (ii) each NHG Mortgage Loan has been originated in accordance with the NHG Underwriting Criteria, (iii) the maximum Outstanding Principal Amount Outstanding of each NHG Mortgage Loan did not, upon its origination and upon the Cut-off Date, exceed the maximum loan amount as stipulated by the NHG Underwriting Criteria at such time (iv) the NHG Guarantee was in compliance with all terms and conditions (*voorwaarden en normen*) applicable to it at the time of origination of the Mortgage Loans and (iii) the Seller has not done anything or omitted to do anything which could compromise the enforceability of its claim nor is the Seller aware of any reason why any claim under any NHG Guarantee granted by Stichting Waarborgfonds Eigen Woningen with respect to the Mortgage Loan should not be met in full and in a timely manner; and
- (oo) the percentage of the initial balance of Outstanding Principal Amounts of the Mortgage Loans that relate to partially commercial properties does not exceed 1.5 per cent. of the total Outstanding Principal Amounts of the Mortgage Receivables.

Repurchase

If at any time after the Closing Date any of the representations and warranties relating to a Mortgage Loan or a Mortgage Receivable and the Beneficiary Rights relating thereto proves to have been untrue or incorrect, the Seller shall within 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 being remedied or is not remedied within the said period of 14 days, the Seller shall on the next succeeding Mortgage Payment Date repurchase and accept reassignment of such Mortgage Receivable and any Beneficiary Right relating thereto.

If the Seller agrees with a Borrower to make a further advance or a new mortgage loan which is only secured by the mortgage right which also secures a Mortgage Loan, it shall repurchase and accept

reassignment of the Mortgage Receivable and the Beneficiary Rights relating thereto on the terms and conditions set forth above on the Mortgage Payment Date immediately succeeding such event. No repurchase and reassignment of the Mortgage Receivable and the Beneficiary Rights relating thereto is required if the Seller agrees with a Borrower to grant (i) a new mortgage loan secured by a new mortgage right which is lower-ranking than the mortgage right which secures the Mortgage Receivable or (ii) a loan or credit to a Borrower other than a mortgage loan, including without limitation, by means of a personal loan, a home improvement loan or a current account facility.

If a Mortgage Loan, which previously did have the benefit of a NHG Guarantee, no longer has the benefit of the NHG Guarantee as a result of action taken or omitted to be taken by the Seller, the Pool Servicer or the Defaulted Loan Servicer, the Seller shall also repurchase and accept re-assignment of such Mortgage Receivable and the Beneficiary Rights relating thereto on the Mortgage Payment Date immediately following the date on which the Seller or the Pool Servicer has become aware or has been notified hereof.

The Seller shall also undertake to repurchase and accept reassignment of a Mortgage Receivable and the Beneficiary Rights relating thereto if it agrees with a Borrower to amend the terms of the Mortgage Loan and such amendment is not in accordance with the conditions set out in the Mortgage Receivables Purchase Agreement, which includes the condition that after such amendment the Mortgage Loan continues to meet each of the Mortgage Loan Criteria and the representations and warranties of the Mortgage Receivables Purchase Agreement will continue to be true and accurate in respect of such Mortgage Receivable and the Beneficiary Rights relating thereto on the Mortgage Payment Date immediately succeeding such event, provided that if such amendment is made as part of the enforcement procedures to be complied with upon a default by the Borrower under the relevant Mortgage Loan or is otherwise made as part of a restructuring or renegotiation of the relevant Mortgage Loan due to a deterioration of the credit quality of the Borrower of such Mortgage Loan, the Seller shall not repurchase the relevant Mortgage Receivable and the Beneficiary Rights relating thereto.

All Mortgage Receivables to be repurchased by the Seller shall be repurchased for a price equal to the then Outstanding Principal Amount, together with interest accrued up to but excluding such Mortgage Payment Date and reasonable costs relating thereto (including any costs incurred by the Issuer in effecting and completing such repurchase and reassignment).

Clean-Up Call Option

On each Quarterly Payment Date the Seller may exercise the Clean-Up Call Option. The Issuer will undertake in the Mortgage Receivables Purchase Agreement to sell and assign the Mortgage Receivables to the Seller or any third party appointed by the Seller in its sole discretion, in case of the exercise of the Clean-Up Call Option.

The purchase price of the Mortgage Receivables and the Beneficiary Rights relating thereto in the case of a sale and assignment of the Mortgage Receivables and the Beneficiary Rights relating thereto in such event shall be equal to at least the relevant Outstanding Principal Amount in respect of the relevant Mortgage Receivables, together with accrued interest due but unpaid, if any, except that, with respect to Mortgage Loans which are in arrears for a period exceeding 90 days or in respect of which an instruction has been given to the civil-law notary to start foreclosure proceedings, the purchase price shall be at least the lesser of (a) the sum of the relevant Outstanding Principal Amount in respect of the relevant Mortgage Receivables, together with accrued interest due but unpaid, if any, and any other amount due under the Mortgage Conditions up to the relevant date of sale or repurchase and (b) an amount equal to the foreclosure value of the Mortgaged Assets or, if no valuation report of less than 12 months old is available, the Indexed Foreclosure Value, provided that the purchase price shall be at least an amount equal to the Principal Amount Outstanding of the Senior Class A Notes together

with accrued interest due but unpaid up to the date of sale.

Regulatory Call Option

On each Quarterly Payment Date the Seller has the option to repurchase the Mortgage Receivables and the Beneficiary Rights relating thereto upon the occurrence of a Regulatory Change. A **Regulatory Change** will be either (i) a change published on or after the Closing Date 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 the Seller (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 the Seller, has the effect of adversely affecting the rate of return on capital of the Seller or increasing the cost or reducing the benefit to the Seller with respect to the transaction contemplated by the Notes or (ii) a change in the rules set by the European Central Bank as a result of which the Class A Notes no longer qualify as collateral for the Eurosystem. If the Regulatory Call Option is exercised, the purchase price of such Mortgage Receivables and the Beneficiary Rights relating thereto will be at least the lesser of (a) the sum of the relevant Outstanding Principal Amount in respect of the relevant Mortgage Receivables, together with accrued interest due but unpaid, if any, and any other amount due under the Mortgage Conditions up to the relevant date of sale or repurchase and (b) an amount equal to the sum of the foreclosure value of the Mortgaged Assets or, if no valuation report of less than 12 months' old is available, the Indexed Foreclosure Value, provided that the purchase price shall be at least an amount equal to the Principal Amount Outstanding of the Senior Class A Notes together with accrued interest due but unpaid up to the date of sale.

Optional Redemption

If the Issuer exercises its right to redeem the Notes on any Optional Redemption Date, it has the right to sell the Mortgage Receivables and the Beneficiary Rights relating thereto. The Issuer shall first offer such Mortgage Receivables and the Beneficiary Rights relating thereto for sale to the Seller. The Seller shall within a period of 15 business days inform the Issuer whether it wishes to repurchase the Mortgage Receivables and the Beneficiary Rights relating thereto. After such 15 business days period, the Issuer may offer such Mortgage Receivables and the Beneficiary Rights relating thereto for sale to any third party. The purchase price of such Mortgage Receivables and the Beneficiary Rights relating thereto will be calculated in the same manner as described in *Clean-Up Call Option* above.

Redemption for tax reasons

If the Issuer exercises its option to redeem the Notes for tax reasons in accordance with Condition 6(f), the Issuer has undertaken in the Mortgage Receivables Purchase Agreement to first offer the Mortgage Receivables and the Beneficiary Rights relating thereto for sale to the Seller. The Seller shall within a period of 15 business days inform the Issuer whether it wishes to repurchase the Mortgage Receivables and the Beneficiary Rights relating thereto. After such 15 business day period, the Issuer may offer the Mortgage Receivables and the Beneficiary Rights relating thereto to any third party. The purchase price of such Mortgage Receivables and the Beneficiary Rights relating thereto will be calculated in the same manner as described in *Clean-Up Call Option* above.

The Issuer may not dispose of the Mortgage Receivable and the Beneficiary Rights relating thereto, except to comply with its obligations under the Notes in certain circumstances and as further provided in the Trust Deed (see also above). If the Issuer has to sell (part of) the Mortgage Receivables and the

Beneficiary Rights relating thereto it will first offer such Mortgage Receivables and the Beneficiary Rights relating thereto to the Seller.

Mortgage Loan Criteria

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

- (i) the Mortgage Loans are in the form of:
 - (a) Interest-only Mortgage Loans (*aflossingsvrije hypotheken*);
 - (b) Annuity Mortgage Loans (*annuïteiten hypotheken*);
 - (c) Linear Mortgage Loans (*lineaire hypotheken*);
 - (d) Savings Mortgage Loans (*spaarhypotheken*);
 - (e) Life Mortgage Loans (*levenhypotheken*) to which a Life Insurance Policy is connected with (a) a guaranteed final payment or (b) the Unit-Linked Alternative; and
 - (f) mortgage loans which combine any of the above mentioned forms of mortgage loans;
- (ii) the Borrower is not an employee of the Seller or of any company belonging to the same group of companies as the Seller;
- (iii) all Borrowers are natural persons residing in the Netherlands;
- (iv) the interest rate of each Mortgage Loan is floating or fixed, subject to a reset from time to time;
- (v) each Mortgaged Asset is legally owned by the Borrower and is not the subject of residential letting and was to be occupied by the relevant Borrower at the time of origination of the Mortgage Loan;
- (vi) interest payments and, to the extent applicable, principal payments with respect to each Mortgage Loan are scheduled to be made monthly, quarterly, semi-annual or annual;
- (vii) the Outstanding Principal Amount of all Mortgage Loans secured on the same Mortgaged Asset together on the Cut-Off Date, does not exceed 110 per cent. of the fair market value of the Mortgaged Asset upon origination of the Mortgage Loan;
- (viii) each Mortgage Loan is secured by a first ranking mortgage right;
- (ix) the Mortgaged Asset is located in the Netherlands;
- (x) in respect of each Mortgage Loan at least one (interest) payment has been received prior to the Closing Date;
- (xi) each Mortgage Loan, or all Mortgage Loans secured on the same Mortgaged Asset together, has an Outstanding Principal Amount of not more than euro 7,000,000;
- (xii) where compulsory under the acceptance conditions used by the Seller, each Mortgage Loan has a Life Insurance Policy attached to it;

- (xiii) on the Cut-Off Date, none of the Borrowers had an aggregate unauthorised overdraft on all accounts held with the Seller exceeding euro 500 for more than one calendar month;
- (xiv) other than the aggregate Construction Amounts, under construction mortgage loans ('*bouwhypotheken*') all Mortgage Loans are fully disbursed;
- (xv) each Mortgage Loan is neither for the purpose of renovation nor for equity release; and
- (xvi) each Mortgaged Asset is neither a houseboat, multifamily property nor a purely commercial property.

Notification Events

If, *inter alia*:

- (a) a default is made by the Seller in the payment on the due date of any amount due and payable by the Seller under the Mortgage Receivables Purchase Agreement or under any Relevant Document to which it is a party and such failure is not remedied within ten (10) business days after having knowledge of such failure or notice thereof has been given by the Issuer or the Security Trustee to the Seller; or
- (b) the Seller fails duly to perform or comply with any of its obligations under the Mortgage Receivables Purchase Agreement or under any Relevant Document to which it is a party and, if such failure is capable of being remedied, such failure is not remedied within ten (10) business days after having knowledge of such failure or notice thereof has been given by the Issuer or the Security Trustee to the Seller; or
- (c) any representation, warranty or statement made or deemed to be made by the Seller in the Mortgage Receivables Purchase Agreement, other than those relating to the Mortgage Loans and the Mortgage Receivables and the Beneficiary Rights relating thereto (which the Seller consequently repurchases), or under any of the Relevant Documents to which the Seller is a party or in any notice or other document, certificate or statement delivered by it pursuant thereto proves to have been, and continues to be after the expiration of any applicable grace period, untrue or incorrect in any material respect; or
- (d) the Seller takes any corporate action or other steps are taken or legal proceedings are started or threatened against it for its dissolution (*ontbinding*) and liquidation (*vereffening*) or legal demerger (*juridische splitsing*) involving a substantial part of its assets or its being converted in a foreign entity or its assets are placed under administration (*onder bewind gesteld*); or
- (e) the Seller has taken any corporate action or any steps have been taken or legal proceedings have been instituted or threatened against it for the Seller becoming subject to emergency regulations as referred to in Article 3:160 of the Act on Financial Supervision or for bankruptcy, as referred to in the Bankruptcy Act (*Faillissementswet*) or for any analogous insolvency proceedings under applicable law or for the appointment of a receiver or a similar officer of it or of any or all of its assets or the Dutch Central Bank has restricted the Seller's powers in accordance with Clause 1:75(1) of the Act on Financial Supervision; or
- (f) at any time it becomes unlawful for the Seller to perform all or a material part of its obligations under any of the Relevant Documents; or
- (g) the Seller during a period of any two consecutive months fails to have a solvency ratio equal to or greater than the percentage as required by Chapter 10 of the Decree on prudential supervision amended from time to time (*Besluit prudentiële regels*) or, pursuant to Chapter 11

of the *Besluit prudentiële regels* fails to have a liquidity ratio equal to greater than the required liquidity under the broad liquidity test, as defined in such Chapter 11 of the *Besluit prudentiële regels*; or

- (h) The Seller has given materially incorrect information or not given material information which was essential for the Issuer and the Security Trustee in connection with the entering into the Mortgage Receivables Purchase Agreement and/or any of the Relevant Documents; or
- (i) the credit rating of the Seller's long-term unsecured, unsubordinated and unguaranteed debt obligations falls below Baa1 by Moody's or such rating is withdrawn; or
- (j) a Trustee Notification Event occurs;

unless an appropriate remedy to the satisfaction of the Security Trustee is found and the Security Trustee has notified Moody's of such event and the Security Trustee, in its reasonable opinion, does not expect that the then current rating assigned to the Mortgage-Backed Notes will be adversely affected as a consequence thereof, the Seller shall forthwith notify the relevant Borrowers, the Life Insurance Companies, the Savings Insurance Company and any other relevant parties indicated by the Issuer and/or the Security Trustee of the assignment of the Mortgage Receivables and the Beneficiary Rights relating thereto to the Issuer or, at its option, the Issuer shall be entitled to make such notifications itself.

In addition, pursuant to the Beneficiary Waiver Agreement the Seller and the Savings Insurance Company will use its best efforts to obtain the co-operation from the Borrowers, and, in respect of the Life Mortgage Loans, Life Insurance Companies and all other parties to (a) waive its rights as first beneficiary under the Life Insurance Policies, (b) appoint as first beneficiary (x) the Issuer until the occurrence of a Trustee Notification Event and (y) the Security Trustee upon the occurrence of a Trustee Notification Event, and (c) with respect to Life Insurance Policies whereby the initial appointment of the first beneficiary has remained in force as a result of a Borrower Insurance Proceeds Instruction in favour of the Seller to the Life Insurance Company, withdraw such Borrower Insurance Proceeds Instruction and to issue a Borrower Insurance Proceeds Instruction in favour of (x) the Issuer until the occurrence of a Trustee Notification Event relating to the Issuer and (y) the Security Trustee upon the occurrence of a Trustee Notification Event.

Set-off by Borrowers

The Mortgage Receivables Purchase Agreement will provide that if a Borrower invokes a right of set-off for amounts due to it by the Seller against the relevant Mortgage Receivable and, as a consequence thereof, the Issuer and/or Security Trustee does not receive in any Mortgage Calculation Period the amount which it is entitled to receive in respect of such Mortgage Receivable, the Seller will pay on the Mortgage Payment Date to the Issuer and/or Security Trustee an amount equal to the difference between the amount which the Issuer would have received in respect of the relevant Mortgage Receivable if no set-off had taken place and the amount actually received by the Issuer and/or Security Trustee in respect of such Mortgage Receivable.

Jointly-held Security Interests

In the Mortgage Receivables Purchase Agreement the Seller, the Issuer and/or the Security Trustee (as applicable) will agree that the Issuer and/or the Security Trustee (as applicable) will manage and administer any jointly-held security interests. Furthermore, the Seller, the Issuer and/or the Security Trustee (as applicable) will agree that, in case of foreclosure the share (*aandeel*) in each jointly-held security interest of the Security Trustee and/or the Issuer will be equal to the Outstanding Principal Amount in respect of the Mortgage Receivables, increased with interest and costs, if any, and the

share of the Seller will be equal to the Net Proceeds less the Outstanding Principal Amount in respect of the Mortgage Receivables, increased with interest and costs, if any. Moreover, it will be agreed in the Mortgage Receivables Purchase Agreement that in case of a breach by the Seller of its obligations under these agreements or if any of such agreement is dissolved, void, nullified or ineffective for any reason in respect of the Seller, the Seller shall compensate the Issuer and/or the Security Trustee (as applicable) for any and all loss, cost, claim, damage and expense whatsoever which the Issuer and/or the Security Trustee (as applicable) incurs as a result thereof during any Mortgage Calculation Period. Such compensation will be paid by the Seller as soon as possible, but in any event ultimately on the Mortgage Payment Date immediately succeeding such Mortgage Calculation Period. To further secure the obligations of the Seller under this arrangement, the Seller shall have an obligation to pledge, upon the occurrence of a Notification Event, the Other Claims in favour of the Issuer and the Security Trustee respectively. Such pledge (if vested) will secure the claim of the Issuer and/or the Security Trustee on the Seller created for this purpose equal to the share of the Seller in the foreclosure proceeds in relation to a defaulted Borrower which claim becomes due and payable upon a default of the relevant Borrower (see also *Risk Factors*).

SERVICING AND ADMINISTRATION AGREEMENT

Services

In the Servicing and Administration Agreement, the Pool Servicer will agree to provide (i) administration and management services to the Issuer on a day-to-day basis in relation to the Mortgage Loans and the Mortgage Receivables, including, without limitation, the collection and recording of payments of principal, interest and other amounts in respect of the Mortgage Receivables, the direction of amounts received by the Seller to the Issuer Collection Account and the production of monthly reports in relation thereto, and (ii) the implementation of arrears procedures including the enforcement of mortgage rights (see further *Friesland Bank Residential Mortgage Business* above) and finally to provide information on the Participation in the Savings Mortgage Loans. If (i) the long-term unsecured unguaranteed debt rating of the Pool Servicer falls below A3 and the short-term unsecured unguaranteed debt rating falls below P-1 by Moody's, or such rating is withdrawn, the Issuer and the Security Trustee shall appoint a back-up servicer that does have the above mentioned ratings or (ii) the long-term unsecured unguaranteed debt rating of the Pool Servicer falls below Ba2 by Moody's, or such rating is withdrawn, this Agreement can be terminated by Issuer and the Security Trustee in which case the Back-Up Servicer will provide the Pool Services. The Issuer Administrator will agree to provide certain administration, calculation and cash management services to the Issuer, including (a) drawings (if any) to be made by the Issuer from the Reserve Account, (b) all payments to be made by the Issuer under the Swap Agreement and under the other Relevant Documents, (c) all payments to be made by the Issuer under the Notes in accordance with the Paying Agency Agreement and the Conditions, (d) the maintaining of all required ledgers in connection with the above, (e) all calculations to be made pursuant to the Conditions under the Notes and (f) preparing quarterly investor reports. The Issuer Administrator will also provide the Swap Counterparty with all information necessary in order to perform its role as calculation agent under the Swap Agreement. Friesland Bank, in its capacity as Back-Up Issuer Administrator, shall take over the services provided for by the Issuer Administrator upon termination of the appointment of the Issuer Administrator.

The Pool Servicer, which as a licensed bank holds a licence under the Act on Financial Supervision (*Wet op het Financieel Toezicht*) by operation of law, will be obliged to administer the Mortgage Loans and the Mortgage Receivables at the same level of skill, care and diligence as it administers mortgage loans in its own portfolio.

Termination

The appointment of the Pool Servicer and/or the Issuer Administrator under the Servicing and Administration Agreement may be terminated by the Security Trustee or the Issuer (with the consent of the Security Trustee) in certain circumstances, including (a) a default by the Pool Servicer and/or the Issuer Administrator in the payment on the due date of any payment due and payable by it under the Servicing and Administration Agreement or (b) a default by the Pool Servicer and/or the Issuer Administrator in the performance or observance of any of its other covenants and obligations under the Servicing and Administration Agreement or (c) the Pool Servicer and/or the Issuer Administrator has taken any corporate action or any steps have been taken or legal proceedings have been instituted or threatened against it for its entering into emergency regulations (*noodregeling*) as referred to in 3:160 of the Act on Financial Supervision or for any analogous insolvency proceedings under any applicable law or for bankruptcy or for the appointment of a receiver or a similar officer of its or any or all of its assets or (d) the Pool Servicer no longer holds a licence as intermediary (*bemiddelaar*) or offeror (*aanbieder*) under the Act on Financial Supervision.

After termination of the appointment of the Pool Servicer and/or the Issuer Administrator under the

Issuer Servicing and Administration Agreement, the Security Trustee and the Issuer shall use their best efforts to appoint a substitute pool servicer and such substitute pool servicer shall enter into an agreement with the Issuer and the Security Trustee substantially on the terms of the Servicing and Administration Agreement, provided that such substitute pool servicer and/or issuer administrator shall have the benefit of a fee at a level to be then determined. Any such substitute pool servicer is obliged to (i) have experience of administering mortgage loans and mortgages of residential property in the Netherlands and (ii) hold a licence under the Act of Financial Supervision. The Issuer shall, promptly following the execution of such agreement, pledge its interest in such agreement in favour of the Security Trustee on the terms of the Trustee Assets Pledge Agreement, *mutatis mutandis*, to the satisfaction of the Security Trustee.

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

SUB-PARTICIPATION AGREEMENT

Under the Sub-Participation Agreements the Issuer will grant to the Savings Insurance Company and the Savings Insurance Company will acquire a sub-participations in the Savings Mortgage Receivables.

Participation

In each Sub-Participation Agreement the Savings Insurance Company will undertake to pay to the Issuer in respect of each Savings Mortgage Receivable:

- (a) at the Closing Date, the contractual entitlement to receive the Savings Participation Redemption Available Amount up to an amount equal to the sum of the amounts received from the relevant Borrowers as Savings Premiums and accrued interest thereon on a capitalised basis under the respective Savings Mortgage Loans or Life Mortgage Loans with a savings element up to and including 1 January 2009 (the **Initial Participation**);
- (b) on each Mortgage Payment Date an amount equal to the amount received by the Savings Insurance Company as Savings Premium during the Mortgage Calculation Period then ended in respect of the relevant Savings Insurance Policies,

provided that in respect of each relevant Savings Mortgage Receivable no amounts will be paid to the extent that, as a result thereof, the Participation in such relevant Savings Mortgage would exceed the relevant Outstanding Principal Amount.

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

(Participation Fraction multiplied by i) + S, whereby

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

i = the amount of interest, due by the Borrower on the Savings Mortgage Receivable and actually received by the Issuer in such Mortgage Calculation Period;

In consideration for the undertaking of the Savings Insurance Company described above, the Issuer will undertake to pay to such Savings Insurance Company on each Mortgage Payment Date an amount equal to the Participation in each of the relevant Savings Mortgage Receivables in respect of which amounts have been received during the relevant Mortgage Calculation Period (a) by means of repayment and prepayment under the relevant Savings Mortgage Receivables from any person, whether by set-off or otherwise, but, for the avoidance of doubt, excluding any prepayment penalties and interest penalties, if any, and, furthermore, excluding amounts paid as partial prepayments on the Savings Mortgage Receivables, (b) in connection with a repurchase of Savings Mortgage Receivables pursuant to the Mortgage Receivables Purchase Agreement to the extent such amounts relate to principal, (c) in connection with a sale of Savings Mortgage Receivables pursuant to the Trust Deed to the extent such amounts relate to principal and all amounts received as Net Proceeds on any Savings Mortgage to the extent such amounts relate to principal (the **Participation Redemption Available Amount**), which amount will never exceed the amount of the Participation.

Reduction of Participation

If (a) a Borrower invokes a defence, including but not limited to a right of set-off or counterclaim against any person in respect of the relevant Savings Mortgage Receivables or if, for whatever reason, the Savings Insurance Company does not pay the insurance proceeds when due and payable, whether in full or in part, under the relevant Savings Insurance Policy or (b) the Seller fails to pay any amount due by it to the Issuer pursuant to the Mortgage Receivables Purchase Agreement in respect of a Savings Mortgage Receivable and, as a consequence thereof, the Issuer will not have received any amount which was outstanding prior to such event in respect of such Savings Mortgage Receivable, the Participation of the Savings Insurance Company in respect of such Savings Mortgage Receivable will be reduced by an amount equal to the amount which the Issuer has failed to receive as a result of such defence or default to pay.

Enforcement Notice

If an Enforcement Notice is given by the Security Trustee to the Issuer, then and at any time thereafter the Security Trustee on behalf of the Savings Insurance Company may, and if so directed by such Savings Insurance Company will, by notice to the Issuer:

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

Termination

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

THE ISSUER

Stichting Eleven Cities No. 5 (the **Issuer**) was established as a foundation (*stichting*) under the laws of the Netherlands on 17 February 2009. The statutory seat (*statutaire zetel*) of the Issuer is in Amsterdam, the Netherlands and its registered office is at Strawinskylaan 3105, 'Atrium' 7th Floor, 1077 ZX Amsterdam and its telephone number is +31 20 406 4444, its fax number is: +31 20 406 4555, and its e-mail addresses are et.investorreporting.structuredfinance@equitytrust.com (for portal access) and et.securitisation@nl.equitytrust.com (for other matters). The Issuer is registered with the Commercial Register of the Chamber of Commerce of Amsterdam under number 34327370. For specific issues relating to the legal form of the Issuer, reference is made to the *Risk Factors*.

The Issuer is a special purpose vehicle, which objectives are (a) to acquire, purchase, administer, sell and encumber registered receivables arising from or in connection with loans granted by a third person or third persons and to exercise all rights attaching to such receivables, (b) to raise funds for the acquisition of the receivables referred to under (a) by the issuance of notes, securities or entering into loan agreements, (c) to invest - including the lending of - assets of the Foundation, (d) to limit financial risks and risks in respect of fluctuations in interest rate by, inter alia, entering into derivative agreements such as swap agreements, (e) in connection with the abovementioned: (i) to borrow funds, among other things, to settle the obligations under the notes referred to under (b); and (ii) to grant security to third parties and the release of security granted by third parties to itself, (f) for the benefit of Friesland Bank N.V., having its official seat in Leeuwarden, to participate in, to promote, to facilitate and otherwise be engaged in securitisation transactions initiated by Friesland Bank N.V. under the name Stichting Eleven Cities No. 5 and (g) to do all that is connected therewith or may be conducive thereto, all to be interpreted in the broadest sense.

Statement by managing director of the Issuer

Since its incorporation the Issuer operates under the laws of the Netherlands and there has been no material adverse change in its financial or trading position and it 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 (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 Issuer has the corporate power and capacity to issue the Notes, to acquire the Mortgage Receivables and the Beneficiary Rights relating thereto and to enter into and perform its obligations under the Relevant Documents.

The sole managing director of the Issuer is Equity Trust Co. N.V. Equity Trust Co. N.V. is part of the Equity Trust Group (www.equitytrust.com). The managing directors of Equity Trust Co. N.V. are J.C.W. van Burg and F. van der Rhee. The managing directors of Equity Trust Co. N.V., have chosen domicile at the office address of Equity Trust Co. N.V., being Strawinskylaan 3105, 'Atrium', 7th Floor, 1077 ZX Amsterdam. The principal activities of Equity Trust Co. N.V. are in line with its objects clause as set out below.

The objectives of Equity Trust Co. N.V. are (a) to incorporate, to participate in, to manage, to supervise the management of businesses and companies, (b) to hold funds, stocks or other securities in trust, (c) to act as trustee and in that capacity hold in trust stocks, bonds and other stocks or securities, (d) to act as administrator, executor, trustee under Dutch or other law or as a third party, (e) to provide domicile for third parties and to provide office facilities, (f) all acts of management and administration for third parties and to represent the interests of third parties in the broadest sense, (g) to perform any

and all activities that is connected therewith or may be conducive thereto, (h) to finance businesses and companies, enter into finance agreements and obligations for group-companies, to grant guarantees and to grant other securities for obligations from group-companies and (i) to do all that is connected therewith or may be conducive thereto, all to be interpreted in the broadest sense.

The managing director of the Issuer has entered into a management agreement with the Issuer. In this management agreement the managing director agrees and undertakes to, *inter alia*, (i) do all that an adequate managing director should do and refrain from what an adequate managing director should not be doing, and (ii) refrain from taking any action detrimental to the obligations of the Issuer under any of the Relevant Documents or the then current ratings assigned to the Notes. In addition the managing director agrees in the management agreement that it will not enter into any agreement in relation to the Issuer other than the Relevant Documents to which it is a party, without the prior written consent of the Security Trustee provided that the Security Trustee has notified Moody's thereof and that the Security Trustee, in its reasonable opinion, does not expect that the then current rating assigned to the Mortgage-Backed Notes will be adversely affected as a consequence thereof.

There are no potential conflicts of interest between any duties to the Issuer of its managing director and private interests or other duties of the managing director. The Seller does not hold an interest in any group company of the managing director.

The financial year of the Issuer coincides with the calendar year, except for the first financial year which started on 17 February 2009 and ends on 31 December 2009.

Capitalisation

The following table shows the capitalisation of the Issuer as of the Closing Date as adjusted to give effect to the issue of the Notes:

Borrowings

| | |
|----------------------------|------------------|
| Senior Class A Notes | euro 763,050,000 |
| Mezzanine Class B Notes | euro 17,050,000 |
| Mezzanine Class C Notes | euro 16,200,000 |
| Mezzanine Class D Notes | euro 7,300,000 |
| Junior Class E Notes | euro 6,400,000 |
| Subordinated Class F Notes | euro 28,350,000 |
| Subordinated Loan | euro 1,000,000 |

USE OF PROCEEDS

The net proceeds of the issue of the Notes (excluding the Subordinated Class F Notes), will be applied to pay the Initial Purchase Price for the Mortgage Receivables and the Beneficiary Rights relating thereto purchased under the Mortgage Receivables Purchase Agreement.

An amount of euro 14,078,126.49 of the Initial Purchase Price will be withheld by the Issuer and deposited on the Construction Account for payments relating to Construction Amounts.

An amount of euro 672,145.76 will be deposited in the Issuer Collection Account and will be available the first Quarterly Payment Date for redemption of the Notes.

The net proceeds of the Subordinated Class F Notes will be credited to the Reserve Account.

The proceeds of the Subordinated Loan, in the amount of euro 1,000,000 will be used by the Issuer to pay certain initial costs and expenses in connection with the issue of the Notes.

Furthermore, an amount of euro 21,200,348.93 will be received by the Issuer as consideration for the Participation granted to the Savings Insurance Company in the Savings Mortgage Receivables. The Issuer will apply this amount towards payment of part of the Initial Purchase Price.

DESCRIPTION OF SECURITY

In the Parallel Debt Agreement the Issuer will irrevocably and unconditionally undertake to pay to the Security Trustee an amount equal to the aggregate amount due (*verschuldigd*) by the Issuer (a) to the Noteholders under the Notes, (b) to the Directors under the Management Agreements, (c) to the Pool Servicer and the Issuer Administrator under the Servicing and Administration Agreement, (d) to the Paying Agent and the Reference Agent under the Paying Agency Agreement, (e) to the Swap Counterparty under the Swap Agreement, (f) to the Seller under the Mortgage Receivables Purchase Agreement, (g) to the Subordinated Loan Provider under the Subordinated Loan Agreement and (h) to the Savings Insurance Company under the Sub-Participation Agreement (together the **Secured Parties**) (the **Parallel Debt**).

The Parallel Debt constitutes a separate and independent obligation of the Issuer and constitutes the Security Trustee's own separate and independent claim (*eigen en zelfstandige vordering*) to receive payment of the Parallel Debt from the Issuer. Upon receipt by the Security Trustee of any amount in payment of the Parallel Debt, the payment obligations of the Issuer to the Secured Parties shall be reduced by an amount equal to the amount so received.

To the extent that the Security Trustee irrevocably and unconditionally receives any amount in payment of the Parallel Debt, the Security Trustee shall distribute such amount among the Secured Parties in accordance with the Priority of Payments upon Enforcement save for amounts due to the Savings Insurance Company in connection with the Participations. The amounts due to the Secured Parties, other than the Savings Insurance Company, will be the sum of (a) amounts recovered (*verhaald*) by it (i) on the Mortgage Receivables, other than the Savings Mortgage Receivables and the Beneficiary Rights relating thereto, (ii) each of the Savings Mortgage Receivables and the Beneficiary Rights relating thereto to the extent the amount exceeds the relevant Participation in the relevant Savings Mortgage Receivable and (iii) other assets pledged pursuant to the Pledge Agreements and (b) the pro rata part of the amounts received from any of the Secured Parties, as received or recovered by any of them pursuant to the Parallel Debt Agreement (by reference to the proportion of the Participations bear to the aggregate Mortgage Receivables); less (y) any amounts already paid by the Security Trustee to the Secured Parties (other than the Savings Insurance Company) pursuant to the Parallel Debt Agreement and (z) the *pro rata* part of the costs and expenses of the Security Trustee (including, for the avoidance of doubt, any costs of, *inter alia*, Moody's and any legal advisor, auditor or accountant appointed by the Security Trustee).

The amounts due to each Savings Insurance Company consist of, *inter alia*, (a) amounts recovered by the Security Trustee on the relevant Savings Mortgage Receivables to which the Participations of the Savings Insurance Company relate and the Beneficiary Rights and (b) the *pro rata* part of the amounts received from any of the Secured Parties, as received or recovered by any of them pursuant to the Parallel Debt Agreement (by reference to the proportion the sum of the Participations bear to the aggregate Mortgage Receivables); less (y) any amounts already paid to such Savings Insurance Company by the Security Trustee pursuant to the Parallel Debt Agreement and (z) the *pro rata* part of the costs and expenses of the Security Trustee (including, for the avoidance of doubt, any costs of, *inter alia*, Moody's and any legal advisor, auditor or accountant appointed by the Security Trustee) (by reference to the proportion of the sum of the Participations bear to the Mortgage Receivables).

On the Closing Date, the Issuer will vest a right of pledge (the **Trustee Receivables Pledge Agreement**) in favour of the Security Trustee on the Mortgage Receivables and the Beneficiary Rights. The pledge on the Mortgage Receivables will not be notified to the Borrowers, except in case certain notification events occur, which are similar to the Notification Events but relating to the Issuer (the **Trustee Notification Events**). Prior to notification of the pledge to the Borrowers, the pledge will be a 'silent' right of pledge (*stil pandrecht*) within the meaning of section 3:239 of the Dutch Civil

Code. The pledge on the Beneficiary Rights will also be a silent right of pledge (*stil pandrecht*).

In addition, on the Closing Date, a right of pledge (the **Trustee Assets Pledge Agreement**, and together with the Trustee Receivables Pledge Agreement, the **Pledge Agreements**) will be vested by the Issuer in favour of the Security Trustee on all rights of the Issuer (a) under or in connection with (i) the Mortgage Receivables Purchase Agreement, (ii) the Servicing and Administration Agreement, (iii) the Floating Rate GIC and (iv) the Swap Agreement and (b) in respect of the Transaction Accounts. This right of pledge will be notified to the relevant obligors and will, therefore, be a disclosed right of pledge (*openbaar pandrecht*), but the Security Trustee will grant a power to collect to the Issuer which will be withdrawn upon the occurrence of any of the Trustee Notification Events.

Upon the occurrence of a Trustee Notification Event and, consequently, notification to the Borrowers, the Life Insurance Companies and the Savings Insurance Company and withdrawal of the power to collect, the Security Trustee will collect (*innen*) all amounts due to the Issuer whether by Borrowers or parties to the Relevant Documents. Pursuant to the Trust Deed the Security Trustee will, until the delivery of an Enforcement Notice, for the sole purpose of enabling the Issuer to make payments in accordance with the relevant Priority of Payments, pay or procure the payment to the Issuer, whilst for that sole purpose terminating (*opzeggen*) its right of pledge.

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

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

THE SECURITY TRUSTEE

Stichting Security Trustee Eleven Cities No. 5 (the **Security Trustee**) is a foundation (*stichting*) established under the laws of the Netherlands on 17 February 2009. The statutory seat of the Security Trustee is in Amsterdam and its registered office is at Claude Debussylaan 24, 1082 MD Amsterdam, the Netherlands.

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

The Security Trustee has agreed to act as security trustee for the holders of the Notes and to pay any amounts received from the Issuer or amounts collected by the Security Trustee under the Pledge Agreements to the Noteholders subject to and pursuant to the Parallel Debt Agreement and the Trust Deed and in respect to the Noteholders, subject to and in accordance with the Priority of Payments upon Enforcement.

In addition, the Security Trustee has agreed to act as security trustee vis-à-vis the other Secured Parties and to pay to such Secured Parties any amounts received from the Issuer or amounts collected by the Security Trustee under the Pledge Agreements to which the relevant Secured Party is a party subject to and pursuant to the Parallel Debt Agreement and the Trust Deed and, except in respect to the Savings Insurance Company, subject to and in accordance with the relevant Priority of Payments upon Enforcement.

The Security Trustee shall not be liable for any action taken or not taken by it or for any breach of its obligations under or in connection with the Trust Deed or any other Relevant Document to which it is a party, except in the event of its wilful misconduct (*opzet*) or negligence (*nalatigheid*), and it shall not be responsible for any act or negligence of persons or institutions selected by it in good faith and with due care.

The Security Trustee may, without the consent of the Noteholders and the other Secured Parties, agree to any modification of any of the provisions of the Relevant Documents which is of a formal, minor or technical nature or is made to correct a manifest error. In addition, the Security Trustee may, without the consent of the Noteholders and the other Secured Parties, (a) give its consent as provided for in the Relevant Documents or (b) agree to any other modification (except if prohibited in the Relevant Documents) which is in the opinion of the Security Trustee not materially prejudicial to the interest of the Noteholders, provided that (i) the Security Trustee has notified Moody's and (ii) the Security Trustee, in its reasonable opinion, does not expect that the then current ratings assigned to the Notes by Moody's will be adversely affected by any such consent, modification, authorisation or waiver. See further *Terms and Conditions of the Notes*.

The sole director of the Security Trustee is ANT Securitisation Services B.V., having its registered office at Claude Debussylaan 24, 1082 MD Amsterdam, the Netherlands.

THE SWAP COUNTERPARTY

The Royal Bank of Scotland Group plc (the **Group**) is the holding company of a large global banking and financial services group. Headquartered in Edinburgh, the Group operates in the United Kingdom, the United States and internationally through its two principal subsidiaries, The Royal Bank of Scotland plc (the **Royal Bank**) and National Westminster Bank Plc (**NatWest**). Both the Royal Bank and NatWest are major UK clearing banks whose origins go back over 275 years. In the United States, the Group's subsidiary Citizens is a large commercial banking organisation. The Group has a large and diversified customer base and provides a wide range of products and services to personal, commercial and large corporate and institutional customers in over 50 countries.

The Group had total assets of £2,401.7 billion and owners' equity of £80.5 billion at 31 December 2008. The Group's capital ratios, which included the equity minority interest of the State of the Netherlands and Banco Santander (**Santander**) in ABN AMRO Holding N.V. (**ABN AMRO**), were a total capital ratio of 14.1 per cent., a Core Tier 1 capital ratio of 6.8 per cent. and a Tier 1 capital ratio of 10.0 per cent., as at 31 December 2008.

The short-term unsecured and unguaranteed debt obligations of the Royal Bank are currently rated A-1 by S&P, P-1 by Moody's and F1+ by Fitch. The long-term senior unsecured and unguaranteed debt obligations of the Royal Bank are currently rated A+ by S&P, Aa3 by Moody's and AA- by Fitch.

On 17 October 2007, RFS Holdings B.V (**RFS Holdings**), which at the time was owned by the Group, Fortis N.V., Fortis SA/NV, Fortis Bank Nederland (Holding) N.V., (Fortis N.V., Fortis SA/NV and Fortis Bank Nederland (Holding) N.V., collectively, **Fortis**) and Santander and controlled by the Group, completed the acquisition of ABN AMRO. RFS Holdings, which is now jointly owned by the Group, the State of the Netherlands and Santander, is in the process of implementing an orderly separation of the business units of ABN AMRO, with the Group principally retaining ABN AMRO's global wholesale businesses and international retail businesses in Asia and the Middle East. Certain other assets will continue to be shared by the Consortium Members. Further details of the most recent developments in respect of the Group can be obtained from the Group's website at <http://www.rbs.com>.

TERMS AND CONDITIONS OF THE NOTES

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

The issue of the euro 763,050,000 floating rate Senior Class A Mortgage-Backed Notes 2009 due 2090 (the **Senior Class A Notes**), the euro 17,050,000 floating rate Mezzanine Class B Mortgage-Backed Notes 2009 due 2090 (the **Mezzanine Class B Notes**), the euro 16,200,000 floating rate Mezzanine Class C Mortgage-Backed Notes 2009 due 2090 (the **Mezzanine Class C Notes**), the euro 7,300,000 floating rate Mezzanine Class D Mortgage-Backed Notes 2009 due 2090 (the **Mezzanine Class D Notes**), the euro 6,400,000 floating rate Junior Class E Mortgage-Backed Notes 2009 due 2090 (the **Junior Class E Notes** and together with the Senior Class A Notes, the Mezzanine Class B Notes, the Mezzanine Class C Notes and the Mezzanine Class D Notes, the **Mortgage-Backed Notes**) and the euro 28,350,000 floating rate Subordinated Class F Notes 2009 due 2090 (the **Subordinated Class F Notes**, and together with the Mortgage-Backed Notes, the **Notes**) was authorised by a resolution of the managing director of Stichting Eleven Cities No. 5 (the **Issuer**) passed on 19 March 2009. The Notes are issued under a trust deed executed on 20 March 2009 (the **Trust Deed**) between the Issuer and Stichting Security Trustee Eleven Cities No. 5 (the **Security Trustee**).

The statements in these terms and conditions of the Notes (the **Conditions**) include summaries of, and are subject to, the detailed provisions of (i) the Trust Deed, which will include the form of the Notes and the interest coupons appertaining to the Notes (the **Coupons**) and the forms of the Temporary Global Notes and the Permanent Global Notes, (ii) a paying agency agreement (the **Paying Agency Agreement**) entered into on 20 March 2009 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**), (iii) a servicing and administration agreement (the **Servicing and Administration Agreement**) entered into on 20 March 2009 between, the Issuer, Friesland Bank N.V., as the Pool Servicer, Equity Trust Co. N.V., as the Issuer Administrator, and the Security Trustee, (iv) a parallel debt agreement (the **Parallel Debt Agreement**) entered into on 20 March 2009 between the Issuer, the Security Trustee and the Secured Parties, (v) a pledge agreement (the **Trustee Receivables Pledge Agreement**) entered into on 20 March 2009 between, *inter alia*, the Issuer and the Security Trustee and (vi) a pledge agreement entered into on 20 March 2009 between the Issuer, the Security Trustee and others (the **Trustee Assets Pledge Agreement**), and together with the Trustee Receivables Pledge Agreement, the **Pledge Agreements**).

Certain words and expressions used in these Conditions are defined in a master definitions agreement (the **Master Definitions Agreement**) entered into on 20 March 2009 and signed by the Issuer, the Security Trustee, the Paying Agent and certain other parties. Such words and expressions shall, except where the context requires otherwise, have the same meanings in these Conditions. If the terms or definitions in the Master Definitions Agreement would conflict with terms or definitions used herein, the terms and definitions of these Conditions shall prevail. As used herein, **Class** means either the Senior Class A Notes, the Mezzanine Class B Notes, the Mezzanine Class C Notes, the Mezzanine Class D Notes, the Junior Class E Notes or the Subordinated Class F Notes, as the case may be.

Copies of the Trust Deed, the Paying Agency Agreement, the Parallel Debt Agreement, the Pledge Agreements and the Master Definitions Agreement are available for inspection free of charge by holders of the Notes (the **Noteholders**) at the specified office of the Paying Agent and the present office of the Security Trustee, being at the date hereof Claude Debussylaan 24, 1082 MD Amsterdam, the Netherlands. The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed, the Paying Agency Agreement, the Parallel Debt

Agreement, the Pledge Agreements and the Master Definitions Agreement.

1. Form, Denomination and Title

The Notes will be in bearer form serially numbered with Coupons attached on issue in minimum denominations of euro 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.

2. Status, Relationship between the Notes and Security

- (a) The Notes of each Class are direct and unconditional obligations of the Issuer and rank *pari passu* and rateably without any preference or priority among Notes of the same Class.
- (b) In accordance with and subject to 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 Mezzanine 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, (iv) payments of principal and interest on the Junior 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 Mezzanine Class D Notes and (v) payments of principal and interest on the Subordinated Class F Notes are subordinated to, *inter alia*, payments of interest on the Senior Class A Notes, the Mezzanine Class B Notes, the Mezzanine Class C Notes, the Mezzanine Class D Notes and the Junior Class E Notes;
- (c) The security for the obligations of the Issuer towards the Noteholders (the **Security**) will be created pursuant to, and on the terms set out in, the Trust Deed, the Parallel Debt Agreement and the Pledge Agreements, which will create the following security rights:
 - (i) a first ranking pledge by the Issuer to the Security Trustee on the Mortgage Receivables and the Beneficiary Rights;
 - (ii) a first ranking pledge by the Issuer to the Security Trustee on the Issuer's rights (a) against the Seller under or in connection with the Mortgage Receivables Purchase Agreement; (b) against the Pool Servicer and the Issuer Administrator under or in connection with the Servicing and Administration Agreement; (c) against the Swap Counterparty under or in connection with the Swap Agreement; (d) against the Floating Rate GIC Provider under or in connection with the Floating Rate GIC; (e) against the Floating Rate GIC Provider in respect of the Transaction Accounts and (f) against the Savings Insurance Company in respect of the Sub-Participation Agreement (the agreements mentioned under items (a) up to and including (f) the **Pledged Agreements**).
- (d) The Notes will be secured (directly and/or indirectly) by the Security. The Senior Class A

Notes will rank in priority to the Mezzanine Class B Notes, the Mezzanine Class C Notes, the Mezzanine Class D Notes, the Junior Class E Notes and the Subordinated Class F Notes; the Mezzanine Class B Notes will rank in priority to the Mezzanine Class C Notes, the Mezzanine Class D Notes, the Junior Class E Notes and the Subordinated Class F Notes; the Mezzanine Class C Notes will rank in priority to the Mezzanine Class D Notes, the Junior Class E Notes and the Subordinated Class F Notes, the Mezzanine Class D Notes will rank in priority to the Junior Class E Notes and the Subordinated Class F Notes and the Junior Class E Notes rank in priority to the Subordinated Class F Notes. The **Most Senior Class of Notes** means the Senior Class A Notes or if there are no Senior Class A Notes outstanding, the Mezzanine Class B Notes, or if there are no Mezzanine Class B Notes outstanding, the Mezzanine Class C Notes, or if there are no Mezzanine Class C Notes outstanding, the Mezzanine Class D Notes, or if there are no Mezzanine Class D Notes outstanding, the Junior Class E Notes, or if there are no Junior Class E Notes outstanding, the Subordinated Class F Notes.

The Trust Deed contains provisions requiring the Security Trustee to have regard to the interests of the holders of the Senior Class A Notes (the **Senior Class A Noteholders**), the holders of the Mezzanine Class B Notes (the **Mezzanine Class B Noteholders**), the holders of the Mezzanine Class C Notes (the **Mezzanine Class C Noteholders**), the holders of the Mezzanine Class D Notes (the **Mezzanine Class D Noteholders**), the holders of the Junior Class E Notes (the **Junior Class E Noteholders**) and the holders of the Subordinated Class F Notes (the **Subordinated Class F Noteholders**), as regards all powers, trust, authorities, duties and discretions of the Security Trustee (except where expressly provided otherwise). If there is a conflict of interest between any Classes of Noteholders, the Security Trustee shall have regard only to the interests of the holders of the Most Senior Class of Notes. In this respect the order of priority is as follows: firstly, the Senior Class A Noteholders, secondly, the Mezzanine Class B Noteholders, thirdly, the Mezzanine Class C Noteholders, fourthly, the Mezzanine Class D Noteholders, fifthly, the Junior Class E Noteholders and finally, the Subordinated Class F Noteholders. In addition, the Security Trustee shall have regard to the interests of the other Secured Parties, provided that in case of a conflict interest between the Secured Parties the Priority of Payments upon Enforcement set forth in the Trust Deed determines which interest of which Secured Party prevails.

3. Covenants of the Issuer

So long as any of the Notes remain outstanding, the Issuer shall carry out its business in accordance with proper and prudent Netherlands business practice and in accordance with the requirements of Dutch law and accounting practice and shall not, except (i) to the extent permitted by the Mortgage Receivables Purchase Agreement, the Servicing and Administration Agreement, the Pledge Agreements, the Parallel Debt Agreement, the Swap Agreement, the Floating Rate GIC, the Notes Purchase Agreement, the Notes, the Paying Agency Agreement, the Management Agreements, the Subordinated Loan Agreement, the Deed of Assignment and the Trust Deed (and together with the Master Definitions Agreement, the **Relevant Documents**) or (ii) with the prior written consent of the Security Trustee:

- (a) carry out any business other than as described in the Prospectus dated 20 March 2009 relating to the issue of the Notes and as contemplated in the Relevant Documents;
- (b) incur any indebtedness in respect of borrowed money whatsoever or give any guarantee or indemnity in respect of any indebtedness, except as contemplated in the Relevant Documents;

- (c) create or promise to create any mortgage, charge, pledge, lien or other security interest whatsoever over any of its assets, or use, invest, sell, transfer or otherwise dispose of or grant any options or rights to any part of its assets, except as contemplated in the Relevant Documents;
- (d) consolidate or merge with any other person or convey or transfer its properties or assets substantially or as an entirety to one or more persons;
- (e) permit the validity or effectiveness of the Trust Deed, the Parallel Debt Agreement, the Pledge Agreements or the priority of the security created thereby or pursuant thereto to be amended, terminated, waived, 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 Relevant Documents;
- (f) have any employees or premises or have any subsidiary or subsidiary undertaking;
- (g) have an interest in any bank account other than (i) the Transaction Accounts or (ii) an account in which collateral under the Swap Agreement is transferred, unless all rights in relation to such account have been pledged to the Security Trustee as provided in Condition 2(c)(ii); or
- (h) take any corporate action for its entering into a suspension of payments or bankruptcy or its dissolution and liquidation or its being converted into a foreign entity.

4. Interest

(a) *Period of Accrual*

Each Note shall bear interest on its Principal Amount Outstanding (as defined in Condition 6(i)) from and including the Closing Date. Each Note (or in the case of the redemption of part only of a Note that part only of such Note) shall cease to bear interest from its due date for redemption unless, upon due presentation, payment of the relevant amount of principal or any part thereof is improperly withheld or refused. In such event, interest will continue to accrue thereon (before and after any judgment) at the rate applicable to such Note up to but excluding the date on which, on presentation of such Note, payment in full of the relevant amount of principal is made or (if earlier) the seventh day after notice is duly given by the Paying Agent to the holder thereof (in accordance with Condition 13) that upon presentation thereof, such payments will be made, provided that upon such presentation thereof being duly made, 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 days elapsed in such period and a 360 day year.

(b) *Interest Periods and Payment Dates*

Interest on the Notes is payable by reference to successive quarterly interest periods (each a **Floating Rate Interest Period**) and will be payable quarterly in arrear in euro in respect of the Principal Amount Outstanding on the 20th day of May, August, November and February (or, if such day is not a Business Day, the next succeeding Business Day, unless such Business Day falls in the next succeeding calendar month in which event interest on the Notes will be payable on the Business Day immediately preceding such 20th day) in each year (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 2 System**) or any successor thereto is operating credit or transfer instructions in respect of payments in euro. Each successive Floating Rate 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 Floating Rate Interest Period, which will commence on (and include) the Closing Date and will end on (but exclude) the Quarterly Payment Date falling in May 2009.

(c) *Interest on the Notes up to (but excluding) the first Optional Redemption Date*

Interest on the Notes for each Floating Rate Interest Period will accrue at a rate equal to the sum of the Euro Interbank Offered Rate (**Euribor**) for three months deposits (or, in respect of the first Floating Rate Interest Period, Euribor for two months deposits) plus, up to (but excluding) the first Optional Redemption Date:

- (i) for the Senior Class A Notes a margin of 1.40 per cent. per annum;
- (ii) for the Mezzanine Class B Notes a margin of 2.00 per cent. per annum;
- (iii) for the Mezzanine Class C Notes a margin of 3.00 per cent. per annum;
- (iv) for the Mezzanine Class D Notes a margin of 4.00 per cent. per annum;
- (v) for the Junior Class E Notes a margin of 5.50 per cent. per annum; and
- (vi) for the Subordinated Class F Notes a margin of 1.00 per cent. per annum.

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

If on the first Optional Redemption Date any Class of Notes have not been redeemed in full, a floating rate of interest will be applicable to each Class of Notes equal to the sum of Euribor for three months deposits, payable by reference to Floating Rate Interest Periods on each succeeding Quarterly Payment Date, plus:

- (i) for the Senior Class A Notes a margin of 2.00 per cent. per annum;
- (ii) for the Mezzanine Class B Notes a margin of 3.00 per cent. per annum;
- (iii) for the Mezzanine Class C Notes a margin of 4.00 per cent. per annum;
- (iv) for the Mezzanine Class D Notes a margin of 5.00 per cent. per annum;
- (v) for the Junior Class E Notes a margin of 6.50 per cent. per annum; and
- (vi) for the Subordinated Class F Notes a margin of 1.00 per cent. per annum.

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

(e) *Euribor*

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

- (i) The Reference Agent will obtain for each Floating Rate Interest Period the rate equal

to the amount of Euribor for three months deposits in euros. The Reference Agent shall use the Euribor rate as determined and published jointly by the European Banking Federation and ACI - The Financial Market Association and which appears for information purposes on the Reuters Screen EURIBOR01 (or, if not available, any other display page on any screen service maintained by any registered information vendor (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) as at or about 11.00 a.m. (Central European time) on the day that is two Business Days preceding the first day of each Floating 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 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 determine the arithmetic mean (rounded, if necessary, to the third decimal place with 0.0005 being rounded upwards) of such quotation as is provided; and

(B) if fewer than two such quotations are provided as requested, the Reference Agent will determine the arithmetic mean (rounded, if necessary to the third decimal place with 0.0005 being rounded upwards) of the rates quoted by major banks, of which there shall be at least two in number, in the euro-zone, selected by the Reference Agent, at approximately 11.00 a.m. (Central European time) on the relevant Interest Determination Date for three months deposits to leading euro-zone banks in an amount that is representative for a single transaction in that market at that time,

and Euribor for such Floating Rate Interest Period shall be the rate per annum equal to the euro interbank offered rate 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 Floating Rate Interest Period, Euribor applicable to the relevant Class of Notes during such Floating Rate Interest Period will be Euribor last determined in relation thereto.

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

The Reference Agent will, as soon as practicable after 11.00 a.m. (Central European Time) on each Interest Determination Date, determine the Rates of Interest for each Class of Notes and calculate the amount of interest payable on each relevant Class of Notes for the following Floating Rate Interest Period (the **Interest Amount**) by applying the relevant Rates of Interest to the Principal Amount Outstanding of each Class of Notes respectively on the first day of such Floating Rate Interest Period. The determination of the relevant Rates of Interest and each Interest Amount by the Reference Agent shall (in the absence of manifest error) be final and binding on all parties.

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

The Reference Agent will cause on the relevant Quarterly Payment Date, the relevant Rates of Interest and the relevant Interest Amounts to be notified to the Issuer, the Security Trustee, the Paying Agent, the Issuer Administrator and to the holders of such Class of Notes by an advertisement in the English language in the Euronext Daily Official List (*Officiële Prijscourant*) of Euronext Amsterdam by NYSE Euronext for as long as the Notes are listed on Eurolist by Euronext Amsterdam by NYSE Euronext, as soon as possible after the determination. The Interest Amount, the Rates of Interest and the 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 Floating Rate Interest Period.

(h) *Determination or Calculation by Security Trustee*

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

(i) *Reference Banks and Reference Agent*

The Issuer will procure that, as long as any of the Notes remains outstanding, there will at all times be four Reference Banks and a Reference Agent. The Issuer has, subject to prior written consent of the Security Trustee, the right to terminate the appointment of the Reference Agent or of any Reference Bank by giving at least 90 days' notice in writing to that effect. Notice of any such termination will be given to the holders of the 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) Payment of principal and interest in respect of Notes will be made upon presentation of the Note in and against surrender of the relevant Coupon appertaining thereto, at any specified office of the Paying Agent, in cash or by transfer to an euro account 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.
- (b) At the Final Maturity Date (as defined in Condition 6), or such earlier date the Notes become due and payable, the Notes should be presented for payment together with all unmatured Coupons appertaining thereto, failing which the full amount of any such missing unmatured Coupons (or, in the case of payment not being made in full, that proportion of the full amount of such missing unmatured Coupons which the sum of principal so paid bears to the total amount of principal due) will be deducted from the sum due for payment. Each amount so

deducted will be paid in the manner mentioned above against surrender of the relevant missing Coupon at any time before the expiry of five years following the due date for payment of such principal (whether or not such Coupons would have become unenforceable pursuant to Condition 8).

- (c) 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, the holder thereof shall not be entitled to payment until the next Business Day following such 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 day on which banks in the place of such account are open for business immediately following the day on which banks are open for business in the Netherlands. The name of the Paying Agent and of its offices are set out below (*Registered Offices*).
- (d) The Issuer reserves the right at any time to vary or terminate the appointment of the Paying Agent and to appoint additional or other paying agents provided that no paying agent located in the United States of America will be appointed and for as long as the Notes are listed on Eurolist by Euronext Amsterdam by NYSE Euronext the Issuer will at all times maintain a paying agent in the Netherlands. Notice of any termination or appointment of a Paying Agent and of any changes in the specified offices of the Paying Agent will be given to the Noteholders in accordance with Condition 13.

6. Redemption

(a) *Final redemption*

Unless previously redeemed as provided below, on the Quarterly Payment Date falling in May 2090 the Issuer will redeem the Notes at their Principal Amount Outstanding on the Quarterly Payment Date (the **Final Maturity Date**) but in respect of the Mezzanine Class B Notes, the Mezzanine Class C Notes, the Mezzanine Class D Notes, the Junior Class E Notes and the Subordinated Class F Notes, subject to Condition 9(b).

(b) *Mandatory Redemption of the Notes (other than the Subordinated Class F Notes)*

Provided that no Enforcement Notice has been served in accordance with Condition 10, on each Quarterly Payment Date the Issuer shall be obliged to apply the Notes Redemption Available Amount (as defined below) to redeem (or partially redeem) the Mortgage-Backed Notes at their Principal Amount Outstanding on a *pro rata* and *pari passu* basis in the following order:

- (A) firstly, the Senior Class A Notes until fully redeemed,
- (B) secondly, the Mezzanine Class B Notes until fully redeemed,
- (C) thirdly, the Mezzanine Class C Notes until fully redeemed,
- (D) fourthly, the Mezzanine Class D Notes until fully redeemed, and
- (E) finally, the Junior Class E Notes until fully redeemed.

The principal amount so redeemable in respect of each relevant Note on the relevant Quarterly Payment Date shall each be the Principal Redemption Amount (as defined in Condition 6(i)). Following application of the Principal Redemption Amount, the Principal Amount Outstanding of such Note shall be reduced accordingly.

(c) *Optional Redemption*

Unless previously redeemed in full, on the Quarterly Payment Date falling in May 2016 and on each Quarterly Payment Date thereafter (each an Optional Redemption Date) the Issuer may, at its option, redeem all (but not some only) of the Notes (other than the Subordinated Class F Notes) at their Principal Amount Outstanding on such date. The Issuer shall notify the exercise of such option by giving not more than 60 nor less than 30 days written notice to the Security Trustee and the Noteholders in accordance with Condition 13, prior to the relevant Optional Redemption Date. In the event that on such Optional Redemption Date there is a Principal Shortfall in respect of the Junior Class E Notes or the Mezzanine Class D Notes or the Mezzanine Class C Notes or the Mezzanine Class B Notes, the Issuer may, at its option, subject to Condition 9(b), partially redeem all (but not some only) of the Junior Class E Notes or Mezzanine Class D Notes or Mezzanine Class C Notes or Mezzanine Class B Notes respectively at their Principal Amount Outstanding less the relevant Principal Shortfall.

(d) *Redemption of Subordinated Class F Notes*

Provided that no Enforcement Notice has been served in accordance with Condition 10, the Issuer shall apply the Notes Interest Available Amount (as defined in the Master Definitions Agreement) on each Quarterly Payment Date if and to the extent that all payments ranking above item (r) as set forth in Clause 5.3 of the Trust Deed have been made in full, to redeem (or partially redeem) on a *pro rata* basis the Subordinated Class F Notes until fully redeemed, provided that on any Optional Redemption Date the Subordinated Class F Noteholders will not be entitled to any repayment of principal in respect of the Subordinated Class F Notes until the date on which the Principal Amount Outstanding of the Mortgage-Backed Notes is reduced to zero.

(e) *Determination of Principal Redemption Amount and Principal Amount Outstanding*

- (i) On each Quarterly Calculation Date, the Issuer shall determine (or cause the Issuer Administrator to determine) (x) the Principal Redemption Amount and (y) the Principal Amount Outstanding of the relevant Note on the first day of the next following Floating Rate Interest Period. 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 the Notes to be notified forthwith to the Security Trustee, the Paying Agent, the Reference Agent, Euroclear, Clearstream, Luxembourg, Euronext Amsterdam by NYSE Euronext. and to the holders of Notes by an advertisement in the English language in the Euronext Daily Official List (*Officiële Prijscourant*) of Euronext Amsterdam by NYSE Euronext, but in any event no later than three business days prior to the relevant Quarterly Payment Date. 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 paragraphs (b) and (c) above and paragraph (e) below (but based upon the information in its possession as to the Notes Redemption Available Amount and the Notes Interest Available Amount available for redemption of the Subordinated Class F Notes) and each such determination or calculation

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

(f) *Redemption for tax reasons*

The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Quarterly Payment Date, at their Principal Amount Outstanding, if the Issuer has satisfied the Security Trustee that:

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

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

(g) *Redemption for regulatory reasons*

On each Quarterly Payment Date the Seller has the option to repurchase the Mortgage Receivables and the Beneficiary Rights relating thereto upon the occurrence of a Regulatory Change. A 'Regulatory Change' will be either (i) a change published on or after the Closing Date 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 the Seller (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 the Seller, has the effect of adversely affecting the rate of return on capital of the Seller or increasing the cost or reducing the benefit to the Seller with respect to the transaction contemplated by the Notes or (ii) a change in the rules set by the European Central Bank as a result of which the Class A Notes no longer qualify as collateral for the Eurosystem.

The Issuer shall notify the exercise of such option by giving not more than 60 or less than 30

days' notice to the Noteholders and the Security Trustee prior to the relevant Quarterly Payment Date.

(h) *Redemption following Clean-Up Call*

In case on any Quarterly Payment Date the aggregate Principal Amount Outstanding of the Notes is not more than 10 per cent. of the aggregate Principal Amount Outstanding of the Notes on the Closing Date the Issuer has the right to (but is not obligated to) redeem all of the Notes (other than the Subordinated Class F Notes), in whole but not in part at their Principal Amount Outstanding together with accrued interest thereon up to but excluding the date of redemption and after payment of the amounts to be paid in priority to the Notes (the Clean-Up Call). No Class of Notes may be redeemed under such circumstances unless the other Classes of Notes (or such of them as are then outstanding) are also redeemed in full at the same time.

(i) *Definitions*

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

- (i) The **Principal Amount Outstanding** on any Quarterly Payment Date of any Note shall be the principal amount of that Note upon issue less the aggregate amount of all Principal Redemption Amounts in respect of that Note that have become due and payable prior to such Quarterly Payment Date provided that for the purpose of Conditions 4, 6 and 10 all Principal Redemption Amounts that have become due and not been paid, notwithstanding duly presentation of the relevant Note, shall not be so deducted;
- (ii) The term **Notes Redemption Available Amount** shall mean, on any Quarterly Payment Date, the aggregate amount received or held by the Issuer during the immediately preceding Quarterly Calculation Period:
 - (a) by means of repayment and prepayment of principal under the Mortgage Receivables from any person, but, for the avoidance of doubt, excluding prepayment penalties, if any less, with respect to each Savings Mortgage Receivable, the relevant Participation in such Savings Mortgage Receivable;
 - (b) as Net Proceeds on any Mortgage Receivable to the extent such proceeds relate to principal but up to the aggregate Outstanding Principal Amount of such Mortgage Receivables less, with respect to each Savings Mortgage Receivable, the relevant Participation in such Savings Mortgage Receivable;
 - (c) in connection with a repurchase of Mortgage Receivables and the Beneficiary Rights relating thereto, whether or not as a result of the exercise of the Regulatory Call Option or Clean-Up Call Option, pursuant to the Mortgage Receivables Purchase Agreement and any other amounts received pursuant to the Mortgage Receivables Purchase Agreement to the extent such amounts relate to principal less, with respect to each Savings Mortgage Receivable, the relevant Participation in such Savings Mortgage Receivable;
 - (d) in connection with a sale of Mortgage Receivables and the Beneficiary Rights relating thereto pursuant to the Trust Deed to the extent such amounts relate to principal, less with respect to each Savings Mortgage Receivable, the relevant Participation in such Savings Mortgage Receivable;
 - (e) as amounts to be credited to the Principal Deficiency Ledger on the

immediately succeeding Quarterly Payment Date in accordance with the Servicing and Administration Agreement;

- (f) as Savings Participation Increase pursuant to the Sub-Participation Agreement and as consideration for the Initial Participation;
 - (g) any part of the Notes Redemption Available Amount calculated on the immediately preceding Quarterly Calculation Date which has not been applied towards redemption of the Notes on the preceding Quarterly Payment Date;
 - (h) amounts debited from the Construction Account equal to the part of the Construction Amounts not paid out to the Borrowers;
 - (i) on any Optional Redemption Date until the Mortgage-Backed Notes will be or have been redeemed in full, an amount equal to the positive difference, if any, between the Notes Interest Available Amount and the sum of all amounts payable by the Issuer as set forth in the Interest Priority of Payments under (a) up to and including (t) excluding (r), on such date both as calculated on such Quarterly Calculation Date (the **Interest Excess Amount**).
- (iii) The term **Net Proceeds** shall mean (a) the proceeds of a foreclosure on the mortgage right, (b) the proceeds of foreclosure on any other collateral securing the Mortgage Receivable, (c) the proceeds, if any, of collection of any insurance policies in connection with the Mortgage Receivable, including but not limited to any Insurance Policy and fire insurance, (d) the proceeds of any guarantees or sureties (e) the proceeds of foreclosure on any other assets of the relevant debtor, after deduction of foreclosure costs and (f) the proceeds of a payment by WEW in respect of a NHG Guarantee;
- (iv) The term **Quarterly Calculation Date** means, in relation to a Quarterly Payment Date, the fourth business day prior to such Quarterly Payment Date;
- (v) The term **Quarterly Calculation Period** means a period of three consecutive Mortgage Calculation Periods commencing on (and including) the first day of each May, August November and February of each year, except for the first Quarterly Calculation Period which will commence on the Cut-Off Date and end on and include the last day of May 2009;
- (vi) The term **Principal Redemption Amount** shall mean on the relevant Quarterly Payment Date (i) the amount (if any) (**rounded** down to the nearest euro) of the Notes Redemption Available Amount (as applicable to each Class of Mortgage-Backed Notes) on the Quarterly Calculation Date relating to that Quarterly Payment Date divided by the number of Notes of the Relevant Class subject to such redemption and (ii) in respect of the Subordinated Class F Notes, the amount available (rounded down to the nearest euro) for redemption pursuant to Condition 6(d) divided by the number of Subordinated Class F Notes, provided always that the Principal Redemption Amount may never exceed the Principal Amount Outstanding of the relevant Note.

7. Taxation

All payments in respect of 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, unless the Issuer or the Paying Agent (as applicable) is required by applicable law to make any payment in respect of the Notes subject to 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 the case may be) shall make such payment after the required withholding or deduction has been made and shall account to the relevant authorities for the amount so required to be withheld or deducted. Neither the Paying Agent nor the Issuer will be obliged to make any additional payments to the Noteholders in respect of such withholding or deduction. In particular, but without limitation, no additional amounts shall be payable in respect of any Note or Coupon presented for payment where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to the European Union Directive on the taxation of savings that was adopted on 3 June 2003 or any law implementing or complying with, or introduced in order to confirm to, such Directive.

8. Prescription

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

9. Subordination

(a) Interest

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

In the event that on any Quarterly Payment 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 such Quarterly Payment Date, the amount available (if any) shall be applied *pro rata* to the amount of the 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 debit the Mezzanine Class B Interest Deficiency Ledger 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. Such debit items being re-credited to the extent payments are made in accordance with Condition 4 to the extent any part of the Notes Interest Available Amount is available for such purpose.

In the event that on any Quarterly Payment 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 such Quarterly Payment Date, the amount available (if any) shall be applied *pro rata* to the amount of the 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 debit the Mezzanine Class C Interest Deficiency Ledger 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. Such debit items being re-credited to the extent payments are made in accordance with Condition 4 to the extent any part of the Notes Interest Available Amount is available for such purpose.

In the event that on any Quarterly Payment Date the Issuer has insufficient funds available to it to satisfy its obligations in respect of amounts of interest due on the Mezzanine Class D Notes on such Quarterly Payment Date, the amount available (if any) shall be applied *pro rata* to the amount of the interest due on such Quarterly Payment Date to the holders of the Mezzanine Class D Notes. In the event of a shortfall, the Issuer shall debit the Mezzanine Class D Interest Deficiency Ledger with an amount equal to the amount by which the aggregate amount of interest paid on the Mezzanine Class D Notes on any Quarterly Payment Date in accordance with this Condition falls short of the aggregate amount of interest payable on the Mezzanine 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 Mezzanine 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 Mezzanine Class D Note on the next succeeding Quarterly Payment Date. Such debit items being re-credited to the extent payments are made in accordance with Condition 4 to the extent any part of the Notes Interest Available Amount is available for such purpose.

In the event that on any Quarterly Payment Date the Issuer has insufficient funds available to it to satisfy its obligations in respect of amounts of interest due on the Junior Class E Notes on such Quarterly Payment Date, the amount available (if any) shall be applied *pro rata* to the amount of the interest due on such Quarterly Payment Date to the holders of the Junior Class E Notes. In the event of a shortfall, the Issuer shall debit the Junior Class E Interest Deficiency Ledger with an amount equal to the amount by which the aggregate amount of interest paid on the Junior Class E Notes on any Quarterly Payment Date in accordance with this Condition falls short of the aggregate amount of interest payable on the Junior Class E Notes 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 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 Junior Class E Note on the next succeeding Quarterly Payment Date. Such debit items being re-credited to the extent payments are made in accordance with Condition 4 to the extent any part of the Notes Interest Available Amount is available for such purpose.

In the event that on any Quarterly Payment Date the Issuer has insufficient funds available to it to satisfy its obligations in respect of amounts of interest due on the Subordinated Class F Notes on such Quarterly Payment Date, the amount available (if any) shall be applied *pro rata* to the amount of the interest due on such Quarterly Payment Date to the holders of the Subordinated Class F Notes. In the event of a shortfall, the Issuer shall debit the Subordinated Class F Interest Deficiency Ledger with an amount equal to the amount by which the aggregate amount of interest paid on the Subordinated Class F Notes on any Quarterly Payment Date in accordance with this Condition falls short of the aggregate amount of

interest payable on the Subordinated Class F Notes 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 F 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 F Note on the next succeeding Quarterly Payment Date. Such debit items being re-credited to the extent payments are made in accordance with Condition 4 to the extent any part of the Notes Interest Available Amount is available for such purpose.

(b) *Principal*

Until the date on which the Principal Amount Outstanding of the Senior Class A Notes is reduced to zero, the Mezzanine Class B Noteholders will not be entitled to any repayment of principal in respect of the Mezzanine Class B Notes. 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 the relevant Principal Shortfall on such Quarterly Payment Date. 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 date on which the Issuer no longer holds any Mortgage Receivables and the Beneficiary Rights relating thereto and there are no balances standing to the credit of the Transaction Accounts and the Issuer has no further rights under or in connection with any of the Relevant Documents.

Until the date on which the Principal Amount Outstanding of the Senior Class A Notes is reduced to zero and the Principal Amount Outstanding of the Mezzanine Class B Notes is reduced to zero, the Mezzanine Class C Noteholders will not be entitled to any repayment of principal in respect of the Mezzanine Class C Notes. 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 the relevant Principal Shortfall on such Quarterly Payment Date. 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 date on which the Issuer no longer holds any Mortgage Receivables and the Beneficiary Rights relating thereto and there are no balances standing to the credit of the Transaction Accounts and the Issuer has no further rights under or in connection with any of the Relevant Documents.

Until the date on which the Principal Amount Outstanding of the Senior Class A Notes is reduced to zero and the Principal Amount Outstanding of the Mezzanine Class B Notes is reduced to zero and the Principal Amount Outstanding of the Mezzanine Class C Notes is reduced to zero, the Mezzanine Class D Noteholders will not be entitled to any repayment of principal in respect of the Mezzanine Class D Notes. 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 Mezzanine Class D Note on such Quarterly Payment Date shall not exceed its Principal Amount Outstanding less the relevant Principal Shortfall on such date. The Mezzanine Class D Noteholders shall have no further claim against the Issuer for the Principal Amount Outstanding on the Mezzanine Class D Notes after the date on which the Issuer no longer holds any Mortgage Receivables and the Beneficiary Rights relating thereto and there are no balances standing to the credit of the Transaction Accounts and the Issuer has no further rights under or in connection with any of the Relevant Documents.

Until the date on which the Principal Amount Outstanding of the Senior Class A Notes is reduced to zero and the Principal Amount Outstanding of the Mezzanine Class B Notes is reduced to zero and the Principal Amount Outstanding of the Mezzanine Class C Notes is reduced to zero and the Principal Amount Outstanding of the Mezzanine Class D Notes is reduced to zero, the Junior Class E Noteholders will not be entitled to any repayment of principal in respect of the Junior Class E Notes. If, on any Quarterly Payment Date, there is a balance on the Class E Principal Deficiency Ledger, then notwithstanding any other provisions of these Conditions the principal amount payable on redemption of each Junior Class E Note on such Quarterly Payment Date shall not exceed its Principal Amount Outstanding less the relevant Principal Shortfall on such date. The Junior Class E Noteholders shall have no further claim against the Issuer for the Principal Amount Outstanding on the Junior Class E Notes after the date on which the Issuer no longer holds any Mortgage Receivables and the Beneficiary Rights relating thereto and there are no balances standing to the credit of the Transaction Accounts and the Issuer has no further rights under or in connection with any of the Relevant Documents.

Principal Shortfall shall mean an amount equal to the quotient of the balance on the relevant sub-ledger of the Principal Deficiency Ledger on a Quarterly Payment Date divided by the number of the Notes of the relevant Class on such Quarterly Payment Date.

The Subordinated Class F Noteholders shall have no further claim against the Issuer for the Principal Amount Outstanding on the Subordinated Class F Notes after the date on which the Issuer no longer holds any Mortgage Receivables and the Beneficiary Rights relating thereto and there are no balances standing to the credit of the Transaction Accounts and the Issuer has no further rights under or in connection with any of the Relevant Documents.

(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 relevant Class of Notes are insufficient to pay in full all principal and interest and other amounts whatsoever due in respect of such Class of Notes, the Noteholders of such Class shall have no further claim against the Issuer or the Security Trustee in respect of any such unpaid amounts.

10. Events of Default

The Security Trustee at its discretion may, and, if so directed by an Extraordinary Resolution of the holders of the Most Senior Class of Notes (subject, in each case, to being indemnified to its satisfaction), shall (but in the case of the occurrence of any of the events mentioned in (b) below, only if the Security Trustee shall have certified in writing to the Issuer that such an event is, in its opinion, materially prejudicial to the Most Senior Class of Notes) give notice (an **Enforcement Notice**) to the Issuer that the Notes are, and each Note shall become, immediately due and payable at their or its Principal Amount Outstanding, together with accrued interest, if any of the following shall occur:

- (a) default is made for a period of fifteen (15) days or more in the payment on the due date of any amount due in respect of the Notes of the Most Senior Class of Notes; or
- (b) the Issuer fails to perform any of its other obligations binding on it under the Notes of the Most Senior Class of Notes, 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 liquidation of the Issuer or for the appointment of a liquidator or receiver of the Issuer or of all or substantially all of its assets; or
- (e) the Issuer makes an assignment for the benefit of, or enters into any general assignment (*akkoord*) with, its creditors; or
- (f) the Issuer files a petition for a suspension of payments (*surseance van betaling*) or for bankruptcy (*faillissement*) or has been declared bankrupt; or
- (g) it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes, the Trust Deed and the Security;

provided that, if Senior Class A Notes are outstanding, no Enforcement Notice may or shall be given by the Security Trustee to the Issuer in respect of the Mezzanine Class B Notes or the Mezzanine Class C Notes or the Mezzanine Class D Notes or the Junior Class E Notes or the Subordinated Class F Notes, irrespective of whether an Extraordinary Resolution is passed by the Mezzanine Class B Noteholders or the Mezzanine Class C Noteholders or the Mezzanine Class D Noteholders or the Junior Class E Noteholders or the Subordinated Class F 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 Most Senior Class of Notes, the Security Trustee shall not be required to have regard to the interests of the holders of any Class of Notes ranking junior to the Most Senior Class of Notes.

11. Enforcement

- (a) At any time after the Notes of any Class become due and payable as a result of an Enforcement Notice, the Security Trustee may, at its discretion and without further notice, take such steps and/or institute, such proceedings as it may think fit to enforce the terms of the Parallel Debt Agreement (including the making of a demand of payment thereunder), the Trust Deed, the Pledge Agreements and the Notes, but it need not take any such proceedings unless (i) it shall have been directed by an Extraordinary Resolution of the holders of the Most Senior Class of Notes and (ii) it shall have been indemnified to its satisfaction;
- (b) No Noteholder may proceed directly against the Issuer unless the Security Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing;
- (c) The Noteholders may not institute against, or join any person in instituting against, the Issuer any bankruptcy, reorganisation, arrangement, insolvency or liquidation proceeding until the expiry of a period of at least one (1) year after the latest maturing Note is paid in full. The Noteholders accept and agree that the only remedy against the Issuer after any of the Notes have become due and payable pursuant to Condition 10 above is to enforce the Security.

12. Indemnification of the Security Trustee

The Trust Deed contains provisions for the indemnification of the Security Trustee in the circumstances set out herein and for its relief from responsibility.

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, in the Financial Times (London) or, if such newspaper shall cease to be published or timely publication therein shall not be practicable, in such newspaper as the Security Trustee shall approve having a general circulation in Europe and, as long as the Notes are listed on Eurolist by Euronext Amsterdam by NYSE Euronext, in the English language in the Euronext Daily Official List (*Officiële Prijscourant*) of Euronext Amsterdam by NYSE Euronext.. Any such notice shall be deemed to have been given on the first date of such publication.

14. Meetings of Noteholders; Modification; Consents; Waiver

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 Mezzanine Class D Noteholders, the Junior Class E Noteholders and the Subordinated Class F Noteholders to consider matters affecting the interests, including the sanctioning by Extraordinary Resolution, of such Noteholders of the relevant Class of a change of any of these Conditions or any provisions of the Relevant Documents.

(a) Meeting of Noteholders

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.

(b) Basic Terms Change

No change of certain terms by the Noteholders of any Class including the date of maturity of the Notes of the relevant Class, or a change which would have the effect of postponing any day for payment of interest in respect of such Notes, reducing or cancelling the amount of principal payable in respect of such Notes or altering the majority required to pass an Extraordinary Resolution or any alteration of the date or priority of redemption of such Notes (any such change in respect of any such Class of Notes referred to below as a **Basic Terms Change**) shall be effective, unless such Basic Terms Change is sanctioned by an Extraordinary Resolution of the Noteholders of the relevant Class of Notes as described below, except that, if the Security Trustee is of the opinion that such a Basic Terms Change is (a) being proposed by the Issuer as a result of, or in order to avoid an Event of Default and (b) (i) the Security Trustee has notified Moody's and (ii) the Security Trustee, in its reasonable opinion, does not expect that the current ratings assigned to the Mortgage Backed Notes will be adversely affected by such Basic Term Change, then no such Extraordinary Resolution is required.

(c) Extra-Ordinary Resolution

Quorum and maturity

The quorum for any meeting convened to consider an Extraordinary Resolution for any Class of Notes will be two-third of the Principal Amount Outstanding of the Notes of the relevant Class, as the case may be, and at such a meeting an Extraordinary Resolution is adopted with

not less than a two-thirds 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 at 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 is adopted with not less than a two-third 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 amount of validly cast votes, regardless of the Principal Amount Outstanding of the Notes of the relevant Class then represented.

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

Limitations

No Extraordinary Resolution to sanction a change which would have the effect of accelerating or increasing the maturity of the Senior Class A Notes, or any date for payment of interest thereon, increasing the amount of principal or the rate of interest payable in respect of the Senior Class A Notes shall take effect unless it shall have been sanctioned with respect to the Senior Class A Notes by an Extraordinary Resolution of the Mezzanine Class B Noteholders and/or the Mezzanine Class C Noteholders and/or the Mezzanine Class D Noteholders and/or the Junior Class E Noteholders and/or the Subordinated Class F Noteholders.

An Extraordinary Resolution of the Mezzanine Class B Noteholders and/or the Mezzanine Class C Noteholders and/or the Mezzanine Class D Noteholders and/or the Junior Class E Noteholders and/or the Subordinated Class F 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 Mezzanine Class D Noteholders and/or, as the case may be, the Junior Class E Noteholders and/or, as the case may be, the Subordinated Class F Noteholders or it is sanctioned by an Extraordinary Resolution 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 Mezzanine Class D Noteholders and/or, as the case may be, the Junior Class E Noteholders and/or, as the case may be, the Subordinated Class F Noteholders and provided that in respect of the accelerating or increasing the maturity of the Notes, or the changing of any date for payment of interest thereon or the rate of interest payable in respect of the Notes, such modification shall only be effective when the Issuer and the Swap Counterparty have agreed thereto. 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 Mezzanine Class D Noteholders, the Junior Class E Noteholders and the Subordinated Class F Noteholders, irrespective of the effect on their interests.

(d) Modifications by the Security Trustee

The Security Trustee may agree, without the consent of the Noteholders, to (i) any modification of any of the provisions of the Relevant Documents which is of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except if prohibited in the Relevant Documents), and any waiver or authorisation of any

breach or proposed breach, of any of the provisions of the Relevant Documents which is in the opinion of the Security Trustee not materially prejudicial to the interests of the Noteholders, provided that the Security Trustee has notified (i) Moody's and (ii) does not expect that the then current ratings of the Notes will not be adversely affected by any such modification, authorisation or waiver. Any such modification, authorisation or waiver shall be binding on the Noteholders and, if the Security Trustee so requires, such modification shall be notified to the Noteholders in accordance with Condition 13 as soon as practicable thereafter.

(e) Exercise of Security Trustee's functions

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 Mezzanine Class D Noteholders and the Junior Class E Noteholders and the Subordinated Class F Noteholders each as a Class and shall not have regard to the consequences of such exercise for individual Noteholders and the Security Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders.

15. Replacements of Notes and Coupons

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

16. Governing Law

The Notes and Coupons are governed by, and will be construed in accordance with, the laws of the Netherlands. 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 District Court in Amsterdam, the Netherlands. This submission is made for the exclusive benefit of the holders of the Notes and the Security Trustee and shall not affect their right to take such action or bring such proceedings in any other courts of competent jurisdiction.

THE GLOBAL NOTES

Each Class of Notes shall be initially represented by a temporary global note in bearer form, without coupons (each a **Temporary Global Note**) (i) in the case of the Senior Class A Notes, in the principal amount of euro 763,050,000, (ii) in the case of the Mezzanine Class B Notes, in the principal amount of euro 17,050,000, (iii) in the case of the Mezzanine Class C Notes, in the principal amount of euro 16,200,000, (iv) in the case of the Mezzanine Class D Notes, in the principal amount of euro 7,300,000, (v) in the case of the Junior Class E Notes, in the principal amount of euro 6,400,000 and (vi) in the case of the Subordinated Class F Notes, in the principal amount of euro 28,350,000. Each Temporary Global Note will be deposited with a common safekeeper for Euroclear Bank S.A./N.V., as operator of Euroclear and for Clearstream, Luxembourg on or about the Closing Date. 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 principal amount of the relevant Class of Notes equal to the principal amount thereof for which it has purchased and paid. Interests in each Temporary Global Note will be exchangeable (provided certification of non-U.S. beneficial ownership by the Noteholders has been received) not earlier than 40 days after the issue date of the Notes (the **Exchange Date**) for interests in a permanent global note (each a **Permanent Global Note**), in bearer form, without coupons, in the principal amount of the Notes of the relevant Class (the expression **Global Notes** meaning the Temporary Global Notes of each Class of Notes and the Permanent Global Notes of each Class of Notes and the expression **Global Note** means any of them, as the context may require). On the exchange of a Temporary Global Note for a Permanent Global Note of the relevant Class of Notes, the Permanent Global Note will remain deposited with the common safekeeper for Euroclear Bank S.A./N.V.

The Notes are intended to be held in a manner which will allow Eurosystem eligibility. This means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be 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 Global Notes will be transferable by delivery. Each Permanent Global Note will be exchangeable for Notes in definitive form only in the circumstances described below. Such Notes in definitive form shall be issued in minimum denominations of euro 50,000 or, as the case may be, in the Principal Amount Outstanding of the Notes of such Class on such exchange date. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a Note will be entitled to receive any payment made in respect of that Note in accordance with the respective rules and procedures of Euroclear or, as the case may be, Clearstream, Luxembourg. Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes, which must be made by the holder of a Global Note, for so long as such Global Note is outstanding. Each person must give a certificate as to non-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 any publication required by a stock exchange, that stock exchange agrees or, as the case may be, any other publication requirements 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 principal amount of that Class of Notes and the expression 'Noteholder' shall be construed accordingly, but without prejudice to the entitlement of the bearer of the relevant Global Note to be paid principal thereon and interest with respect thereto in accordance with and subject to its terms. Any statement in writing issued by Euroclear or Clearstream, Luxembourg as to the persons shown in its records as being entitled to such Notes and the respective principal amount of such Notes held by them shall be conclusive for all purposes.

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

- (i) Senior Class A Notes in definitive form in exchange for the whole outstanding interest in the Permanent Global Note in respect of the Senior Class A Notes;
- (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) Mezzanine Class D Notes in definitive form in exchange for the whole outstanding interest in the Permanent Global Note in respect of the Mezzanine Class D Notes;
- (v) Junior Class E Notes in definitive form in exchange for the whole outstanding interest in the Permanent Global Note in respect of the Junior Class E Notes; and
- (vi) Subordinated Class F Notes in definitive form in exchange for the whole outstanding interest in the Permanent Global Note in respect of the Subordinated Class F Notes,

in each case within 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

General

The following summary describes the principal Dutch tax consequences of the acquisition, holding, settlement, redemption and disposal of the Notes, but does not purport to be a comprehensive description of all Dutch tax considerations thereof. This summary is intended as general information only and each prospective investor should consult a professional tax adviser with respect to the tax consequences of an investment in the Notes.

This summary is based on the tax legislation, published case law, treaties, regulations and published policy, in force as of the date of this Prospectus, though it does not take into account any developments or amendments thereof after that date whether or not such developments or amendments have retroactive effect.

This summary does not address the tax consequences for:

- (i) holders of Notes holding a substantial interest (*aanmerkelijk belang*) in the Issuer. Generally speaking, a holder of Notes holds a substantial interest in the Issuer, if such holder of Notes, alone or, where such holder is an individual, together with his or her partner (statutory defined term) or certain other related persons, directly or indirectly, holds (i) an interest of 5 % or more of the total issued capital of the Issuer or of 5 % or more of the issued capital of a certain class of shares of the Issuer, (ii) rights to acquire, directly or indirectly, such interest or (iii) certain profit sharing rights in the Issuer;
- (ii) investment institutions (*fiscale beleggingsinstellingen*); and
- (iii) pension funds, exempt investment institutions (*vrijgestelde beleggingsinstellingen*) or other entities that are exempt from Dutch corporate income tax.

Withholding tax

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

Corporate and individual income tax

- (a) Residents of the Netherlands

If a holder is resident or deemed to be resident of the Netherlands for Dutch tax purposes and is fully subject to Dutch corporate income tax or is only subject to Dutch corporate income tax in respect of its enterprise to which the Notes are attributable, income derived from the Notes and gains realised upon the redemption, settlement or disposal of the Notes are generally taxable in the Netherlands (up to a maximum rate of 25.5%).

If an individual holder is resident or deemed to be resident of the Netherlands for Dutch tax purposes (including the individual holder who has opted to be taxed as a resident of the Netherlands), income derived from the Notes and gains realised upon the redemption, settlement or disposal of the Notes are taxable at the progressive rates of the Dutch income tax act 2001 (up to a maximum rate of 52%), if:

- (i) the holder has an enterprise (*ondernemer*) or an interest in an enterprise (*medegerechtigde*), to which enterprise the Notes are attributable; or

- (ii) such income or gains qualify as income from miscellaneous activities (*resultaat uit overige werkzaamheden*), which include the performance of activities with respect to the Notes that exceed regular, active portfolio management (*normaal, actief vermogensbeheer*).

If neither condition (i) nor condition (ii) applies to the holder of the Notes, taxable income with regard to the Notes must be determined on the basis of a deemed return on income from savings and investments (*sparen en beleggen*), rather than on the basis of income actually received or gains actually realised. This deemed return on income from savings and investments has been fixed at a rate of 4% of the average of the individual's yield basis (*rendementsgrondslag*) at the beginning of the calendar year and the individual's yield basis at the end of the calendar year, insofar as the average exceeds a certain threshold. The average of the individual's yield basis is determined as the fair market value of certain qualifying assets held by the holder of the Notes less the fair market value of certain qualifying liabilities on 1 January and 31 December, divided by two. The fair market value of the Notes will be included as an asset in the individual's yield basis. The deemed return on income from savings and investments of 4% will be taxed at a rate of 30 %.

- (b) Non-residents of the Netherlands

If a holder is not a resident nor deemed to be a resident of the Netherlands for Dutch tax purposes (nor has opted to be taxed as a resident of the Netherlands), such holder is not taxable in respect of income derived from the Notes and gains realised upon the settlement, redemption or disposal of the Notes, except:

- (i) if the holder is not an individual and such holder (1) has an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands to which permanent establishment or permanent representative the Notes are attributable, or (2) is entitled to a share in the profits of an enterprise or a co-entitlement to the net worth of an enterprise, that is effectively managed in the Netherlands (other than by way of securities) and to which enterprise the Notes are attributable.

This income is subject to Netherlands corporate income tax up to a maximum rate of 25.5%.

- (ii) if the holder is an individual and such holder (1) has an enterprise or an interest in an enterprise that is in whole or in part carried on through a permanent establishment or a permanent representative in the Netherlands to which permanent establishment or permanent representative the Notes are attributable, or (2) realizes income or gains with respect to the Notes that qualify as income from miscellaneous activities in the Netherlands, which activities include the performance of activities in the Netherlands with respect to the Notes that exceed regular, active portfolio management or (3) is entitled to a share in the profits of an enterprise that is effectively managed in the Netherlands (other than by way of securities or an employment contract) and to which enterprise the Notes are attributable.

Income derived from the Notes as specified under (1) and (2) by an individual is subject to individual income tax up to a maximum rate of 52%. Income derived from the Notes as specified under (3) will be taxed at a rate of 30 % over the 4% deemed return on income from savings and investments.

Gift and Inheritance taxes

- (a) Residents of the Netherlands

Generally, gift and inheritance taxes will be due in the Netherlands in respect of the acquisition of the Notes by way of a gift by, or on the death of, a holder that is a resident or deemed to be a resident of the Netherlands for the purposes of Dutch gift and inheritance tax at the time of the gift or his or her

death.

A holder of the Dutch nationality is deemed to be a resident of the Netherlands for the purposes of the Dutch gift and inheritance tax, if he or she has been resident in the Netherlands during the ten years preceding the gift or his or her death. A holder of any other nationality is deemed to be a resident of the Netherlands for the purposes of the Dutch gift tax if he or she has been resident in the Netherlands at any time during the twelve months preceding the time of the gift. The same twelve-month rule may apply to entities that have transferred their seat of residence out of the Netherlands.

(b) Non-residents of the Netherlands

No gift or inheritance taxes will arise in the Netherlands in respect of the acquisition of the Notes by way of gift by or as a result of the death of a holder that is neither a resident nor deemed to be a resident of the Netherlands for the purposes of the Dutch gift and inheritance tax, unless:

- (i) such holder at the time of the gift, or at the time of his or her death, has an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands and to which permanent establishment or a permanent representative, the Notes are (deemed to be) attributable; or
- (ii) in the case of a gift of the Notes by a holder who at the date of the gift was neither a resident nor deemed to be a resident of the Netherlands, such holder dies within 180 days after the date of the gift, while at the time of his or her death being a resident or deemed to be a resident of the Netherlands.

Value added tax

In general, no value added tax will arise in respect of payments in consideration for the issue of the Notes or in respect of the cash payment made under the Notes, or in respect of a transfer of Notes.

Other taxes and duties

No registration tax, customs duty, transfer tax, stamp duty or any other similar documentary tax or duty, will be payable in the Netherlands by a holder in respect of or in connection with the subscription, issue, placement, allotment, delivery or transfer of the Notes.

EU Savings Directive

Under EC 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 or to certain limited types of entities established 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).

Also with effect from 1st July, 2005, a number of non-EU countries including Switzerland, and certain dependent or associated territories of certain Member States have agreed to adopt similar measures (either provision of information or transitional withholding) (a withholding system in the case of Switzerland) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident in a Member State. In addition, the Member States have entered into reciprocal provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member

State to, or collected by such a person for, an individual resident in one of those territories.

On 15 September 2008 the European Commission issued a report to the Council of the European Union on the operation of the Directive, which included the Commission's advice on the need for changes to the Directive. On 13 November 2008 the European Commission published a more detailed proposal for amendments to the Directive, which included a number of suggested changes. If any of those proposed changes are made in relation to the Directive, they may amend or broaden the scope of the requirements described above.

PURCHASE AND SALE

Friesland Bank, acting as Notes Subscriber, has pursuant to a notes purchase agreement dated 20 March 2009 among the Issuer, the Seller and the Co-Arrangers (the **Notes Purchase Agreement**), jointly and severally agreed with the Issuer, subject to certain conditions, to purchase the Notes at their respective issue prices. The Issuer has agreed to indemnify and reimburse The Royal Bank of Scotland and ING Bank 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 Subscriber has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of the Notes to the public in that Relevant Member State prior to the publication of a Prospectus in relation to the Notes, which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of the Notes to the public in that Relevant Member State at any time: (a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities; (b) to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than € 43,000,000 and (iii) an annual net turnover of more than € 50,000,000, as shown in its last annual or consolidated accounts; or (c) in any other circumstances which do not require the publication by the Issuer of a Prospectus pursuant to Article 3 of the Prospectus Directive.

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

United Kingdom

The Notes Subscriber has represented and agreed that (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer and (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

France

The Notes may only be offered or sold to qualified investors (*investisseurs qualifiés*) and/or to a restricted circle of investors (*cercle restreint d'investisseurs*), provided such investors act for their own account, and/or to persons providing portfolio management financial services (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*), in the Republic of France, within the meaning of Article L.411-2 of the French *Code Monétaire et Financier* ('Monetary and Financial Code') and the Decree 98-880 dated 1st October 1998; neither this

Prospectus, which has not been submitted to the *Autorité des Marchés Financiers*, nor any information contained therein or any offering material relating to the Notes, may be distributed or caused to be distributed to the public in France.

Italy

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

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

- (a) to qualified investors (*investitori qualificati*) as defined in article 100 of Legislative Decree No. 58 of 24 February 1998 (the **Consolidated Financial Act**), and the relevant implementing CONSOB regulations, as amended from time to time, and in Articles 2 of Directive No. 2003/71/EC of 4 November 2003; or
- (b) in other circumstances which are exempted from the rules on solicitation of investments pursuant to Article 100 of the Consolidated Financial Act and Article 33, first paragraph, of CONSOB Regulation No. 11971 of 14 May, 1999, as amended.

Any offer, sale or delivery of the Notes or distribution of copies of this Prospectus or any other document relating to the Notes in Italy under (a) or (b) above must be:

- (a) by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Consolidated Financial Act, CONSOB Regulation No. 16190 of 29 October 2007 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the **Banking Act**);
- (b) in compliance with Article 129 of the Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in Italy; and
- (c) in compliance with any other applicable laws and regulations and other possible requirements or limitations which may be imposed by CONSOB or other Italian authorities.

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, US persons, except in certain transactions exempt from the registration requirements of the US Securities Act. Terms used in this paragraph have the meaning given to them by Regulation S under the Securities Act.

The Notes are in bearer form and are subject to US tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by US tax regulations. Terms used in this paragraph have the meanings given to them by the US Internal Revenue Code of 1986 and regulations thereunder.

The Notes Subscriber has agreed that it will not offer, sell or deliver the Notes (i) as part of its distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering on the Closing Date within the United States or to, or for the account or benefit of, US

persons and it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration to which it sells Notes during the distribution compliance period (as defined in Regulation S) a confirmation or other notice setting forth the restrictions on offers and sales of the Securities within the United States or to, or for the account or benefit of, US persons. Terms used in this paragraph have the meaning given to them by Regulations under the US Securities Act.

In addition, until 40 days after the commencement of the offering, an offer or sale of the Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirement of the Securities Act, if such offer or sale is made otherwise than in accordance with available exemption from registration under the US Securities Act.

General

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

The Notes Subscriber has undertaken not to offer or sell directly or indirectly any Notes, or to distribute or publish this Prospectus or any other material relating to the Notes in or from any country or jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

GENERAL INFORMATION

1. The issue of the Notes has been authorised by a resolution of the managing director of the Issuer passed on 19 March 2009.
2. Application has been made to list the Notes on Eurolist by Euronext Amsterdam by NYSE Euronext. The estimated total costs involved with such admission amount to euro 30,000.
3. The Senior Class A Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg and through the Securities Clearing Corporation of Euronext Amsterdam by NYSE Euronext and will bear common code 041870656 and ISINCODE XS0418706569.
4. The Mezzanine Class B Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg and through the Securities Clearing Corporation of Euronext Amsterdam by NYSE Euronext and will bear common code 041870753, ISINCODE XS0418707534.
5. The Mezzanine Class C Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg and through the Securities Clearing Corporation of Euronext Amsterdam by NYSE Euronext and will bear common code 041870796, ISINCODE XS0418707963.
6. The Mezzanine Class D Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg and through the Securities Clearing Corporation of Euronext Amsterdam by NYSE Euronext and will bear common code 041870834, ISINCODE XS0418708342.
7. The Junior Class E Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg and through the Securities Clearing Corporation of Euronext Amsterdam by NYSE Euronext and will bear common code 041870877, ISINCODE XS0418708771.
8. The Subordinated Class F Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg and through the Securities Clearing Corporation of Euronext Amsterdam by NYSE Euronext and will bear common code 041870885, ISINCODE XS0418708854 .
9. There are no legal, arbitration or governmental proceedings which may have, or have had, a significant effect on the Issuer's financial position or profitability nor, so far as the Issuer is aware, are any such proceedings pending or threatened against the Issuer.
10. The addresses of the clearing systems are: Euroclear, 1 Boulevard de Roi Albert II, 1210 Brussels, Belgium and Clearstream Luxembourg, 42 Avenue J.F. Kennedy, L-1855 Luxembourg.
11. Copies of the following documents may be inspected at the specified offices of the Security Trustee and the Paying Agent free of charge during normal business hours during the life of this Prospectus:
 - (i) the Deed of Incorporation including the Articles of Association of the Issuer;
 - (ii) the Mortgage Receivables Purchase Agreement;

- (iii) the Paying Agency Agreement;
 - (iv) the Trust Deed;
 - (v) the Parallel Debt Agreement;
 - (vi) the Trustee Receivables Pledge Agreement;
 - (vii) the Trustee Assets Pledge Agreement;
 - (viii) the Servicing and Administration Agreement;
 - (ix) the Floating Rate GIC;
 - (x) the Swap Agreement;
 - (xi) the Master Definitions Agreement;
 - (xii) the Beneficiary Waiver Agreement;
 - (xiii) the Subordinated Loan Agreement;
 - (xiv) the Management Agreement I; and
 - (xv) the Management Agreement II.
12. A copy of the articles of association of the Issuer will be available (free of charge) at the registered office of the Issuer.
13. A copy of the Prospectus in print will be available (free of charge) at the registered office of the Issuer, the Security Trustee and the Paying Agent.
14. US taxes:
- The Notes will bear a legend to the following effect: 'any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Section 165(j) and 1287(a) of the Internal Revenue Code'.
- The sections referred to in such legend provide that a United States person who holds a Note will generally not be allowed to deduct any loss realised on the sale, exchange or redemption of such Note and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.
15. The audited financial statements of the Issuer prepared annually will be made available, free of charge, at the specified offices of the Paying Agent.
16. Equity Trust Co. N.V, part of the Equity Trust Group (www.equitytrust.com), publishes Investor Reports for inter alia The Issuer on its portal <https://portal.equitystructuredfinance.com>, which can be accessed after an email request to: et.investorreporting.structuredfinance@equitytrust.com.
17. The Issuer does not intend to provide post-issuance transaction information regarding securities to be admitted to trading and performance of the underlying collateral.

INDEX OF DEFINED TERMS

| | |
|---|------------|
| € | 2 |
| ABN AMRO | 124 |
| ANNUITY MORTGAGE LOANS | 42 |
| Arranger | 2 |
| Bank Mortgages | 11 |
| Bank Pledges | 12 |
| Bank Regulations | 109 |
| Bank Security Rights | 12 |
| Banking Act | 153 |
| Basic Terms Change | 143 |
| Basle Accord | 109 |
| Beneficiary Rights | 14 |
| Beneficiary Waiver Agreement | 14, 50 |
| BKR | 78, 85 |
| Borrower Insurance Pledge | 13 |
| Borrower Insurance Proceeds Instruction | 14 |
| BORROWERS | 40 |
| BUSINESS DAY | 33, 129 |
| Class | 126 |
| CLEAN-UP CALL OPTION | 38 |
| Clearstream, Luxembourg | 2 |
| CLOSING DATE | 31 |
| CMG | 80 |
| Co-Arrangers | 2 |
| Conditions | 1, 125 |
| Consob | 153 |
| Consolidated Financial Act | 153 |
| CONSTRUCTION AMOUNT | 44, 103 |
| Coupons | 125 |
| CUT-OFF DATE | 40 |
| Deferred Purchase Price | 103 |
| Deferred Purchase Price Instalment | 103 |
| DIRECTORS | 30 |
| DNB | 67 |
| Enforcement Notice | 141 |
| EUR | 2 |
| EURIBOR | 33, 129 |
| euro | 2 |
| Euroclear | 2 |
| Euronext Amsterdam by NYSE Euronext | 1 |
| Excess Margin | 62 |
| Excess Swap Collateral | 55 |
| Exchange Date | 146 |
| FHS | 77 |
| Final Maturity Date | 1, 34, 132 |
| Final Portfolio | 88 |
| Fixed Mortgages | 11 |
| FLOATING RATE GIC | 49 |
| FLOATING RATE GIC PROVIDER | 30 |
| FLOATING RATE INTEREST PERIOD | 32, 129 |
| Fortis | 124 |

| | |
|--|-----------------|
| FRIESLAND BANK | 30 |
| General Conditions | 18 |
| Global Note | 2, 146 |
| Global Notes | 2, 146 |
| Group | 124 |
| Indexed Foreclosure Value | 65 |
| ING BANK | 30 |
| Initial Participation | 116 |
| Initial Purchase Price | 103 |
| Insurance Policies | 13 |
| Interest Amount | 131 |
| Interest Determination Date | 130 |
| Interest Excess Amount | 56, 136 |
| Interest Priority of Payments | 56 |
| Interest Rate Periods | 82 |
| Interest Rate Reset Date | 82 |
| INTEREST-ONLY MORTGAGE LOANS | 42 |
| ISSUE PRICE | 31 |
| Issuer | 1, 30, 118, 125 |
| ISSUER ADMINISTRATOR | 30 |
| ISSUER COLLECTION ACCOUNT | 47 |
| Issuer Expenses | 62 |
| Italy | 153 |
| Junior Class E Noteholders | 127 |
| Junior Class E Notes | 1, 31, 125 |
| LIFE INSURANCE COMPANY | 43 |
| LIFE INSURANCE POLICIES | 43 |
| LIFE MORTGAGE LOANS | 43 |
| LINEAR MORTGAGE LOANS | 42 |
| LIQUIDITY FUND SUB-LEDGER | 48, 53 |
| LIQUIDITY FUND SUB-LEDGER AMOUNT | 48, 54 |
| LISTING AGENT | 31 |
| MANAGEMENT AGREEMENTS | 51 |
| Marge Plus | 83 |
| Master Definitions Agreement | 125 |
| Mezzanine Class B Noteholders | 127 |
| Mezzanine Class B Notes | 1, 31, 125 |
| Mezzanine Class C Noteholders | 127 |
| Mezzanine Class C Notes | 1, 31, 125 |
| Mezzanine Class D Noteholders | 127 |
| Mezzanine Class D Notes | 1, 31, 125 |
| Moody's | 1 |
| Mortgage Calculation Period | 52 |
| Mortgage Loan Criteria | 110 |
| MORTGAGE LOANS | 41 |
| Mortgage Payment Date | 52 |
| Mortgage Portfolio | 88 |
| MORTGAGE RECEIVABLES | 40 |
| MORTGAGE RECEIVABLES PURCHASE AGREEMENT | 39 |
| Mortgage-Backed Notes | 1, 31, 125 |
| MORTGAGED ASSETS | 41 |
| Most Senior Class of Notes | 127 |
| NatWest | 124 |
| Net Proceeds | 136 |

| | |
|--|-------------|
| NHG Guarantees | 40 |
| NHG Underwriting Criteria | 86 |
| Noteholders | 126 |
| Notes | 1, 31, 125 |
| Notes Interest Available Amount | 55 |
| Notes Purchase Agreement | 152 |
| Notes Redemption Available Amount | 58, 135 |
| Notes Subscriber | 152 |
| Notification Events | 103 |
| Optional Redemption Date | 1, 36 |
| Other Claims | 12 |
| Outstanding Principal Amount | 103 |
| PARALLEL DEBT | 50, 121 |
| PARALLEL DEBT AGREEMENT | 39, 50, 125 |
| PARTICIPATION | 44, 116 |
| Participation Fraction | 55 |
| Participation Redemption Available Amount | 117 |
| Paying Agency Agreement | 125 |
| PAYING AGENT | 31, 125 |
| Permanent Global Note | 2, 146 |
| Pledge Agreements | 122, 125 |
| Pledged Agreements | 127 |
| Principal Amount Outstanding | 135 |
| Principal Deficiency | 61 |
| Principal Excess Ledger | 61 |
| Principal Ledger | 53 |
| Principal Priority of Payments | 59 |
| Principal Redemption Amount | 137 |
| Principal Shortfall | 140 |
| Principal Sum | 18 |
| Priority of Payments upon Enforcement | 59 |
| Prospectus | 1 |
| Quarterly Calculation Date | 55, 136 |
| Quarterly Calculation Period | 136 |
| QUARTERLY PAYMENT DATE | 32, 129 |
| Rates of Interest | 130 |
| Realised Losses | 62 |
| REFERENCE AGENT | 31, 125 |
| Reference Banks | 130 |
| REGULATORY CALL OPTION | 38 |
| Regulatory Change | 109 |
| Relevant Documents | 128 |
| Relevant Implementation Date | 152 |
| Relevant Member State | 152 |
| RESERVE ACCOUNT | 48 |
| RESERVE FUND SUB-LEDGER | 48, 53 |
| RESERVE FUND SUB-LEDGER REQUIRED AMOUNT | 48 |
| Revenue Ledger | 53 |
| RFS Holdings | 124 |
| Royal Bank | 124 |
| ROYAL BANK OF SCOTLAND | 30 |
| Santander | 124 |
| SAVINGS INSURANCE COMPANY | 30 |
| SAVINGS INSURANCE POLICY | 43 |

| | |
|---|-----------------|
| SAVINGS MORTGAGE LOANS..... | 43 |
| Savings Participation Increase | 116 |
| SAVINGS PREMIUM | 43 |
| Secured Parties..... | 121 |
| Securities Act..... | 27 |
| Security..... | 126 |
| Security Trustee | 2, 30, 123, 125 |
| SELLER | 30 |
| SELLER COLLECTION ACCOUNTS..... | 47 |
| Senior Class A Noteholders | 127 |
| Senior Class A Notes..... | 1, 31, 125 |
| SERVICING AND ADMINISTRATION AGREEMENT | 50, 125 |
| Short Term Requisite Rating | 52 |
| Subordinated Class F Noteholders | 127 |
| Subordinated Class F Notes..... | 1, 31, 125 |
| SUBORDINATED LOAN | 49 |
| SUBORDINATED LOAN PROVIDER | 30 |
| SUB-PARTICIPATION AGREEMENT | 44 |
| SWAP COUNTERPARTY | 30 |
| Swap Counterparty Default Payment | 57 |
| TARGET 2 | 33 |
| TARGET 2 System | 129 |
| TAX CHANGE | 37 |
| Tax Event..... | 23 |
| Temporary Global Note..... | 2, 146 |
| TRANSACTION ACCOUNTS | 48 |
| Trust Deed | 125 |
| Trustee Assets Pledge Agreement..... | 122, 125 |
| Trustee Notification Events | 121 |
| Trustee Receivables Pledge Agreement | 121, 125 |
| UNIT-LINKED ALTERNATIVE | 44 |
| WAC | 88 |
| WAM..... | 88 |
| WEW..... | 20, 84 |

REGISTERED OFFICES

THE ISSUER

Stichting Eleven Cities No. 5

Strawinskylaan 3105
'Atrium', 7th Floor
1077 ZX Amsterdam
The Netherlands

SELLER

Friesland Bank N.V.

Beursplein 1
8911 BE Leeuwarden
The Netherlands

SECURITY TRUSTEE

Stichting Security Trustee Eleven Cities No. 5

Claude Debussylaan 24
1082 MD Amsterdam
The Netherlands

ISSUER ADMINISTRATOR

Equity Trust Co. N.V.

Strawinskylaan 3105
'Atrium', 7th Floor
1077 ZX Amsterdam
The Netherlands

POOL SERVICER

Friesland Bank N.V.

Beursplein 1
8911 BE Leeuwarden
The Netherlands

PAYING AGENT AND REFERENCE AGENT

ABN AMRO Bank N.V.

Kemelstede 2
4817 ST Breda
The Netherlands

LEGAL ADVISER

To the Co-Arrangers

Allen & Overy LLP

Apollolaan 15
1077 AB Amsterdam
The Netherlands

TAX LAWYERS

Allen & Overy LLP

Apollolaan 15
1077 AB Amsterdam
The Netherlands

LISTING AGENT

LISTING AGENT
ABN AMRO Bank N.V.
Gustav Mahlerlaan 10
1082 PP Amsterdam
The Netherlands

AUDITORS
DELOITTE
Orlyplein 10
1043DP Amsterdam
The Netherlands