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Under no circumstances shall this offering circular constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful. This offering circular may only be communicated to persons in the United Kingdom in circumstances where section 21(1) of the Financial Services and Markets Act 2000 does not apply.

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OFFERING CIRCULAR DATED 17 MAY 2005

CANDIDE FINANCING 2005 B.V.

(incorporated with limited liability in the Netherlands)

Euro 1,395,000,000 Senior Class A Mortgage-Backed Notes 2005 due 2050, issue price 100 per cent.

Euro 51,000,000 Mezzanine Class B Mortgage-Backed Notes 2005 due 2050, issue price 100 per cent.

Euro 31,500,000 Junior Class C Mortgage-Backed Notes 2005 due 2050, issue price 100 per cent.

Euro 22,500,000 Subordinated Class D Mortgage-Backed Notes 2005 due 2050, issue price 100 per cent.

Euro 4,500,000 Subordinated Class E Notes 2005 due 2050, issue price 100 per cent.

The Governor and Company of the Bank of Scotland, Amsterdam Branch as Seller

Application has been made to list on Eurolist by Euronext Amsterdam ("Euronext Amsterdam") the euro 1,395,000,000 Senior Class A Mortgage-Backed Notes 2005 due 2050 (the "Senior Class A Notes"), the euro 51,000,000 Mezzanine Class B Mortgage-Backed Notes 2005 due 2050 (the "Mezzanine Class B Notes"), the euro 31,500,000 Junior Class C Mortgage-Backed Notes 2005 due 2050 (the "Junior Class C Notes"), the euro 22,500,000 Subordinated Class D Mortgage-Backed Notes 2005 due 2050 (the "Subordinated Class D Notes") and the euro 4,500,000 Subordinated Class E Notes 2005 due 2050 (the "Subordinated Class E Notes" and together with the Senior Class A Notes, the Mezzanine Class B Notes, the Junior Class C Notes and the Subordinated Class D Notes, the "Notes").

The Notes are expected to be issued on 18th May, 2005. This Offering Circular constitutes a prospectus for the purposes of the listing and issuing rules of Euronext Amsterdam. Capitalised terms used in this Offering Circular, unless otherwise indicated, have the meanings as set out in Annex A to this Offering Circular.

The Notes will carry floating rates of interest, payable quarterly in arrear on each Quarterly Payment Date. Except for the first Quarterly Payment Date, falling on 20th July 2005, in which the interest rate will be referenced to the linear interpolation of 2 and 3 months Euribor, the respective rates of interest will be equal to three months Euribor plus, until the First Optional Redemption Date, a margin per annum which will be for the Senior Class A Notes 0.15 per cent. per annum, for the Mezzanine Class B Notes 0.18 per cent. per annum, for the Junior Class C Notes 0.23 per cent. per annum, for the Subordinated Class D Notes 0.44 per cent. per annum and, up to the Final Maturity Date, for the Subordinated Class E Notes a margin of 1.85 per cent. per annum. If on the First Optional Redemption Date the Notes of a Class have not been redeemed in full in accordance with the Conditions, the margin applicable to the Notes (other than the Subordinated Class E Notes) will be reset. The interest on the relevant Classes of Notes (other than the Subordinated Class E Notes) from the First Optional Redemption Date will be equal to three months Euribor, plus a margin per annum which will be 0.30 per cent. for the Senior Class A Notes, 0.36 per cent. for the Mezzanine Class B Notes, 0.46 per cent. for the Junior Class C Notes and 0.88 per cent. for the Subordinated Class D Notes.

The Notes will mature on the Quarterly Payment Date falling in April 2050 unless previously redeemed. The Notes will be subject to mandatory partial redemption in the circumstances set out in, and subject to and in accordance with, the Conditions of the Notes. On the Quarterly Payment Date falling in April 2012 (the "First Optional Redemption Date") and each subsequent Quarterly Payment Date (each an "Optional Redemption Date") the Issuer has the option to redeem all of the Notes in whole or in part, at their Principal Amount Outstanding, subject to and in accordance with the Conditions. The Subordinated Class E Notes will not be redeemed until the Senior Class A Notes, the Mezzanine Class B Notes, the Junior Class C Notes and the Subordinated Class D Notes have been fully redeemed.

If on any Quarterly Payment Date the aggregate Principal Amount Outstanding of the Notes (other than the Subordinated Class E Notes) is not more than 10 per cent. of the Principal Amount Outstanding of the Notes (other than the Subordinated Class E Notes) on the Closing Date, the Issuer will have the option to redeem all of the Notes in whole but not in part at their Principal Amount Outstanding, subject to and in accordance with the Conditions of the Notes.

It is a condition precedent to issuance that the Senior Class A Notes, on issue, be assigned a "AAA" rating by Fitch, a "Aaa" rating by Moody's and a "AAA" rating by S&P, the Mezzanine Class B Notes, on issue, be assigned a "AA" rating by Fitch, a "Aa2" rating by Moody's and a "AA" rating by S&P, the Junior Class C Notes, on issue, be assigned a "A" rating by Fitch, a "A2" rating by Moody's and a "A" rating by S&P, the Subordinated Class D Notes, on issue, be assigned a "BBB" rating by Fitch, a "Baa2" rating by Moody's and a "BBB" rating by S&P and the Subordinated Class E Notes, on issue, be assigned a "Ba1" rating by Moody's and a "BB+" rating by S&P. 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 *Special Considerations* herein.

The Noteholders and other Secured Parties will benefit from the security granted by the Issuer to the Security Trustee in the form of a pledge over the Mortgage Receivables and the Beneficiary Rights and in the form of a pledge over substantially all of the other assets of the Issuer (as further set out in *Description of Security*). The right to payment of interest and principal on the Mezzanine Class B Notes, the Junior Class C Notes, the Subordinated Class D Notes and the Subordinated Class E Notes will be subordinated and be limited as further described herein.

The Notes of each Class will be initially represented by Temporary Global Notes in bearer form, without coupons, which are expected to be deposited with a common depository for Euroclear and 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, 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 bearer form as described in the Conditions of the Notes.

The Notes will be obligations of the Issuer only. The Notes will not be obligations of, or the responsibility of, or guaranteed by, any person other than the Issuer. In particular, the Notes will not be obligations of, or the responsibility of, or guaranteed by, any of The Governor and Company of the Bank of Scotland ("Bank of Scotland"), the Bank of Scotland acting through its Amsterdam Branch ("Bank of Scotland Netherlands"), any company in the same group of companies as Bank of Scotland or the Managers or any other Party to the Relevant Documents, the Arranger, the Joint Lead Managers, the Security Trustee, Stichting Holding, the MPT Provider, the Sub MPT Provider, the Directors, the Liquidity Facility Provider, the Swap Counterparty, the Life Insurance Companies, the Subordinated Loan Provider, the GIC Provider, the Paying Agent, the Reference Agent or the Listing Agent. No liability whatsoever in respect of any failure by the Issuer to pay any amount due under the Notes shall be accepted by any of the Bank of Scotland, Bank of Scotland Netherlands, any company in the same group of companies as Bank of Scotland or the Joint Lead Managers or any other Party to the Relevant Documents, the Arranger, the Managers, the Security Trustee, Stichting Holding, the MPT Provider, the Sub MPT Provider, the Directors, the Liquidity Facility Provider, the Swap Counterparty, the Life Insurance Companies, the Subordinated Loan Provider, the GIC Provider, the Paying Agent, the Reference Agent or the Listing Agent.

Arranger



Joint Lead Managers

ABN AMRO

JPMorgan

Co-Managers

Citigroup

Deutsche Bank

Only the Issuer is responsible for the information contained in this Offering Circular other than the information referred to in the following two paragraphs. To the best of its knowledge and belief the information, except for the information for which the Seller or STATER are responsible, contained in this Offering Circular is in accordance with the facts and there are no other facts, the omission of which would, in the context of the issue of the Notes, make any statements herein, whether of fact or opinion, misleading in any material respect. The Issuer accepts responsibility accordingly.

The Seller is responsible solely for the information contained in the following sections of this Offering Circular: *Overview of the Dutch Residential Mortgage Market, Bank of Scotland Netherlands, Description of the Mortgage Loans, Mortgage Loan Underwriting and Origination and Administration of the Mortgage Receivables* and not for information contained in any other section. To the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case) the information contained in the sections referred to in this paragraph is in accordance with the facts and there are no other facts, the omission of which would, in the context of the issue of the Notes, make any statements herein, whether of fact or opinion, misleading in any material respect. The Seller accepts responsibility accordingly.

STATER is responsible solely for the information contained in the section *STATER Nederland B.V.* and not for information contained in any other section and consequently, STATER does not assume any liability in respect of the information contained in any section other than the section *STATER Nederland B.V.*

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

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

Neither this Offering Circular nor any part hereof constitutes 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 distribution of this document and the offering of the Notes in certain jurisdictions may be restricted by law.

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

Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs of the Issuer and its own appraisal of the creditworthiness of the Issuer. Neither this Offering Circular nor any other information supplied in connection with the offering of the Notes constitutes an offer or invitation by or on behalf of the Issuer or any of the Managers to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Offering Circular at any time nor any sale made in connection with the offering of the Notes shall imply that the information contained herein is correct at any time subsequent to the date of this Offering Circular. The Issuer and the Seller have no obligation to update this Offering Circular, except when required by the listing and issuing rules of Euronext Amsterdam.

The Managers 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 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 or the accuracy or adequacy of this Offering Circular. Any representation to the contrary is unlawful.

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

In connection with the issue of the Notes, ABN AMRO Bank N.V., acting through its London Branch (the “**Stabilising Manager**”) (or any duly appointed person acting for the Stabilising Manager) may over-allot or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail for a limited period. However, there may be no obligation on the Stabilising Manager (or any agent of the Stabilising Manager) to do this. Such stabilising, if commenced, may be discontinued at any time. Such stabilising shall be in compliance with all applicable laws and regulations. In accordance with the rules of Euronext Amsterdam, such stabilising will in any event be discontinued within 30 days after the Closing Date. Any stabilisation activity conducted on Euronext Amsterdam must be conducted in accordance with all applicable laws and regulations of Euronext Amsterdam and Article 32 (and Annex 6) of the Further Regulation on Market Conduct Supervision of the Securities Trade 2002 (*Nadere Regeling Gedragstoezicht Effectenverkeer 2002*) as amended.

Investors in France may only participate in the issue of the Notes for their own account in accordance with the conditions set out in *décret* No. 98-880 dated 1st October, 1998. Notes may only be issued, directly or indirectly, to the public in France in accordance with articles L.411-1 and L.411-2 of the French *Code monétaire et financier*. Persons into whose possession offering material comes must inform themselves about and observe any such restrictions. The Offering Circular does not constitute, and may not be used for or in connection with, an offer to any person to whom it is unlawful to make such an offer or a solicitation by anyone not authorised so to act.

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SUMMARY

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

Parties:

Issuer: Candide Financing 2005 B.V., incorporated under the laws of the Netherlands as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*).

Seller: The Governor and Company of the Bank of Scotland, established by an Act of the Parliament of Scotland in 1695 and having its head office at The Mound, Edinburgh EH1 1YZ, United Kingdom (“**Bank of Scotland**”), acting through its Amsterdam Branch at De Entree 254, 1101 EE Amsterdam, the Netherlands and registered with the Amsterdam Chamber of Commerce (*Kamer van Koophandel*) under number 34122516 (“**Bank of Scotland Netherlands**”). See further *Bank of Scotland Netherlands*.

Company Administrator: ATC Financial Services B.V.

MPT Provider: Bank of Scotland Netherlands. The MPT Provider will appoint STATER Nederland B.V., incorporated under the laws of the Netherlands as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*), as its sub-agent to provide the MPT Services and the Defaulted Loan Services (See *Issuer Services Agreement*).

Security Trustee: Stichting Security Trustee Candide Financing 2005, established under the laws of the Netherlands as a foundation (*stichting*).

Stichting Holding: Stichting Candide Financing Holding, established under the laws of the Netherlands as a foundation (*stichting*). The entire issued share capital of the Issuer is owned by Stichting Holding.

Directors: ATC Management B.V., the sole director of the Issuer, Amsterdamsch Trustee’s Kantoor B.V., the sole director of the Security Trustee and ATC Management B.V., the sole director of Stichting Holding. The Directors belong to the same group of companies.

Liquidity Facility Provider: JPMorgan Chase Bank, N.A.

Swap Counterparty: Bank of Scotland Netherlands.

Subordinated Loan Provider: Bank of Scotland Netherlands.

GIC Provider: ABN AMRO Bank N.V. (“**ABN AMRO**”).

Paying Agent: ABN AMRO.

Reference Agent: ABN AMRO.

Listing Agent: ABN AMRO.

THE NOTES:

Notes: The Notes will be issued by the Issuer on 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 Junior Class C Notes, 100 per cent.;
- (iv) the Subordinated Class D Notes, 100 per cent.; and
- (v) the Subordinated Class E Notes, 100 per cent.

Denomination:	The Notes will be issued in denominations of euro 100,000 each.
Status and Ranking:	The Notes of each Class rank <i>pari passu</i> without any preference or priority among Notes of the same Class. In accordance with the Conditions of the Notes and the Trust Deed (i) payments of principal and interest on the Mezzanine Class B Notes are subordinated to, <i>inter alia</i> , payments of principal and interest on the Senior Class A Notes, (ii) payments of principal and interest on the Junior Class C Notes are subordinated to, <i>inter alia</i> , payments of principal and interest on the Senior Class A Notes and the Mezzanine Class B Notes, (iii) payments of principal and interest on the Subordinated Class D Notes are subordinated to, <i>inter alia</i> , payments of principal and interest on the Senior Class A Notes, the Mezzanine Class B Notes and the Junior Class C Notes and (iv) payments of principal and interest on the Subordinated Class E Notes are subordinated to, <i>inter alia</i> , payment of principal and interest on the Senior Class A Notes, the Mezzanine Class B Notes, the Junior Class C Notes and the Subordinated Class D Notes. See further <i>Terms and Conditions of the Notes</i> .
Withholding tax:	All payments of, or in respect of, principal of and interest on the Notes will be made without withholding of, or deduction for, or on account of any present or future taxes, duties, assessments or charges of whatsoever nature imposed or levied by or on behalf of the Netherlands, any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or charges is required by law. In that event, the Issuer will make the required withholding or deduction of such taxes, duties, assessments and will have no obligation to pay any additional amounts to such Noteholders. In particular, but without limitation, no additional amounts will 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 any 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 <i>European Union Directive on the taxation of savings</i> .
Interest:	Interest on the Notes for each Floating Rate Interest Period will accrue from and including the Closing Date to and excluding the First Optional Redemption Date, at an annual rate equal to the sum of the Euro Interbank Offered Rate (“ Euribor ”) for three months deposits in euro (or, in respect of the first Floating Rate Interest Period, the rate which represents the linear interpolation of Euribor for 2 and 3 month deposits in euro), rounded, if necessary, to the 5th decimal place with 0.000005 being rounded upwards) as offered on or about 11.00 a.m. (Central European time) on the day that is two Business Days preceding the first day of each Floating Rate Interest Period plus (i), in respect of the Senior Class A Notes, the Mezzanine Class B Notes, the Junior Class C Notes and the Subordinated Class D Notes, up to and excluding the First Optional Redemption Date, the respective Initial Margins and (ii), in respect of the Subordinated Class E Notes, up to the Final Maturity Date, a margin of 1.85 per cent.
Interest Step up:	If on the First Optional Redemption Date the Notes of any Class have not been redeemed in full, the margin for each Class of Notes, other than the Subordinated Class E Notes, will increase and the interest applicable to each Class of Notes will then be equal to Euribor for three-months deposits in euro, payable by reference to Floating Rate Interest Periods on each Quarterly Payment Date,

plus a margin per annum which is 0.30 per cent. for the Senior Class A Notes, 0.36 per cent. for the Mezzanine Class B Notes, 0.46 per cent. for the Junior Class C Notes and 0.88 per cent. for the Subordinated Class D Notes.

Final Maturity Date :

Unless previously redeemed as provided below, the Issuer will redeem any remaining Notes outstanding on the Quarterly Payment Date falling in April 2050 at their respective Principal Amount Outstanding on such date, subject to and in accordance with the Conditions.

Average Life:

The estimated average life (on a 30/360 basis) of the Notes from the Closing Date up to the First Optional Redemption Date based on the assumptions that:

- (a) the Closing Date is 18th May, 2005;
- (b) a conditional prepayment rate (“CPR”) of 7 per cent. is effected;
- (c) no delinquencies and no defaults in respect of the Mortgage Receivables will occur;
- (d) any Substitute Mortgage Receivables will have the same characteristics, including interest rate, repayment type and maturity, as the Mortgage Receivables already sold to the Issuer;
- (e) the Mortgage Receivables will not be prepaid on an interest reset date;
- (f) the interest rate applicable to a Mortgage Loan will not change on an interest reset date;
- (g) no Mortgage Receivables are sold or purchased by the Issuer after the Closing Date subject to (h) below; and
- (h) Substitute Mortgage Receivables may be purchased by the Issuer until the Mortgage Payment Date falling in April 2008;

will be as follows:

- (i) the Senior Class A Notes, 6.40 years;
- (ii) the Mezzanine Class B Notes, 6.93 years;
- (iii) the Junior Class C Notes, 6.93 years;
- (iv) the Subordinated Class D Notes, 6.93 years; and
- (v) the Subordinated Class E Notes, 6.93 years.

The expected amortisation profile of the Notes (based on the assumptions stated above) is set out in Annex B hereto.

Mandatory Redemption:

On the Quarterly Payment Date falling in July 2005 and on each Quarterly Payment Date thereafter, provided that the Security Trustee has not given an Enforcement Notice to the Issuer in accordance with Condition 10, the Issuer will be obliged to apply the Notes Redemption Available Amount minus any amounts applied towards payment of the initial purchase price for Substitute Mortgage Receivables, to redeem in whole or in part the Notes at their respective Principal Amount Outstanding, subject to Condition 9(b), as follows:

- (a) first, the Senior Class A Notes, until fully redeemed;
- (b) second, the Mezzanine Class B Notes, until fully redeemed;
- (c) third, the Junior Class C Notes until fully redeemed;
- (d) fourth, the Subordinated Class D Notes, until fully redeemed.

The Subordinated Class E Notes will be subject to mandatory redemption on each Quarterly Payment Date only if the Senior Class A Notes, the Mezzanine Class B Notes, the Junior Class C Notes and the Subordinated Class D Notes have been fully redeemed, subject to and as set out in the Conditions.

Redemption for Regulatory Reasons:

The Issuer will have the option to purchase or redeem, subject to Condition 9(b), all but not some only of one or more Classes of Notes upon the occurrence of a Regulatory Event, as further set out in Condition 6(j).

Optional Redemption of the Notes:

The Issuer will have the option to redeem, subject to Condition 9(b), all (but not some only) the Notes on the Quarterly Payment Date falling in April 2012 (the “**First Optional Redemption Date**”) and on each Optional Redemption Date thereafter at their Principal Amount Outstanding plus accrued but unpaid interest thereon, after payment of the amounts to be paid in priority to the Notes.

Redemption following Clean-Up Call:

In addition, if on any Quarterly Payment Date the aggregate Principal Amount Outstanding of the Notes (other than the Subordinated Class E Notes) is not more than ten (10) per cent. of the aggregate Principal Amount Outstanding of the Notes (other than the Subordinated Class E Notes) on the Closing Date, the Issuer may (but is not obliged to) exercise its Clean-Up Call Option and redeem the Notes in accordance with Condition 6(g) at their Principal Amount Outstanding plus accrued but unpaid interest thereon, after payment of the amounts to be paid in priority to the Notes and subject to Condition 9(b).

Redemption for tax reasons:

In the event of certain tax changes affecting any Class(es) of Notes, including in the event that the Issuer is or will be obliged to make any withholding or deduction from payments in respect of the Notes (although the Issuer will not have any obligation to pay additional amounts in respect of any such withholding or deduction), the Issuer may (but is not obliged to) redeem all (but not some only) of the Notes at their respective Principal Amount Outstanding together with accrued but unpaid interest thereon up to but excluding the date of such redemption, subject to and in accordance with Condition 6(i). No Class of Notes may be redeemed under such circumstances unless the other Classes of Notes (or such of them as are then outstanding) are also redeemed in full at the same time.

Method of Payment:

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

Use of proceeds:

The Issuer will apply the net proceeds from the issue of the Notes (other than the Subordinated Class E Notes) to pay to the Seller the Initial Purchase Price for the Mortgage Receivables pursuant to the provisions of the Mortgage Receivables Purchase Agreement (see *Mortgage Receivables Purchase Agreement* and *Use of Proceeds*).

The net proceeds from the issue of the Subordinated Class E Notes will be deposited in the Reserve Account.

SECURITY:

Security for the Notes:

The Noteholders will benefit from the security created by (a) a first ranking right of pledge granted by the Seller to the Security Trustee over the Mortgage Receivables, including all rights ancillary thereto and the Beneficiary Rights; and (b) by a first ranking right of pledge by the Issuer to the Security Trustee over the Issuer’s

rights under or in connection with the Mortgage Receivables Purchase Agreement, the Swap Agreement, the Issuer Services Agreement, the Liquidity Facility Agreement, the GIC and over its rights against the GIC Provider in respect of the Transaction Accounts.

The amounts payable by the Security Trustee to the Secured Parties (including the Noteholders) will be limited to the net amounts available for such purpose to the Security Trustee which, for the greater part, will consist of amounts recovered by the Security Trustee from the Mortgage Receivables and amounts received by the Security Trustee as creditor under the Mortgage Receivables Purchase Agreement, the Trust Deed and the Parallel Debt Agreement. Payments will be made in accordance with the Post-Enforcement Priority of Payments (see *Credit Structure*).

In addition, a second ranking right of pledge will be vested by the Seller to the Issuer over the Mortgage Receivables, including all rights ancillary thereto, and the Beneficiary Rights.

See for a more detailed discussion *Description of Security* below.

MORTGAGE RECEIVABLES:

Mortgage Receivables:

Under the Mortgage Receivables Purchase Agreement, the Issuer will purchase and accept on the Closing Date the assignment of the Mortgage Receivables as of the first day of May 2005, which Mortgage Receivables have the characteristics described in *Description of the Mortgage Loans*. The Seller will remain entitled to any Prepayment Penalties paid by the Borrowers.

Purchase of Substitute Mortgage Receivables:

The Mortgage Receivables Purchase Agreement will provide that the Issuer will on a monthly basis purchase from the Seller Substitute Mortgage Receivables, subject to the fulfilment of certain conditions and to the extent offered by the Seller. The Issuer will apply towards the purchase of Substitute Mortgage Receivables the Substitution Available Amount from the Closing Date up to and including the Mortgage Payment Date falling in April 2008. The Substitution Available Amount will consist of the following amounts, calculated as at the relevant Mortgage Payment Date as standing to the balance of the Issuer Collection Account:

- (a) repayments and prepayments of principal under the Mortgage Receivables, from any person (including any Insurance Company) but excluding Prepayment Penalties, if any;
- (b) Net Proceeds, to the extent such proceeds relate to principal;
- (c) amounts received in connection with repurchase of Mortgage Receivables pursuant to the Mortgage Receivables Purchase Agreement and any other amounts received under the Mortgage Receivables Purchase Agreement to the extent relating to principal;
- (d) amounts relating to a sale of Mortgage Receivables, to the extent relating to principal;
- (e) amounts of interest to be credited to the Principal Deficiency Ledger on the immediately succeeding Quarterly Payment Date.

On any Mortgage Payment Date after the Mortgage Payment Date falling in April 2008 the Substitution Available Amount will consist of the amount, calculated as at the relevant Mortgage Payment Date as standing to the balance of the Issuer Collection Account,

received in connection with a repurchase by the Seller of Mortgage Receivables pursuant to the Mortgage Receivables Purchase Agreement.

The conditions to which each such purchase will be subject include, *inter alia*, the requirement that the Substitute Mortgage Receivables (a) meet the criteria set forth in the Mortgage Receivables Purchase Agreement and (b) are encumbered with a first ranking right of pledge by the Seller in favour of the Security Trustee and (as long as legal title remains with the Seller) a second ranking right of pledge in favour of the Issuer (see *Mortgage Receivables Purchase Agreement*).

Repurchase of Mortgage Receivables:

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

- (i) on or before the Mortgage Payment Date immediately following the expiration of the relevant remedy period (if any), if any of the representations and warranties given by the Seller (a) in respect of such Mortgage Receivable or its related Mortgage Loan, including the representation and warranty that such Mortgage Receivable or its related Mortgage Loan meets certain Mortgage Loans Criteria on the Closing Date or (b) in respect of a Substitute Mortgage Receivable or its related Mortgage Loan, including the representation and warranty that the Substitute Mortgage Receivable or its related Mortgage Loan, meets certain Mortgage Loans Criteria on the relevant Mortgage Payment Date, is untrue or incorrect in any material respect; or
- (ii) on or before the Mortgage Payment Date immediately following the decision of the Seller to amend the terms of the relevant Mortgage Loan upon the request of a Borrower as a result of which such Mortgage Loan no longer meets certain criteria set forth in the Mortgage Receivables Purchase Agreement, 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 such Seller shall not repurchase the relevant Mortgage Receivable; or
- (iii) on or before the Mortgage Payment Date immediately following the date on which the Seller has obtained an Other Claim vis-à-vis a Borrower;
- (iv) on or before the Mortgage Payment Date immediately following the date on which the Seller has agreed to grant a Further Advance to the relevant Borrower.

In the case of a repurchase of Mortgage Receivables, the Seller shall repurchase and accept re-assignment of the Mortgage Receivable for a price equal to the relevant Outstanding Principal Amount, plus accrued but unpaid interest thereon up to the relevant Mortgage Payment Date.

Seller Clean-Up Call Option:

In addition, the Seller may (without the obligation to do so) repurchase and accept re-assignment of all (but not some only) the Mortgage Receivables on any Quarterly Payment Date on which the principal amount due on the Mortgage Receivables then

outstanding is less than 10 per cent. of the principal amount of the Mortgage Receivables on the Closing Date (the “**Seller Clean-Up Call Option**”).

Sale of Mortgage Receivables on Optional Redemption Date:

On any Optional Redemption Date the Issuer may sell and assign the Mortgage Receivables to a third party, which may be the Seller (subject, however, to the Seller Clean-Up Call Option), provided that the Issuer shall apply the proceeds of such sale, to the extent relating to principal, to redeem the Notes, other than the Subordinated Class E Notes.

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 or, in case of Mortgage Loans secured on the same mortgaged property, first-ranking and sequentially lower ranking mortgage rights on the relevant Mortgaged Assets. If a Mortgage Loan consists of one or more loan parts (*leningdelen*), the Seller will sell and assign and the Issuer will purchase and accept assignment of all, but not some only, loan parts of such Mortgage Loan at the Closing Date. See further *Description of the Mortgage Loans*.

Pool of Mortgage Loans:

The Mortgage Loans or the loan parts comprising a Mortgage Loan will, in whole or in part, consist of:

- (a) Annuity Mortgage Loans;
- (b) Interest-only Mortgage Loans;
- (c) Life Mortgage Loans; and
- (d) a combination of any of the above mentioned types of mortgage loans.

Annuity Mortgage Loans:

Under Annuity Mortgage Loans (*annuïteiten hypotheeken*) the Borrower pays a constant total monthly amount (assuming interest rates do not change), made up of an initially high and subsequently decreasing interest portion and an initially low and subsequently increasing principal portion, and calculated in such a manner that the Mortgage Loan will be fully redeemed at the end of its term.

Interest-only Mortgage Loans:

Under the Interest-only Mortgage Loans (*aflossingsvrije hypotheeken*) no principal towards redemption is paid until maturity. Interest is payable monthly and is calculated on the outstanding balance of the Mortgage Loan (or relevant part thereof). It is the intention that Redemption of each Interest-only Mortgage Loan should take place fully at its maturity.

Life Mortgage Loans:

A portion of the Mortgage Loans (or parts thereof) will be in the form of Life Mortgage Loans (*levenhypotheeken*), each of which has the benefit of a Life Insurance Policy, under which the Borrower makes payments on a regular basis which comprise of interest on the loan and an insurance premium payable under the Life Insurance Policy, taken out by the Borrower with the relevant Life Insurance Company. Under a Life Mortgage Loan, no principal towards redemption is paid until maturity. The proceeds paid out under the Life Insurance Policy are typically used towards redemption of the Life Mortgage Loan at maturity. Life Insurance Policies may take a variety of forms. See further *Description of the Mortgage Loans*.

Failure by the Borrower to pay premium under the Life Insurance Policy will result in that Borrower’s Life Mortgage Loan becoming due and payable.

Pledges over Insurance Policies: The Seller has the benefit of pledges over the Borrowers' rights under the Insurance Policies. In addition, the Seller has been appointed as beneficiary under the Insurance Policies. The effectiveness of these pledges, the appointment as beneficiary and the benefit thereof to the Issuer and the Security Trustee are discussed in *Special Considerations – Insurance Policies*.

Interest under the Mortgage Loans: Approximately 80 per cent. of the Mortgage Loans sold and assigned to the Issuer on the Closing Date carry a fixed rate of interest for a certain pre-agreed interest period (*rentevastperiode*). This percentage may change over time. At the end of an interest period, the interest rate will be reset, unless the Borrower redeems the Mortgage Loan. In general, fixed rate reset terms can be set for periods of 1, 5, 6, 10, 15, 20 and 30 years. In addition, the Mortgage Loans may carry a floating interest rate (*variabele rente*) which is set, if necessary, with changes effective from the first of the month following the interest reset.

CASH FLOW STRUCTURE:

Seller Accounts: All payments made by the Borrowers under the Mortgage Loans are paid into the Portfolio Accounts, i.e. the various (currently 16) bank accounts maintained by the Seller with Rabobank Nederland, whereby each such account is linked to a packager through which the related Mortgage Loans are originated. The Portfolio Accounts are administered by STATER. The amounts received on the Portfolio Accounts are swept on a daily basis to the Seller Central Collection Account, maintained by the Seller with Rabobank Nederland. For a discussion of the consequences of certain downgrades of the rating assigned to the Seller's short term, unsecured, unsubordinated and unguaranteed debt obligations, see *Credit Structure*.

Issuer Collection Account: The Issuer will maintain with the GIC Provider the Issuer Collection Account to which, *inter alia*, all amounts of interest and principal and other collections received under the Mortgage Loans will be transferred by the Seller, or by STATER on its behalf. For a discussion of the consequences of certain downgrades of the rating assigned to the short term unsecured and unguaranteed debt obligations of the GIC Provider see *Credit Structure*.

Payments may be made from the Issuer Collection Account other than on a Quarterly Payment Date only to satisfy (i) amounts due to third parties (other than pursuant to the Relevant Documents) and payable in connection with the Issuer's business; and (ii) the Initial Purchase Price for Substitute Mortgage Receivables on any Mortgage Payment Date.

Reserve Account: The Issuer will maintain with the GIC Provider the Reserve Account. The net proceeds of the Subordinated Class E Notes will be credited to the Reserve Account. The purpose of the Reserve Account will be to enable the Issuer to meet its payment obligations under items (a) up to and including (l) of the Interest Priority of Payments in the event of a shortfall of the Notes Interest Available Amount on a Quarterly Calculation Date before the application of any funds drawn under the Liquidity Facility. (See *Credit Structure*).

If and to the extent that the Notes Interest Available Amount on any Quarterly Calculation Date exceeds the aggregate amount applied in satisfaction of items (a) up to and including (l) of the Interest Priority of Payments, the excess amount will be deposited on or, if a drawing has been made previously, used to replenish the

Reserve Account by paying such amount to the Reserve Account until the balance standing to the credit thereof equals the Reserve Account Target Level.

The Reserve Account Target Level means, on any Quarterly Calculation Date, an amount equal to 1.55 per cent. of the Outstanding Principal Amount of the Mortgage Receivables at the Closing Date.

Liquidity Facility:

On the Closing Date, the Issuer, the Security Trustee and the Liquidity Facility Provider will enter into a 364 day term Liquidity Facility Agreement under which the Issuer will be entitled to make drawings in order to meet certain shortfalls in its available revenue receipts (See *Credit Structure*).

GIC:

The Issuer, the Security Trustee and the GIC Provider will enter into the GIC, under which the 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 relevant Transaction Accounts.

Subordinated Loan Agreement:

In order to cover certain start-up costs and expenses Bank of Scotland Netherlands will grant to the Issuer the Subordinated Loan. In respect of interest payments and principal repayments, the Subordinated Loan Provider will be subordinated to, *inter alia*, the Noteholders. The Subordinated Loan will not be redeemed until the Notes have been fully redeemed.

Swap Agreement:

Borrowers will make payments under the Mortgage Loans in euros. Some of the Mortgage Loans carry fixed rate of interest subject to a reset after a 1, 5, 6, 10, 15, 20, 25 or 30 year fixed interest rate period, while others carry a variable rate of interest subject to reset, if necessary, on a monthly basis. These interest rates do not necessarily match the floating rate of interest payable on the Notes.

The Seller is obliged to set the interest rate in such a way that the weighted average interest margin in respect of the Mortgage Receivables is at least equal to the Threshold Margin (see *Mortgage Receivables Purchase Agreement*).

The Issuer will enter into a swap agreement with the Swap Counterparty to hedge against these potential interest rate mismatches. See *Swap Agreement*.

The swap will be governed by an ISDA 1992 Master Agreement (including a schedule and a confirmation).

OTHER:

Issuer Services Agreement:

Under the Issuer Services Agreement (i) the MPT Provider will agree to provide certain services as agreed in the Issuer Services Agreement in relation to the Mortgage Receivables on a day-to-day basis, including, without limitation, the collection of payments of principal, interest and all other amounts in respect of the Mortgage Receivables (the “MPT Services”), (ii) the MPT Provider will agree to the implementation of arrears procedures including, if applicable, the enforcement of Mortgaged Assets and the Borrower Pledges (the “Defaulted Loan Services”) and (iii) the Company Administrator will agree to provide certain administration, calculation and cash management services to the Issuer on a day-to-day basis, including, without limitation, all calculations to be made in respect of the Notes pursuant to the Conditions of the Notes. The Company Administrator will, *inter alia*, determine on each Quarterly Calculation Date whether the weighted average interest margin in respect of the Mortgage Receivables is at least equal to the Threshold Margin.

Management Agreements:	Each of the Issuer, Stichting Holding and the Security Trustee will enter into a Management Agreement with the relevant Director, whereupon the relevant Director will undertake to act as director of the Issuer, Stichting Holding or the Security Trustee, respectively, and to perform certain services in connection therewith.
Listing:	Application has been made for the Notes to be listed on Euronext Amsterdam.
Rating:	It is a condition precedent to issuance that (i) the Senior Class A Notes, on issue, will be assigned a “AAA” rating by Fitch, a “Aaa” rating by Moody’s and a “AAA” rating by S&P, (ii) the Mezzanine Class B Notes, on issue, will be assigned a “AA” rating by Fitch, a “Aa2” rating by Moody’s and a “AA” rating by S&P, (iii) the Junior Class C Notes, on issue, will be assigned a “A” rating by Fitch, a “A2” rating by Moody’s and a “A” rating by S&P, (iv) the Subordinated Class D Notes, on issue, will be assigned a “BBB” rating by Fitch, a “Baa2” rating by Moody’s and a “BBB” rating by S&P and (v) the Subordinated Class E Notes, on issue, will be assigned a “Ba1” rating by Moody’s and a “BB+” rating by S&P.
Clearing:	Euroclear and Clearstream, Luxembourg.
Governing Law:	The Notes will be governed by and construed in accordance with the laws of the Netherlands.

SPECIAL CONSIDERATIONS

The following is a summary of certain aspects of the issue of the Notes of which prospective Noteholders should be aware. It is not intended to be exhaustive, and prospective Noteholders should read the detailed information set out elsewhere in this Offering Circular.

Liabilities under the Notes and Limited Recourse

The Notes will be obligations of the Issuer only. The Notes will not be obligations of, or the responsibility of, or guaranteed by, any person other than the Issuer. In particular, the Notes will not be obligations of, or the responsibility of, or guaranteed by, any of the Bank of Scotland, Bank of Scotland Netherlands, any company in the same group of companies as Bank of Scotland or the Joint Lead Managers or any other party to the Relevant Documents, the Arranger, the Managers, the Security Trustee, Stichting Holding, the MPT Provider, the Sub MPT Provider, the Directors, the Liquidity Facility Provider, the Swap Counterparty, the Life Insurance Companies, the Subordinated Loan Provider, the GIC Provider, the Paying Agent, the Reference Agent or the Listing Agent. No liability whatsoever in respect of any failure by the Issuer to pay any amount due under the Notes shall be accepted by any of the Bank of Scotland, Bank of Scotland Netherlands, any company in the same group of companies as Bank of Scotland or the Managers or any other Party to the Relevant Documents, the Arranger, the Joint Lead Managers, the Security Trustee, Stichting Holding, the MPT Provider, the Sub MPT Provider, the Directors, the Liquidity Facility Provider, the Swap Counterparty, the Life Insurance Companies, the Subordinated Loan Provider, the GIC Provider, the Paying Agent, the Reference Agent or the Listing Agent.

The ability of the Issuer to meet its obligations to pay principal and interest on the Notes in full will be dependent on the receipt by it of funds under the Mortgage Receivables, the proceeds resulting from the repurchase and re-assignment by the Seller of any Mortgage Receivables as provided in the Mortgage Receivables Purchase Agreement, the receipt by it of payments under the Swap Agreement and the receipt by it of interest in respect of the balances standing to the credit of the Transaction Accounts. See further *Credit Structure*. In addition, the Issuer will have available to it the balances standing to the credit of the Reserve Account and the amount available to be drawn under the Liquidity Facility for certain of its payment obligations.

If the security granted pursuant to the Pledge Agreements is enforced and the proceeds of such enforcement, after payment of all other claims ranking in priority to amounts due under the Notes, are insufficient to repay in full all principal and interest and other amounts due in respect of the Notes, then, as the Issuer has no other assets, it may be unable to satisfy claims in respect of any such unpaid amounts. Enforcement of the security by the Security Trustee pursuant to the terms of the Trust Deed, the Pledge Agreements and the Notes is the only remedy available to Noteholders for the purpose of recovering amounts owed in respect of the Notes.

By acquiring the Notes, the Noteholder 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 of their obligations under their respective rules, operating procedures and calculation methods.

Risks inherent to the Notes

(i) Credit Risk

There is a risk of non-payment of principal and/or interest on the Notes due to non-payment of principal and/or interest on the Mortgage Receivables. This risk is mitigated (a) in respect of the Senior Class A Notes, by the subordinated ranking of each of the other Classes of Notes; (b) in respect of the Mezzanine Class B Notes, by the subordinated ranking of the Junior Class C Notes, the Subordinated Class D Notes and the Subordinated Class E Notes; (c) in respect of the Junior Class C Notes, by the subordinated ranking of the Subordinated Class D Notes and the Subordinated Class E Notes; and (d) in respect of the Subordinated Class D Notes, by the subordinated ranking of the Class E Notes. In addition, this risk is, in respect of all Notes, other than the Subordinated Class E Notes, mitigated by the balance on the Reserve Account.

If, upon default by the Borrowers and after exercise by the MPT Provider of all available remedies in respect of the applicable Mortgage Receivables, the Issuer does not receive the full amount due from such Borrowers, Noteholders may receive by way of principal repayment on the Notes an amount less than the face amount of their Notes and the Issuer may be unable to pay in

full interest due on the Notes, to the extent set forth in Condition 9. On any Quarterly Payment Date, any such losses on the Mortgage Receivables will be allocated as described in *Credit Structure*.

(ii) *Prepayment Risk*

There is a risk that the average life of the Notes will be shorter or longer than anticipated. The maturity of the Notes of each relevant Class will depend on, among other things, the amount and timing of payment of principal (including full and partial prepayments, foreclosure proceeds on enforcement of the Mortgage Receivables, and repurchases by the Seller under the Mortgage Receivables Purchase Agreement) on the Mortgage Receivables. The average maturity of the Notes may be adversely affected by a higher or lower than anticipated rate of prepayments on the Mortgage Receivables.

The rate of prepayment of the Mortgage Loans cannot be predicted and is influenced by a wide variety of economic, social and other factors, including prevailing mortgage market interest rates, the availability of alternative financing, local and regional economic conditions and homeowner 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 of each Class of Notes must therefore be viewed with considerable caution and Noteholders should make their own assessment thereof.

(iii) *Liquidity Risk*

There is a risk of temporary liquidity problems if interest on the Mortgage Receivables is not received on time. This risk is mitigated by (i) the Reserve Account; and (ii) the Liquidity Facility.

(iv) *Maturity Risk*

There is a risk that the Issuer will not have received sufficient principal to fully redeem the Notes on the expected maturity. The ability of the Issuer to redeem all the Notes in full and to pay all amounts due to the Noteholders (including after the occurrence of an Event of Default), may depend upon whether the value of the Mortgage Receivables is sufficient to redeem the Notes. There is not at present an active and liquid secondary market for loans with characteristics similar to the Mortgage Receivables in the Netherlands. It may not, therefore, be possible for the Issuer or, as the case may be, the Security Trustee or a receiver to sell the Mortgage Receivables on appropriate terms should such a course of action be required. In addition no guarantee can be given that the Issuer will exercise its option to redeem the Notes on the First Optional Redemption Date.

(v) *Optional Redemption*

Due to the increase of the margin payable in respect of the floating rate of interest on the Notes from the First Optional Redemption Date, the Issuer will have an economic incentive to exercise its right to redeem the Notes on the First Optional Redemption Date or on any subsequent Optional Redemption Date. However, no guarantee can be given that the Issuer will 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 the sale of the Mortgage Receivables still outstanding at that time.

(vi) *Interest Rate Risk*

There is a risk that, due to interest rate movements, the interest received on the Mortgage Loans and the Transaction Accounts is not sufficient to pay the floating interest on the Notes. This risk is mitigated by the Swap Agreement (see further *Special Considerations – Swap Agreement*). In addition, the Seller has undertaken to reset the interest rate in respect of the Mortgage Receivables in accordance with the Mortgage Conditions in such a way that the weighted average interest margin in respect of the Mortgage Receivables during a Quarterly Calculation Period will be at least equal to the Threshold Margin. See further *Swap Agreement*.

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 it will provide Noteholders with liquidity of investment or that it will continue for the life of the Notes. To date, no Manager has indicated that they intend to establish a secondary market in the Notes.

No gross up for Taxes

As provided for in Condition 7, if any withholding of, or deductions for, or on account of any present or future taxes, duties or charges of whatever kind is imposed by or on behalf of the Netherlands or any other jurisdiction or any political subdivision or any authority therein or thereof having power to tax, the Issuer or the Paying Agent (as applicable) will make the required withholding or deduction of such taxes, duties or charges, as the case may be, and shall not be obliged to pay any additional amounts to the Noteholders.

Loan-to-Foreclosure Value Ratio

The Mortgage Loans have a LTFV-Ratio of up to 125 per cent. The appraisal Foreclosure Value (*executiewaarde*) is approximately 85 to 90 per cent. of the market value (*vrije verkoopwaarde*). The loan to market value (*vrije verkoopwaarde*) ratio for these Mortgage Loans is up to approximately 110 per cent. There can be no assurance that, on enforcement, all amounts owing by a Borrower under a Mortgage Loan can be recovered from the proceeds of the foreclosure on the property which is subject to the Mortgage. In respect of Mortgage Loans, a Bank of Scotland Economy Mortgage Loan exceeding 90 per cent. of the Foreclosure Value and a Bank of Scotland Standard Mortgage Loan exceeding 75 per cent. of the Foreclosure Value must have a Life Insurance Policy or, in case of an Annuity Mortgage Loan, a Risk Insurance Policy in respect of the excess of the Foreclosure Value. (see *Description of the Mortgage Loans*).

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 (including the Noteholders) under or in connection with the Relevant Documents (including the Notes) to which the Issuer and such Secured Parties are a party. It is noted that no statutory law or case law is available on the validity or enforceability of a parallel covenant such as the Parallel Debt. However, the Issuer has been advised that the Parallel Debt creates a claim of the Security Trustee which can be validly secured by a right of pledge such as the rights of pledge created by the Trustee Pledge Agreement I and the Trustee Pledge Agreement II. The obligations of the Issuer to the Security Trustee under the Parallel Debt will be reduced with any amount paid by the Issuer to the Secured Parties.

Transfer of Legal Title to Mortgage Receivables

Under Dutch law, the assignment of legal title to claims can be effected by (i) notifying the debtors of the claims or (ii) by registering the relevant deed(s) of assignment with the Dutch tax authorities or (iii) by executing the deed of assignment before a civil notary.

Neither the Deed of Assignment nor any Purchase Deed of Assignment will be executed before a notary or registered either at Closing or on the relevant Mortgage Payment Date. The Deed of Assignment and any Purchase Deed of Assignment will provide that the assignment of the Mortgage Receivables will only be notified to the Borrowers if certain events occur (subject to the Seller's option to effect registration of the deeds as discussed below). For a description of the notification events see *Mortgage Receivables Purchase Agreement*. The Seller has the option to effect legal title transfer by registering the Deed of Assignment and Purchase Deeds of Assignment with the Dutch tax authorities at any time.

Consequently, prior to notification or registration, legal title to the Mortgage Receivables will remain with the Seller. Registration or notification of the assignment to a Borrower after the Seller has been declared bankrupt or has become subject to emergency regulations under Dutch law and possibly after the sequestration or winding-up of the Seller or the Seller entering administration in accordance with Scottish law, will not be effective. Consequently, (i) if the Seller is declared bankrupt or made subject to emergency regulations under Dutch law the legal ownership to the Mortgage Receivables cannot pass to the Issuer and (ii) in the case of a sequestration or winding-up of the Seller or the Seller entering administration under Scottish law, the legal ownership to the Mortgage Receivables may not pass to the Issuer. See also *Insolvency analysis – Winding-up Directive* below.

Until notification of the assignment has been made to the Borrowers, (whether or not registration of the Deed of Assignment and any Purchase Deed of Assignment has taken place) the

Borrowers under the Mortgage Receivables can only validly pay (*bevrijdend betalen*) amounts under the Mortgage Loans to the Seller. The Seller has undertaken in the Mortgage Receivables Purchase Agreement to pay to the Issuer any amounts received in respect of the Mortgage Receivables. However, receipt of such amounts by the Issuer is subject to the Seller actually making such payments.

In order to protect the Issuer in the situation that notification or registration of the assignment of the Mortgage Receivables can no longer be effectively made due to bankruptcy or emergency regulations under Netherlands law or after the sequestration, winding up or administration of the Seller in accordance with Scottish law involving the Seller, the Seller will grant a first-ranking “silent” right of pledge (*stil pandrecht*) (i.e. without notification being required) under Netherlands law to the Security Trustee and a second-ranking “silent” right of pledge to the Issuer over the relevant Mortgage Receivables and the Beneficiary Rights, (as more fully described in *Description of Security*) as security, *inter alia*, in case for whatever reason legal title does not pass to the Issuer, e.g. in case of insolvency of the Seller. See *Insolvency analysis – Winding-up Directive* below.

Insolvency analysis – Winding-up Directive

The European Directive on the reorganisation and winding up of credit institutions (Directive 2001/24/EC or the “**Winding-up Directive**”) of 4 April 2001 aims to ensure that the insolvency of a credit institution with branches in one or more EU member states other than its home member state is governed exclusively by one single winding up procedure. The Winding-up Directive determines that as a rule, a credit institution shall be wound up exclusively in accordance with the laws applicable in its home member state. There are exceptions to the exclusive application of the laws of the home member state. One of the exceptions is that the law applicable to the adoption of a re-organisation or opening of a winding-up procedure shall not affect the rights *in rem* of creditors or third parties in respect of assets, including receivables, which are situated within the territory of another member state at the time of adoption or opening of the relevant measure or procedure, as applicable. The rights *in rem* of such creditors remain governed by the law applicable to the relevant right *in rem*. The Seller is a credit institution. Its home member state is the United Kingdom, being the member state in which it has been authorised in accordance with articles 4 and 11 of Directive 2000/12/EC relating to the taking up and pursuit of the business of credit institutions of 20 March 2000.

The Winding-up Directive had to be implemented by all EU member states by 5 May 2004. The United Kingdom has implemented the Winding-up Directive in the form of The Credit Institutions (Reorganisation and Winding-up) Regulations 2004 (the “**UK Winding-up Regulations**”). The Netherlands have not yet implemented the Winding-up Directive. It is expected that the Directive will be implemented in the Netherlands in the third or fourth quarter of 2005. Until such time, it is uncertain whether a Dutch court would abstain from assuming jurisdiction and refer to the jurisdiction of the home member state of the Seller by applying the provisions of Directive 2001/24/EC or whether it would apply domestic Dutch bankruptcy rules. Hence the Dutch insolvency analysis as to the Seller remains relevant.

Dutch law analysis of the consequences of Dutch insolvency of the Seller for the assignee and pledgee of the Mortgage Receivables

As discussed above, pursuant to current Dutch insolvency rules, the Seller may be declared bankrupt (*failliet verklaard*) or made subject to emergency regulations (*noodregeling*) pursuant to the Act on Supervision of Credit Institutions 1992 (*Wet toezicht kredietwezen 1992*).

Under Dutch insolvency rules it will no longer be possible to complete a transfer of legal title to assets, such as the Mortgage Receivables after the Seller has been declared bankrupt (*faillissement*) or has been made subject to emergency regulations.

If legal title to the Mortgage Receivables has passed to the Issuer prior to the Seller being declared bankrupt or being made subject to emergency regulations, the Mortgage Receivables will not fall into the Seller’s estate and in such case notification of the assignment to the Borrowers can still be validly made, with the result that, after notification, the Borrowers can only validly make payments under the Mortgage Loans to the Issuer. Amounts received by the Seller from Borrowers prior to notification of the assignment but after bankruptcy or emergency regulations will however be part of the Seller’s bankruptcy estate. However, if legal title has previously passed to the Issuer by registration of the Deed of Assignment and any Purchase Deed of Assignment, the Issuer would – as a matter of Dutch bankruptcy law – have a non-preferred estate claim (*concurrente boedelordering*), in respect of such amounts, which means that the Issuer has the right to receive such amounts by

preference after deduction of the general bankruptcy costs of the Seller (*algemene faillissementskosten*). As soon as the Borrowers are notified of the assignment of the Mortgage Receivables to the Issuer, the Borrowers can only validly make payments (*bevrijdend betalen*) under the Mortgage Loans to the Issuer.

If legal title to the Mortgage Receivables has not passed to the Issuer prior to the Seller being declared bankrupt or being made subject to emergency regulations the Mortgage Receivables will fall into the Seller's estate and the transfer of legal title can no longer be completed.

As discussed above, in order to protect the Issuer in the event that legal title cannot pass due to the Seller being declared bankrupt or being made subject to emergency regulations, the Seller will grant a first-ranking "silent" right of pledge (*stil pandrecht*) (i.e. without notification being required) under Netherlands law to the Security Trustee and a second-ranking "silent" right of pledge to the Issuer over the relevant Mortgage Receivables and the Life Beneficiary Rights. Notification of the "silent" rights of pledge in favour of the Security Trustee and the Issuer can be validly made after the Seller has been declared bankrupt or made subject to emergency regulations. Under Netherlands law, the Issuer and the Security Trustee can, in the event of bankruptcy or emergency regulations in respect of the Seller, exercise the rights afforded by Dutch law to pledgees as if there were no bankruptcy or suspension of payments. However, bankruptcy or emergency regulations involving the Seller would affect the position of the Security Trustee and the Issuer as pledgees in the following respects: (i) payments made by the Borrowers to the Seller prior to notification but after bankruptcy or emergency regulations will be part of the bankruptcy estate, although the pledgee has the right to receive such amounts by preference after deduction of general bankruptcy costs; (ii) a mandatory "cooling off" period of up to four months may apply where the Seller has been declared bankrupt or has been made subject to emergency regulations, which, if applicable, would delay foreclosure under the right of pledge on the Mortgage Receivable (but not the right to collect (*innen*) payments) and (iii) the relevant pledgee may be obliged to enforce its right of pledge within a reasonable period as determined by the judge-commissioner (*rechter-commissaris*) appointed by the court in case of bankruptcy or emergency regulations in respect of the Seller.

Scottish law analysis of the consequences of Dutch insolvency of the Seller for the assignee and pledgee of the Mortgage Receivables

Subject to what is stated below in this paragraph, the Issuer has been advised that:

- (i) prior to the sequestration or winding-up of the Seller or the Seller entering administration in Scotland, a transfer of legal title to the Mortgage Receivables would be recognised as legal, valid and binding by a Scottish court provided that such transfer would be legal, valid, binding and enforceable under Dutch law;
- (ii) prior to the sequestration or winding-up of the Seller or the Seller entering administration in Scotland, the creation of the rights of pledge over the Mortgage Receivables and the Life Beneficiary Rights would be recognised as legal, valid and binding by a Scottish court provided that such rights of pledge would be legal, valid and binding under Dutch law, enforceable in accordance with its terms;
- (iii) under Scottish law it is uncertain whether or not it would be possible to complete the transfer of legal title to assets, such as the Mortgage Receivables, after the Seller has been sequestered or wound-up or after the Seller has entered administration;
- (iv) the sequestration or winding-up of the Seller or the Seller entering administration in Scotland would not affect the rights of pledge created over the Mortgage Receivables and the Life Beneficiary Rights in favour of the Issuer or Security Trustee;
- (v) in respect of amounts received by the Seller from the Borrowers after the sequestration or winding-up of the Seller or the Seller entering administration in Scotland, but prior to notification being given to the Borrowers, the Security Trustee or the Issuer, in their capacity as pledgees, would have a priority claim in the winding-up, sequestration or administration of the Seller in respect of such amounts; and
- (vi) the sequestration or winding-up of the Seller or the Seller entering administration in Scotland would not affect the set-off analysis as set out below in *Special Considerations – Set off*.

As to (iv), the United Kingdom has implemented the Winding-up Directive. Pursuant to the Winding-up Directive the adoption of a reorganisation or opening of winding-up proceedings in the United Kingdom will be governed by the laws of the United Kingdom. Given that the Seller has its headquarters in Scotland, any such reorganisation or winding-up proceedings should be governed by

Scottish law. However, pursuant to regulation 26 of the UK Winding-up Regulations (implementing section 21 of the Winding-up Directive) such provisions will not affect the rights *in rem* of creditors in respect of assets situated in other member states. The Winding-up Directive is silent on where a receivable is deemed to be situated. Hence it is uncertain where a receivable is located for the purposes of the Winding-up Directive. There are good arguments to support the view that the Mortgage Receivables should be considered to be situated in the Netherlands as a consequence of which section 21 of the Winding-up Directive will be applicable; the Borrowers are Dutch residents, the Mortgage Receivables are governed by Dutch law and are extended through a Dutch branch and the payments are made into Dutch bank accounts. If the right of pledge of the Security Trustee pursuant to the Trustee Pledge Agreement I and the right of the Issuer pursuant to the Issuer Pledge Agreement are deemed to be situated outside Scotland, they would not be affected by the adoption of a reorganisation or the opening of a winding up procedure in respect of the Seller in accordance with Scottish law. In these circumstances, the Security Trustee and/or the Issuer could exercise their rights as pledgees as if there were no bankruptcy or emergency regulations. In particular, they would not be subject to the “cooling off” period described above.

As to (v) the question as to whom the Borrower can validly make payment under the Mortgage Loan is governed by Dutch law (the law governing the Mortgage Loans). According to Dutch law the Borrower can continue to pay (*bevrijdend betalen*) the Seller after its insolvency until it has been notified of the pledge and/or assignment (in respect of the assignment, assuming that legal title has passed prior to insolvency of the Seller by registration of the relevant deed(s) of assignment). Pursuant to the UK Winding-up Regulations, United Kingdom insolvency law will determine whether such amounts received by the Seller after commencement of the winding-up procedure or adoption of reorganisation measures fall within the estate of the Seller and which entitlements the Issuer will have against the estate in respect of such amounts. As detailed above, given that the Seller has its headquarters in Scotland any such winding-up or reorganisation proceedings should be governed by Scottish law. Pursuant to Scottish law, the Security Trustee and/or the Issuer will have a claim under Scottish law in respect of such amounts in the winding-up, sequestration or administration of the Seller. On the assumption that the pledges granted by the Seller to, respectively, the Security Trustee and the Issuer would be legal, valid and binding under Dutch law, any such claim by the Security Trustee or the Issuer, would rank in priority to the claims of the unsecured creditors of the Seller in the sequestration, winding-up or administration of the Seller. In respect of amounts received by the Seller from Borrowers after the sequestration or winding-up of the Seller or the Seller entering administration where legal title to the Mortgage Receivables has passed to the Issuer (and the Seller has no further rights or interest in the Mortgage Receivables) but prior to notification being given to the Borrowers, the Issuer should be entitled to claim such amounts in priority to any other creditors of the Seller although this point has not been tested in the Scottish courts. If and to the extent the Borrowers are notified of the pledge and/or assignment of the Mortgage Receivables prior to the commencement of the Scottish winding-up proceedings or adoption of reorganisation measures, the Borrowers can only validly make payments (*bevrijdend betalen*) to the Security Trustee (as pledgee) or the Issuer (as assignee) as the case may be.

As to (vi), regulation 28 of the UK Winding-up Regulations (implementing section 23 of the Winding-up Directive) states that a relevant winding-up, sequestration or administration shall not affect the rights of creditors to demand set-off of their counterclaim against the claims of the affected credit institution, if such set-off is permitted under the laws applicable to the affected credit institution’s claim. Therefore, a Borrower would have the right to set-off a counterclaim against the Seller’s claim against that Borrower under the Mortgage Loan, if it has such a right under Dutch law as the law governing the Mortgage Loans. (See *Set-off* below). It is uncertain if the Borrower could, pursuant to the Winding-up Directive, invoke a right of set-off pursuant to Scottish law, if Scottish law had a more favourable set-off regime for the Borrower. However, in the event Scottish law was held to apply to the exercise of rights of set-off as between the Borrower and the Seller, the Borrower would have analogous rights to those set out in *Set-off* below.

The above observations are subject to Scottish rules relating to voidness, voidability or unenforceability of legal acts detrimental to all creditors. However, these rules will not apply where a person has benefited from a legal act detrimental to all creditors and provides proof that (i) that act is subject to the law of another member state and (ii) that the law does not allow any means of challenging that act in the relevant case. Consequently, the relevant rules of Scottish law relating to voidness, voidability or unenforceability of legal acts detrimental to all creditors would not apply to

the Relevant Documents and the transactions contemplated thereby governed by Dutch law to the extent that such documents and transactions could not be contested under Dutch law.

Interest Reset Rights

Under Dutch law, as a rule, all ancillary rights follow the receivables to which they are connected upon transfer of legal title to such receivable. Ancillary rights are described in section 6:142 DCC by giving examples. The right to stipulate interest is mentioned as an example of an ancillary right, but the right to reset the interest rate is not referred to. However, the Issuer has been advised that the right to stipulate interest should be regarded as an ancillary right – and that it would hence follow the Mortgage Receivables upon transfer of legal title thereof to the Issuer – because the right to reset the interest rate should be considered as a right to further determine the content of the right to stipulate the interest rate.

The Seller has undertaken in the Mortgage Receivables Purchase Agreement to set the interest rate in respect of the Mortgage Receivables in accordance with the Mortgage Conditions and in such a way that the weighted average interest rate on the Mortgage Receivables is at least equal to the Threshold Margin (see *Mortgage Receivables Purchase Agreement*). After the transfer of legal title to the Mortgage Receivables has been effected, it will do so as agent of the Issuer. The Issuer, the Swap Counterparty, the Seller and the Security Trustee have agreed that the Security Trustee will be appointed (before transfer of legal title to the Mortgage Receivables by the Seller, and thereafter by the Issuer) to set the interest rates in respect of the Mortgage Receivables if the weighted average interest rate in respect of the Mortgage Receivables falls below the Threshold Margin.

Security Rights

The Mortgage Receivables are secured by Bank Mortgages. Based upon case law, some Dutch legal commentators have assumed that a Bank Mortgage will only follow the receivable which it secures, if the relationship between the bank and the Borrower has been terminated in such a manner that following the transfer, the bank cannot create or obtain new receivables against the Borrower. However, based on the same case law, in recent legal literature the view has been defended that the Bank Mortgage will (partially) follow the receivable as an ancillary right upon assignment unless the intention of the mortgagee and mortgagor was to create a mortgage as a personal right (*persoonlijk recht*) which was granted only for the benefit of that particular mortgage. The Issuer has been advised that the latter view is correct. The wording of the relevant mortgage deed constitutes *prima facie* evidence of whether the intention of the parties was to create the relevant Mortgage as a personal right, although it is not inconceivable that evidence to the contrary is brought forward. The above applies *mutatis mutandis* to the Borrower Pledges.

The forms of mortgage deed used by the Seller provide that in case of assignment of the Mortgage Receivable to a third party, the Mortgage will partially follow, *pro rata*, the receivable if it is assigned or pledged. This provision is a clear indication of the intentions of the parties in respect of assignment or pledge of the Mortgage Receivable. The Issuer has been advised that, if there are no circumstances which would have the result that the mortgage deed should be interpreted in any other manner, the existence of such provision in the mortgage deed will have the result that the Bank Mortgage will follow the Mortgage Receivable as an ancillary right upon assignment or pledge of the Mortgage Receivable, but there is no case law explicitly supporting this advice. It is noted that the forms of mortgage deed used by the Seller do not provide similar wording in respect of the Borrower Pledges, but given the provision in respect of the mortgage right discussed above one must assume in the absence of evidence to the contrary that the intention of the parties in respect of the Borrower Pledge was that the Borrower Pledge would, together with the Mortgage, follow the receivable upon assignment or pledge and not to create a personal right.

If the Mortgage and Borrower Pledge have (partially) followed the Mortgage Receivables upon their assignment, the Mortgage and Borrower Pledge would be co-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 against the relevant Borrowers owned by the Seller. In that case the rules applicable to co-ownership (*gemeenschap*) apply. The Dutch Civil Code provides for various mandatory rules which apply to such co-owned rights. In the Mortgage Receivables Purchase Agreement the Seller, the Issuer and the Security Trustee will agree that the Issuer and/or the Security Trustee (as applicable) will manage and administer such co-held rights. It is uncertain whether the foreclosure of the Mortgage and Borrower Pledge 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 suspension of payments) may be required for such foreclosure. The Seller, the Issuer and/or the Security Trustee (as applicable) will agree that in case of foreclosure the share (*aandeel*) in each co-held Mortgage and Borrower Pledge of the Security Trustee and/or the Issuer will be equal to the Outstanding Principal Amount, increased with interest and costs, if any, and the Seller's share will be equal to the Net Proceeds less the Outstanding Principal Amount, increased with interest and costs, if any. It is uncertain whether this arrangement will be enforceable in case of suspension of payments or bankruptcy of the Seller. In this respect it is 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.

In order to mitigate the risk of the Issuer having to share the proceeds of a foreclosure with the Seller, the Seller will undertake in the Mortgage Receivables Purchase Agreement that, until the Notes have been redeemed in accordance with the Conditions and the Issuer has no further obligation under any of the other Relevant Documents, it shall not grant or acquire an Other Claim against a Borrower, which is/are secured by the Mortgage and Borrower Pledge, other than a Further Advance, provided that the Seller repurchases the relevant Mortgage Receivable on the immediately following Mortgage Payment Date after granting such Further Advance.

Effecting transfer of legal title without notification at the option of the Seller

As of 1 October 2004, under Dutch law, assignment of the legal title of claims, such as the Mortgage Receivables can, in addition to notifying the relevant borrowers of the assignment, be effected by (i) executing a deed before a civil notary or (ii) registering the deed of assignment, without notification of the assignment to the borrowers. The Mortgage Receivables Purchase Agreement will provide that at the option of the Seller transfer of legal title to the Mortgage Receivables may at all times be effected by way of execution of a notarial deed or registration of the Deed of Assignment or Purchase Deed of Assignments provided that upon the occurrence of an Assignment Notification Event, notification of the borrowers must follow unless certain conditions are met (including rating agency confirmation) (see *Mortgage Receivables Purchase Agreement*).

Set-off

The Mortgage Conditions specifically provide that a Borrower may not set off his rights against repayment obligations vis-à-vis the Seller. Although this clause is intended as a waiver by the Borrowers of their set-off rights vis-à-vis the Seller, it is uncertain, under Dutch law, whether such waiver will be valid. Should such waiver be invalid, a Borrower would, prior to notification of the assignment of or pledge over the Mortgage Receivables subject to the Dutch statutory legal requirements being met, be entitled to set off amounts due to it by the Seller with amounts it owes to the Seller in respect of the Mortgage Receivables.

After notification to a Borrower of the assignment (whether or not the relevant deed of assignment was registered prior to such notification) of or pledge over the Mortgage Receivables the Borrower would, if the waiver of set-off is not effective, also have such set-off rights vis-à-vis the Issuer, provided that the legal requirements for set-off are met 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 against the Seller has been originated and become due prior to notification to the relevant Borrower of the assignment of the Mortgage Receivables to the Issuer, such as counterclaims resulting from a current account relationship and, depending on the circumstances, counterclaims resulting from a deposit made by the Borrower.

Given that the Seller's business comprises solely of the origination of Mortgage Loans and assuming this will remain the case, it is unlikely that a Borrower has or will have counterclaims against the Seller arising from another legal relationship than the relevant Mortgage Loan. However it cannot be excluded that the Seller's business will change in the future and that Borrowers will have counterclaims against the Seller arising from another legal relationship than the relevant Mortgage Loan.

Prior to the notification of the assignment and/or pledge of the Mortgage Receivables to the Borrowers, the Seller will also have the right to set off any amounts owing by the Seller to a

Borrower against the Mortgage Receivable. After notification of assignment the Seller will no longer have any set-off right against the relevant Borrowers in respect of the Mortgage Receivables.

The Mortgage Receivables Purchase Agreement provides that if a Borrower sets off amounts due to it by the Seller against the relevant Mortgage Receivable or if the Seller invokes a right of set off against the Borrower 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 (a) the amount which the Issuer would have received in respect of the relevant Mortgage Receivable if no set-off had taken place and (b) the amount actually received by the Issuer in respect of such Mortgage Receivable.

For set-off issues relating to Life Mortgage Loans, see *Insurance Policies*.

Insurance Policies

The Life Mortgage Loans have the benefit of Life Insurance Policies. The Annuity Mortgage Loans and the Interest-only Mortgage Loans may have the benefit of Risk Insurance Policies. The Insurance Policies are taken out by the Borrowers with several Insurance Companies. Certain legal issues relating to the effects of the assignment of the Life Mortgage Loans are set out below. Investors should be aware that (i) the Issuer may not benefit from the Insurance Policies and/or (ii) the Issuer may not be able to recover any amounts from the Borrower in case the relevant Insurance Company defaults in its obligations as further described in this section. As a consequence, the Issuer may not have a claim on the Borrower. In such case, the rights of the Security Trustee will be similarly affected.

Pledge

Under the Borrower Insurance Pledges, the Borrowers pledge their rights under the Insurance Policies. The Issuer has been advised that it is probable that the right to receive payment, including the surrender value (*afkoopsom*), under the Insurance Policies will, however, be regarded by a Dutch court as a future right. The pledge of a future right under Dutch law is not effective if the pledgor is declared bankrupt or is granted a suspension of payments, prior to the moment such right comes into existence. This means that it is uncertain whether such Borrower Insurance Pledge will be effective. Since the Borrower Insurance Pledge secures the same liabilities as the Bank Mortgages, the observations on transfer of the Mortgage and Borrower Pledge made in *Security Rights* above apply equally to such right of pledge.

Appointment of Beneficiary

The Mortgage Conditions provide that the Seller is authorised by the Borrower to appoint itself as first beneficiary (*eerste begunstigde*) under the Insurance Policies. The Seller has appointed itself in the Mortgage Deeds as first beneficiary, except that in certain cases another beneficiary will rank ahead of the Seller, provided that the Borrower Insurance Proceeds Instruction is given to the relevant Insurance Company.

It is unlikely that the Beneficiary Rights of the Seller will follow the Mortgage Receivables upon assignment or pledge thereof to the Issuer or the Security Trustee. Therefore, the Seller will, to the extent necessary and possible, assign and the Issuer will accept the assignment of the Beneficiary Rights. It is, however uncertain if the Beneficiary Rights can be assigned. However, it can be argued that the Issuer will, upon notification of the assignment, become beneficiary under the Insurance Policies. In addition, the Seller will grant a first-ranking silent right of pledge over the Beneficiary Rights to the Security Trustee and a second ranking silent right of pledge over the Beneficiary Rights to the Issuer. It is however uncertain whether such pledges will be effective.

In view of the potential situation in which the assignment and/or pledge of the Beneficiary Rights is not effective and no Borrower Insurance Proceeds Instruction exists, the Seller will undertake to use its best efforts, following a Notification Event to obtain the cooperation from all relevant parties (including the Life Insurance Companies) to (a) waive its rights as beneficiary and (b) appoint (i) the Issuer subject to the dissolving condition of a Trustee I Notification Event relating to the Issuer and (ii) the Security Trustee under the condition precedent of the occurrence of a Trustee I Notification Event relating to the Issuer as first beneficiary under the Insurance Policies. For the situation where a Borrower Insurance Proceeds Instruction exists, the Seller and the Life Insurance Companies will in the Beneficiary Waiver Agreement undertake to use their best efforts, following a Notification Event to obtain the cooperation of all relevant parties to change the payment instruction in favour of (i) the Issuer subject to the dissolving condition of a Trustee I Notification Event

relating to the Issuer and (ii) the Security Trustee under the condition precedent of the occurrence of a Trustee I Notification Event relating to the Issuer. It is uncertain whether such cooperation will be forthcoming.

If the Issuer or the Security Trustee, as the case may be, have not been validly appointed as beneficiary under the Insurance Policies and the assignment and/or pledge and the waiver of the Beneficiary Rights are not effective, any proceeds under the Insurance Policies will be payable to the Seller or to another beneficiary, instead of the Issuer or the Security Trustee, as the case may be. If the proceeds are paid to the Seller, it will be obliged to pay the amount received to the Issuer or the Security Trustee, as the case may be. If the proceeds are paid to the Seller and the Seller does not pay the amount received to the Issuer or the Security Trustee, as the case may be, e.g. in the case of bankruptcy of the Seller, or if the proceeds are paid to another beneficiary instead of the Issuer or the Security Trustee, as the case may be, this may result in the amount paid under the Insurance Policies not being applied in reduction of the Mortgage Receivable. This may lead to the Borrower invoking defences against the Issuer or the Security Trustee, as the case may be, for the amounts so received by the Seller as further discussed under *Set-off or Defences in respect of Insurance Policies*, which may adversely affect payments on the Notes.

Insolvency of Insurance Companies

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

Set-off or Defences in respect of Insurance Policies

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

As set out under *Set-off* above, the Mortgage Conditions provide for a waiver by the Borrowers of their set-off rights. It is, however, uncertain whether such waiver is effective. If the waiver is not effective, the Borrowers will 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. In case of the Mortgage Loans, the Insurance Policies are contracts between the relevant Insurance Company and the Borrowers on the one hand and the Mortgage Loans are contracts between the Seller and the Borrowers on the other hand. Therefore, in order to invoke a right of set-off the Borrowers would have to establish that the Seller and the Insurance Companies 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 relationship.

Furthermore, the Borrowers must have a counterclaim. 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 surrender value (*afkoopsom*). These rights are subject to the Borrower Insurance Pledge and, therefore, it may be argued that the Borrower will on this basis not be entitled to invoke a right of set-off for the surrender value. However, apart from the right to terminate the Insurance Policies, the Borrowers are also likely to have the right to rescind the Insurance Policies and to claim restitution of premiums paid and/or supplementary damages. It is uncertain whether such claim is subject to the Borrower Insurance Pledge. If not, the Borrower Insurance Pledge would not obstruct a right of set-off with such claim by Borrowers.

Even if the Borrowers cannot invoke a right of set-off, they may invoke defences vis-à-vis the Seller or the Issuer. The Borrowers could, *inter alia*, argue that (notwithstanding the waiver of set-off) it was the intention of the parties involved, or 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 Receivable or, alternatively, claim 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. On the basis of similar reasoning, Borrowers could also argue that the Mortgage Loans and the Insurance Policy were entered into as a result of “error” (*dwaling*) or that it would be contrary to principles of reasonableness and fairness (*redelijkheid en billijkheid*) for the Borrower to be obliged to repay the Mortgage Loan to the extent that he has failed to receive the proceeds of the Insurance Policy.

Finally, set-off vis-à-vis the Issuer and/or the Security Trustee would be subject to the additional requirements for set-off after notification of assignment and/or pledge being made.

In respect of Life Mortgage Loans with Life Insurance Policies between the Borrowers and any of the Life Insurance Companies other than Allianz, Goudse and SFB, the Issuer has been advised that the risk of such set-off or defences being honoured by a court taking into account the preceding paragraphs and in view of the factual circumstances involved, is remote, but cannot be disregarded (*niet worden uitgesloten*). This view is based on the fact that (i) the relevant Life Insurance Companies and the Seller are not the same legal entity which means that the mutuality criteria is not met; (ii) the Life Insurance Companies do not form part of the same group to which the Seller belongs; (iii) the Seller has stated that there are no marketing ties between the Seller and Life Insurance Companies; (iv) the Life Mortgage Loans and the Life Insurance Policies are not sold as one package, i.e. the Borrowers have a choice in selecting the Life Insurance Company; and (v) there is no connection between the Mortgage Loan and the Insurance Policy other than the Borrower Pledge, Beneficiary Rights and the fact that a default by the Borrower under the Life Insurance Policy results in a default under the Life Mortgage Loan.

In respect of Life Mortgage Loans associated with a Life Insurance Policy entered into with Allianz, Goudse or SFB, the Issuer has been informed that such Life Mortgage Loans have been marketed in the relevant brochures under the name and label of the relevant Life Insurance Company as one product with the associated Life Insurance Policy, on behalf of the Seller. In respect of these Life Mortgage Loans, the Issuer has been advised that, given the closer link of these Life Mortgage Loans and Life Insurance Policies, the possibility can certainly not be disregarded (*de mogelijkheid kan zeker niet worden uitgesloten*) that in the event that the Borrowers cannot recover their claims under the associated Life Insurance Policies from the relevant Life Insurance Companies, the courts will honour set-off or defences invoked by the Borrowers, as described above.

Long lease

The mortgage rights securing the Mortgage Loans may be vested on a long lease (*erfpacht*).

A long lease will, *inter alia*, end as a result of expiration of the long lease term (in 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 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.

Pursuant to the Mortgage Conditions, the Mortgage Loan can be accelerated if the long lease terminates or if the lease holder breaches the conditions of the lease hold.

Payments on the Mortgage Receivables

Payments on the Mortgage Receivables are subject to credit, liquidity, regulatory 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 Mortgage Receivables.

Risks of Losses Associated with Declining Property Values

The security for the Notes created under the Trustee Pledge Agreement I may be affected by, among other things, a decline in the value of the Mortgaged Assets. No assurance can be given that values of those properties have remained or will remain at the level at which they were on the date of

origination of the related Mortgage Loans. A decline in value may result in losses to the Noteholders if such security is required to be enforced.

Reliance on Third Parties

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) Bank of Scotland Netherlands in its capacity as Seller (such as, *inter alia*, repurchase obligation), the MPT Provider, the Subordinated Loan Provider and the Swap Counterparty, will not meet their respective obligations vis-à-vis the Issuer; (b) STATER, as sub-agent of the MPT Provider, will not perform the MPT Services and the Defaulted Loan Services; (c) ABN AMRO as Paying Agent, Reference Agent, Listing Agent and GIC Provider will not perform the respective obligations thereunder, (d) ATC Financial Services B.V. will not perform its obligations as Company Administrator under the Issuer Services Agreement or Director under the relevant Management Agreements and Amsterdamsch Trustee's Kantoor B.V. will not perform its obligations as Director under the relevant Management Agreement; and (e) JPMorgan Chase Bank, N.A. will not perform its obligations as Liquidity Facility Provider thereunder.

Swap Agreement

The amount of revenue receipts that the Issuer receives will fluctuate according to the interest rates applicable to the Mortgage Loans. The Issuer will be subject to floating rate interest obligations under the Notes while approximately 80 per cent. of Mortgage Loans sold and assigned to the Issuer on the Closing Date are subject to a fixed rate of interest subject to a reset after a 1, 5, 6, 10, 15, 20, 25, or 30 year fixed interest rate period and others are subject to a variable rate of interest that is reset if necessary on a monthly basis.

To hedge the Issuer's exposure against the possible variance between the revenue it receives from the Mortgage Loans and the interest it pays under the Notes, the Issuer will enter into Swap Agreement with the Swap Counterparty on the Closing Date.

The Issuer may be liable to make a payment calculated by reference to the cost of entering into a replacement swap upon termination of the Swap Agreement pursuant to the terms thereof.

The funds which the Issuer has available to make payments on the Notes of any Class may be reduced if the Issuer is obliged to make a termination payment to the Swap Counterparty or to pay any other additional amount as a result of the termination of the Swap Agreement. Any termination payment due to the Swap Counterparty, however, which arises due to (i) a default by the Swap Counterparty or (ii) the failure of the Swap Counterparty to comply with the requirements under the Swap Agreement following the loss of the Required Swap Counterparty Rating, shall not rank in priority to payments due to any Noteholder (but, in relation to (ii) only, to the extent that any premium is received by the Issuer from a replacement swap counterparty in relation to a transaction entered into to replace the Swap Agreement, the Swap Counterparty shall rank in priority to payments due to any Noteholder).

Proposed legislation on the provision of financial services

A bill is currently pending before the Dutch Parliament in which it is proposed to subject financial services providers, including offerors and brokers of financial products such as mortgage loans, to licensing requirements and continuous conduct supervision by the Dutch Authority for the Financial Markets ("AFM"). It is expected that the bill will come into force as the Act on the Provision of Financial Services (*Wet financiële dienstverlening* or *Wfd*) in the fourth quarter of 2005. If the bill is enacted in its current form, a person who becomes the legal owner of mortgage receivables would as a rule be required to have a licence as of the moment legal title was transferred to it, unless it has outsourced servicing of the mortgage loans and mortgage receivables to a servicer which is authorised under the Wfd. The Issuer has outsourced the services to the Seller in its capacity as MPT Provider, who would, according to the current form of the bill, be authorised under the Wfd and the Issuer would thus comply with the Wfd.

European Union Directive on the taxation of savings

On 3rd June, 2003 the European Council of Economics and Finance Ministers adopted a Council Directive on the taxation of savings income in the form of interest payments (the "Directive"). The Directive applies to interest payments (as defined in the Directive) made in one Member State to or for individual beneficial owners (as defined in the Directive) who are resident in

another Member State and requires all Member States to adopt an information reporting system with regard to such payments. However, for a transitional period, Austria, Belgium, and Luxembourg will be permitted to operate a withholding tax system.

According to the Directive, Member States would have been required to apply its provisions from 1st January, 2005 provided that certain European third countries and certain dependent or associated territories applied the equivalent or, as the case may be, the same measures from that date. However, by a decision dated 19th July, 2004, the Council having decided that this condition would not be met, adopted a new date, 1st July, 2005. This date is subject to the same conditions as the former date. The transitional period will commence on the same date.

Under the information reporting system, a Member State will automatically communicate to the beneficial owner's Member State of residence information regarding interest payments (including the identity and residence of the beneficial owner) made by paying agents (as defined in the Directive) established within the former Member State, without requiring reciprocity. Under the withholding tax system (for Austria, Belgium, and Luxembourg), a Member State will levy a withholding tax in respect of interest payments made by paying agents established within its territory at a rate of 15 per cent. during the first three years of the transitional period, 20 per cent. for the subsequent three years, and 35 per cent. thereafter. The transitional period will end, and those Member States permitted to levy a withholding tax will, instead, be required to implement an information reporting system if and when the European Community enters into certain agreements with certain third countries regarding information exchange with respect to interest payments.

Under the Directive, the term "paying agent" means, generally, the last intermediary in any given chain of intermediaries that pays interest directly to, or secures the payment of interest for the immediate benefit of, the beneficial owner; the term "interest" is defined broadly and would include interest relating to debt-claims of any kind, including income from bonds; and the term "beneficial owner" means any individual who receives an interest payment or any individual for whom an interest payment is secured, unless he or she provides evidence that it was not received or secured for his or her own benefit.

The Netherlands has adopted legislation provisionally implementing the substantive provisions of the Directive. These provisions are expected to come into force on 1st July, 2005, provided the above-mentioned conditions under which Member States are required to apply the Directive are satisfied from that date. If and when the Directive is implemented as required by the Directive, an individual Holder of Notes who is resident in an EU Member State other than the Netherlands may become subject to the automatic supply of information to the Member State in which the individual is resident with regard to interest payments made by (or in certain cases, to) paying agents established in the Netherlands.

Change of law

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

Proposed changes to the Basel Capital Accord and the risk-weighted asset framework may result in changes to the risk-weighting of the Notes or permit the Issuer to redeem or purchase the Notes.

The Basel Committee on Banking Supervision has issued proposals for reform of the 1988 Capital Accord and has proposed a framework which places enhanced emphasis on market discipline and sensitivity to risk. The third consultative paper on the New Basel Capital Accord was issued on 29th April, 2003, with the consultation period ending on 31st July, 2003. The Committee announced on 11th May, 2004 that it has achieved consensus on the remaining issues and published the text of the new framework on 26th June, 2004. This text will serve as the basis for national rule-making and approval processes to continue and for banking organisations to complete their preparations for implementation of the New Basel Capital Accord. The Committee confirmed that it is currently intended that the various approaches under the New Basel Capital Accord will be implemented in stages, some from year-end 2006; the most advanced at year-end 2007. Consequently, investors should consult their own advisers as to the consequences to and effect on the investors of the proposed implementation of the New Basel Capital Accord. The European Commission issued its consultative paper on the EU Capital Adequacy Directive ("CAD 3") on 14th July, 2004. CAD 3 will implement the New Basel Capital Accord in the EU capital adequacy framework and is proceeding on a parallel

track to the New Basel Capital Accord. If the New Basel Capital Accord is adopted in its current form (including via CAD 3) the proposals could affect the risk weighting of the issuer notes in respect of certain investors if those investors are regulated in a manner which will be affected by the proposals.

The Issuer may, under certain circumstances relating to implementation of the New Basel Capital Accord in the United Kingdom, as described in Condition 6(j) (Redemption following a Regulatory Event), require the Noteholders to sell to the Issuer or the Issuer may redeem all but not some only of one or more Classes of Notes, subject to and in accordance with the terms of Condition 6(j).

CREDIT STRUCTURE

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

Mortgage Loan Interest Rates

The Mortgage Loans pay interest either on a fixed rate basis, subject to a reset from time to time, or a Monthly variable rate of interest. On 31st January, 2005 (the “**Cut-off Date**”) and updated as per 31st March, 2005 the weighted average interest rate of the Mortgage Loans was 4.15 per cent. Interest rates vary between individual Mortgage Loans. The range of interest rates is described further in *Description of the Mortgage Loans*.

Cash Collection Arrangements

All Payments by the Borrowers under the Mortgage Loans are due on the penultimate business day of each month, interest being payable in arrear. All payments made by the Borrowers will be paid into the Portfolio Accounts. All amounts standing to the credit of the Portfolio Accounts are swept on a daily basis to the Seller Central Collection Account. The Seller Central Collection Account will also be used for the collection of moneys paid in respect of mortgage loans other than the Mortgage Loans and in respect of other moneys belonging to the Seller.

On the 19th calendar day (or, if such day is not a business day, the immediately following business day) of each month the Seller (or STATER on its behalf), will transfer to the Issuer Collection Account all amounts received in connection with the Mortgage Receivables from the Seller Central Collection Account other than Prepayment Penalties, if any and (unless the parties agree on another payment method) net of an amount equal to the initial purchase price payable by the Issuer to the Seller for any Substitute Mortgage Receivables.

If the short term rating of the Seller is F1 by Fitch or P-1 by Moody’s or A-1 by S&P amounts relating to the Mortgage Loans may not be maintained on the Seller Central Collection Account for more than 30 business days. Within 28 calendar days of the short term unsecured, unsubordinated, unguaranteed debt obligations of the Seller being assigned a rating of F2 by Fitch and/or P-2 by Moody’s or A-2 by S&P the maximum holding period must be reduced to no later than the 7th business day of each month.

If on any Mortgage Payment Date the balance standing to the credit of the Seller Central Collection Account attributable to payments by the Borrowers under the Mortgage Loan is higher than 20 per cent. of the aggregate Principal Amount Outstanding of the Notes on such Mortgage Payment Date (the “**Seller Central Collection Account Excess Balance**”), the Seller will be required as soon as reasonably possible, but at least within 30 calendar days to either (a) transfer the Seller Central Collection Account Excess Balance to an alternative bank with a minimum rating of A-1+ by S&P or (b) invest the Seller Collection Account Excess Balance in Eligible Investments. “**Eligible Investments**” are short-term unsecured euro-denominated debt obligations (including commercial paper) issued by an issuing entity of which the unsecured and unguaranteed debt obligations are assigned a rating of A-1+ by S&P (or, in case such debt obligations are guaranteed, the unsecured and unguaranteed debt obligations of the guarantor are assigned a rating of A-1+ by S&P), provided that such Eligible Investments may not have a maturity beyond the immediately succeeding Payment Date.

Upon notification to the Borrowers of the assignment of the Mortgage Receivables to the Issuer, the Borrowers will be required to make payments under the Mortgage Loans to the Issuer.

Transaction Accounts

Issuer Collection Account

The Issuer will maintain with the GIC Provider the Issuer Collection Account to which all amounts received (i) from the Seller in respect of the Mortgage Loans and (ii) from the other parties to the Relevant Documents will be paid.

The Company 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 the Principal Ledger or 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 (i) amounts due to third parties (other than pursuant to the Relevant Documents) and payable in connection with the Issuer's business; and (ii) the Initial Purchase Price of Substitute Mortgage Receivables.

Reserve Account

The Issuer will also maintain with the GIC Provider the Reserve Account. The net proceeds of the Subordinated Class E Notes will be deposited into the Reserve Account on the Closing Date. (For a discussion of the build up of the Reserve Account balance up to the Reserve Account Target Level, see below under *Reserve Account*).

If at any time the short-term unsecured, unsubordinated and unguaranteed debt obligations of the GIC Provider are assigned a rating of less than F1 by Fitch or Prime-1 by Moody's or A-1+ by S&P or any such rating is withdrawn by Fitch, Moody's or S&P and such withdrawal will have an adverse effect on the ratings of the Notes, then the Issuer will within 30 days of reduction or withdrawal of such rating use its best endeavours to (i) find an alternative GIC Provider acceptable to Fitch, Moody's, S&P and the Security Trustee or (ii) find any other solution acceptable to Fitch, Moody's and S&P to maintain the then current ratings assigned to the Notes.

I Priority of Payments prior to the Enforcement Date

A Priority of Payments in respect of interest

Prior to the delivery of an Enforcement Notice by the Security Trustee, in accordance with Condition 10, the Notes Interest Available Amount, calculated on each Quarterly Calculation Date as being received or held during the Quarterly Calculation Period immediately preceding such Quarterly Calculation Date (items (i) up to and including item (xii) being hereafter referred to as the "**Notes Interest Available Amount**"):

- (i) Interest, including, for the avoidance of doubt, penalty interest, but excluding Prepayment Penalties received on the Mortgage Receivables;
- (ii) interest credited to the Issuer Collection Account and the Reserve Account (excluding interest received on the Mortgage Receivables);
- (iii) Net Proceeds on any Mortgage Receivables, to the extent such proceeds do not relate to principal;
- (iv) amounts to be drawn under the Liquidity Facility (other than Liquidity Facility Stand-by Drawings) on the immediately succeeding Quarterly Payment Date;
- (v) amounts to be drawn from the Reserve Account on the immediately succeeding Quarterly Payment Date;
- (vi) amounts to be received from the Swap Counterparty under the Swap Agreement on the immediately succeeding Quarterly Payment Date;
- (vii) amounts received in connection with a repurchase of Mortgage Receivables pursuant to the Mortgage Receivables Purchase Agreement or any other amounts received pursuant to the Mortgage Receivables Purchase Agreement to the extent such amounts do not relate to principal;
- (viii) amounts received in connection with a sale of Mortgage Receivables to the extent such amounts do not relate to principal;
- (ix) amounts received as post-foreclosure proceeds on the Mortgage Receivables as calculated at the time the foreclosure procedures commenced;
- (x) any (remaining) amounts standing to the credit of the Issuer Collection Account to the extent not relating to principal;
- (xi) *less* (i) the amount of return or transfer of any Excess Swap Collateral as set out under the Swap Agreement and (ii) prior to the designation of an Early Termination Date (as defined in the Swap Agreement) and the resulting application of collateral by way of netting or set-off, an amount equal to the value of all collateral other than any Excess Swap Collateral, provided by the Swap Counterparty (and any interest or distributions in respect thereof); and

- (xii) *less* an amount equal to 5 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 minus the Dutch corporate income tax due and payable by the Issuer on this amount,

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

- (a) *first*, in or towards satisfaction, *pro rata*, according to the respective amounts thereof, of the fees or other remuneration due and payable to the Directors in connection with the Management Agreements and any costs, charges, liabilities and expenses incurred by the Security Trustee under or in connection with any of the Relevant Documents;
- (b) *second*, in or towards satisfaction, *pro rata*, according to the respective amounts thereof, of administration fees and expenses due and payable to the Company Administrator and the MPT Provider under the Issuer Services 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 and the fees and expenses of Fitch, Moody's and S&P, the Security Trustee and any legal advisor, auditor and accountants appointed by the Issuer or the Security Trustee, (ii) fees and expenses due to the Paying Agent and the Reference Agent under the Paying Agency Agreement; and (iii) in or towards satisfaction of any amounts due and payable to the Liquidity Facility Provider under the Liquidity Facility Agreement but excluding any Liquidity Subordinated Amount;
- (d) *fourth*, in or towards satisfaction, *pro rata*, according to the respective amounts thereof, of amounts, if any, due or accrued but unpaid under the Swap Agreement to the Swap Counterparty but excluding any Swap Subordinated Amount and, for the avoidance of doubt, excluding any amount relating to Excess Swap Collateral;
- (e) *fifth*, in or towards satisfaction of all amounts of interest due or interest accrued but unpaid in respect of the Senior Class A Notes;
- (f) *sixth*, in or towards making good any shortfall reflected in the Class A Principal Deficiency Ledger until the debit balance on the Class A Principal Deficiency Ledger is reduced to zero;
- (g) *seventh*, in or towards satisfaction of interest due or interest accrued but unpaid on the Mezzanine Class B Notes;
- (h) *eighth*, in or towards making good any shortfall reflected in the Class B Principal Deficiency Ledger until the debit balance on the Class B Principal Deficiency Ledger is reduced to zero;
- (i) *ninth*, in or towards satisfaction of interest due or interest accrued but unpaid on the Junior Class C Notes;
- (j) *tenth*, in or towards making good any shortfall reflected in the Class C Principal Deficiency Ledger until the debit balance on the Class C Principal Deficiency Ledger is reduced to zero;
- (k) *eleventh*, in or towards satisfaction of interest due or interest accrued but unpaid on the Subordinated Class D Notes;
- (l) *twelfth*, in or towards making good any shortfall reflected in the Class D Principal Deficiency Ledger until the debit balance on the Class D Principal Deficiency Ledger is reduced to zero;
- (m) *thirteenth*, in or towards satisfaction of any sums required to be deposited on the Reserve Account or, as the case may be, to replenish the Reserve Account up to the amount of the Reserve Account Target Level;
- (n) *fourteenth*, in or towards satisfaction of interest due or interest accrued but unpaid on the Subordinated Class E Notes;
- (o) *fifteenth*, in or towards satisfaction of a Liquidity Facility Subordinated Amount due, if any, to the Liquidity Facility Provider pursuant to the Liquidity Facility Agreement;
- (p) *sixteenth*, in or towards satisfaction to the Swap Counterparty of any Swap Subordinated Amount due under the Swap Agreement;

- (q) *seventeenth*, in or towards satisfaction of principal amounts due under the Subordinated Class E Notes but only once all principal amounts due under the Senior Class A Notes, to Mezzanine Class B Notes, the Junior Class C Notes and the Subordinated Class D Notes have been fully redeemed;
- (r) *eighteenth*, in or towards interest due or interest accrued but unpaid on the Subordinated Loan;
- (s) *nineteenth*, if and to the extent all principal amounts due under the Senior Class A Notes, the Mezzanine Class B Notes, the Junior Class C Notes, the Subordinated Class D Notes and the Subordinated Class E Notes have been fully redeemed, in or towards principal due and payable but unpaid on the Subordinated Loan;
- (t) *twentieth*, in or towards satisfaction of a Deferred Purchase Price Instalment due and payable to the Seller.

B Priority of Payments in respect of principal

Prior to the delivery of an Enforcement Notice by the Security Trustee in accordance with Condition 10, the sum of the following amounts, calculated on any Quarterly Calculation Date as being received during the immediately preceding Quarterly Calculation Period (items (i) up to and including item (vi) hereafter referred to as the **Notes Redemption Available Amount**):

- (i) repayment and prepayment in full or in part of principal under the Mortgage Receivables, from any person, whether by set-off or otherwise, but, for the avoidance of doubt, excluding Prepayment Penalties, if any;
- (ii) Net Proceeds, to the extent such proceeds relate to principal;
- (iii) amounts received in connection with a repurchase of Mortgage Receivables pursuant to the Mortgage Receivables Purchase Agreement and any other amounts received pursuant to the Mortgage Receivables Purchase Agreement to the extent such amounts relate to principal;
- (iv) amounts received in connection with a sale of Mortgage Receivables to the extent such amounts relate to principal;
- (v) amounts of interest received to be credited to the Principal Deficiency Ledger on the immediately succeeding Quarterly Payment Date; and
- (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;

minus amounts paid as Initial Purchase Price of any Substitute Mortgage Receivables in accordance with the Mortgage Receivables Purchase Agreement during the relevant Quarterly Calculation Period, will be applied by the Issuer on the relevant Quarterly Payment Date (and in each case only if and to the extent that payments or provisions of a higher priority have been made in full) to redeem:

- (a) *first*, the Senior Class A Notes, until fully redeemed, and, thereafter
- (b) *second*, the Mezzanine Class B Notes, until fully redeemed, and, thereafter
- (c) *third*, the Junior Class C Notes, until fully redeemed, and, thereafter
- (d) *fourth*, the Subordinated Class D Notes, until fully redeemed.

II Priority of Payments after the Enforcement Date

After the Enforcement Date, any amounts payable from all funds available by the Security Trustee under the Trust Deed and the Parallel Debt Agreement (other than amounts representing (i) any Excess Swap Collateral, which shall be returned directly to the Swap Counterparty and (ii) prior to the designation of an Early Termination Date under the Swap Agreement the resulting application of collateral by way of netting or set-off, an amount equal to the value of all collateral (other than Excess Swap Collateral) provided by the Swap Counterparty to the Issuer pursuant to the Swap Agreement (and any interest or distributions in respect thereof)) will be paid to the Secured Parties (including the Noteholders) in accordance with the following Priority of Payments upon Enforcement (after deduction of costs incurred by the Security Trustee, which will include, *inter alia*, fees and expenses of Fitch, Moody's and S&P and any legal advisor, auditor or accountant appointed by the Security Trustee) (and in each case only if and to the extent payments of a higher priority have been made in full):

- (a) *first*, in or towards satisfaction, *pro rata*, according to the respective amounts thereof, of (i) the fees or other remuneration due to the Directors, (ii) the fees and expenses of the Paying Agent and the Reference Agent incurred under the provisions of the Paying Agency Agreement, and (iii) the fees and expenses of the Company Administrator and the MPT Provider;
- (b) *second*, in or towards satisfaction of any sums due or sums accrued but unpaid under the Liquidity Facility Agreement, but excluding any Liquidity Facility Subordinated Amount payable under (m) below;
- (c) *third*, in or towards satisfaction of amounts, if any, due or accrued but unpaid under the Swap Agreement to the Swap Counterparty, but excluding any Swap Subordinated Amount and, for the avoidance of doubt, excluding any amount relating to Excess Swap Collateral;
- (d) *fourth*, in or towards satisfaction of all amounts of interest due or interest accrued but unpaid in respect of *the* Senior Class A Notes;
- (e) *fifth*, in or towards satisfaction of all amounts of principal and any other amount due but unpaid in respect of the Senior Class A Notes;
- (f) *sixth*, in or towards satisfaction of all amounts of interest due or interest accrued but unpaid in respect of the Mezzanine Class B Notes;
- (g) *seventh*, in or towards satisfaction of all amounts of principal and any other amount due but unpaid in respect of the Mezzanine Class B Notes;
- (h) *eighth*, in or towards satisfaction of all amounts of interest due or interest accrued but unpaid in respect of the Junior Class C Notes;
- (i) *ninth*, in or towards satisfaction of all amounts of principal and any other amount due but unpaid in respect of the Junior Class C Notes;
- (j) *tenth*, in or towards satisfaction of all amounts of interest due or interest accrued but unpaid in respect of the Subordinated Class D Notes;
- (k) *eleventh*, in or towards satisfaction of all amounts of principal and any other amount due but unpaid in respect of the Subordinated Class D Notes;
- (l) *twelfth*, in or towards satisfaction of all amounts of interest due or interest accrued but unpaid in respect of the Subordinated Class E Notes;
- (m) *thirteenth*, in or towards satisfaction of a Liquidity Facility Subordinated Amount due, if any, to the Liquidity Facility Provider pursuant to the Liquidity Facility Agreement;
- (n) *fourteenth*, in or towards satisfaction of all Swap Subordinated Amounts due under the Swap Agreement to the Swap Counterparty;
- (o) *fifteenth*, in or towards satisfaction of all amounts of principal and any other amount due but unpaid in respect of the Subordinated Class E Notes;
- (p) *sixteenth*, in or towards satisfaction of interest due or accrued but unpaid on the Subordinated Loan;
- (q) *seventeenth*, in or towards satisfaction of principal due but unpaid on the Subordinated Loan;
- (r) *eighteenth*, in or towards satisfaction of the Deferred Purchase Price Instalment to the Seller.

Subordinated Loan

On the Closing Date, Bank of Scotland Netherlands will make available to the Issuer the Subordinated Loan. The Subordinated Loan will be in an amount of euro 2,800,000 and will be used by the Issuer to pay certain initial costs and expenses in connection with the issue of the Notes. The Subordinated Loan will only be redeemed after the Senior Class A Notes, the Mezzanine Class B Notes, the Junior Class C Notes, the Subordinated Class D Notes and the Subordinated Class E Notes have been fully redeemed.

Liquidity Facility

On the Closing Date, the Issuer will enter into the Liquidity Facility Agreement with the Liquidity Facility Provider.

The Issuer will be entitled on any Quarterly Payment Date (other than a Quarterly Payment Date if and to the extent that on such date the Notes are redeemed in full) to make drawings under the Liquidity Facility up to the Liquidity Facility Amount less the balance of the aggregate principal

amount of all drawings advanced and outstanding under the Liquidity Facility Agreement at such time. The Liquidity Facility Agreement is for a term of maximum 364 days. Any drawing under the Liquidity Facility by the Issuer will only be made on a Quarterly Payment Date if and to the extent that, after the application of amounts available in the Reserve Account and taking into account any drawing under the Liquidity Facility, there is a shortfall in the Notes Interest Available Amount to meet items (a) to (k) (inclusive) (but not items (f), (h), (j)) in the Interest Priority of Payments in full on that Quarterly Payment Date, provided that: (i) no drawing may be made to meet item (e) in the Interest Priority of Payments if there is a debit balance on the Class A Principal Deficiency Ledger exceeding 50 per cent. of the aggregate Principal Amount Outstanding of the Senior Class A Notes; and (ii) no drawing may be made to meet item (g) in the Interest Priority of Payments if there is a debit balance on the Class B Principal Deficiency Ledger exceeding 50 per cent. of the aggregate Principal Amount Outstanding of the Mezzanine Class B Notes; and (iii) no drawing may be made to meet item (i) in the Interest Priority of Payments if there is a debit balance on the Class C Principal Deficiency Ledger exceeding 50 per cent. of the aggregate Principal Amount Outstanding of the Junior Class C Notes; and (iv) no drawing may be made to meet item (k) in the Interest Priority of Payments if there is a debit balance on the Class D Principal Deficiency Ledger exceeding 50 per cent. of the aggregate Principal Amount Outstanding of the Subordinated Class D Notes.

If, at any time, (i) the short-term unsecured, unsubordinated and unguaranteed debt obligations of the Liquidity Facility Provider are assigned a rating of less than F1 by Fitch or Prime-1 by Moody's or the long-term unsecured, unsubordinated and unguaranteed debt obligations of the Liquidity Facility Provider is assigned a rating of less than A+ by S&P, or any such rating is withdrawn, and (ii) the Liquidity Facility is not renewed or replaced by the Issuer within 30 days of such downgrading or withdrawal to an alternative Liquidity Facility Provider, acceptable to Fitch, Moody's and S&P and the Security Trustee, and (iii) any other solution acceptable to Fitch, Moody's and S&P is not found to maintain the then current ratings of the Notes, the Issuer may be required forthwith to make a Liquidity Facility Stand-by Drawing and credit such amount to the Issuer Collection Account with a corresponding credit to the Liquidity Facility Stand-by Ledger. Amounts so credited to the Issuer Collection Account may be utilised by the Issuer in the same manner as if the Liquidity Facility had not been so drawn. A Liquidity Facility Stand-by Drawing may also be made if the Liquidity Facility is not renewed following its commitment termination date.

Reserve Account

Amounts credited to the Reserve Account will be available on any Quarterly Payment Date to meet items (a) to (l) inclusive of the Interest Priority of Payments in the event of a shortfall of the Notes Interest Available Amount on a Quarterly Calculation Date. If the Senior Class A Notes, the Mezzanine Class B Notes, the Junior Class C Notes and the Subordinated Class D Notes have all been redeemed in full, the balance standing to the credit of the Reserve Account becomes available to redeem the Subordinated Class E Notes. The mechanics work as follows.

If and to the extent that the Notes Interest Available Amount on any Quarterly Calculation Date exceeds the amounts required to meet items (a) up to and including (l) of the Interest Priority of Payments, such excess amount will be deposited in or, as the case may be, used to replenish the Reserve Account, by crediting such amount to the Reserve Account up to the Reserve Account Target Level (see item (m) of the Interest Priority of Payments). Until all Notes (other than the Subordinated Class E Notes) have been redeemed, if and to the extent that the Notes Interest Available Amount exceeds the amount required to deposit in, or replenish, the Reserve Account up to the Reserve Account Target Level, the excess will be used towards satisfaction of items (n) up to and including (t) but not items (q) and (s).

If the Senior Class A Notes, the Mezzanine Class B Notes, the Junior Class C Notes and the Subordinated Class D Notes have been redeemed in full the Reserve Account Target Level becomes zero. In that case the balance standing to the credit of the Reserve Account (after items (a) up to and including (m) have been met) will, together with any other Interest Available Amount remaining after payments of items (a) up to and including (p) have been met, be applied to redeem or, as the case may be partially redeem on a *pro rata* basis, the Subordinated Class E Notes in accordance with Condition 6(f). If the Subordinated Class E Notes have been fully redeemed, any remaining balance of the Reserve Account will be used to pay items (r), (s) and (t) subject to and in accordance with the Interest Priority of Payments.

The balance of the Reserve Account is pledged to the Security Trustee. Consequently, after the Enforcement Date the Security Trustee may execute its right of pledge and the balance of the Reserve

Account will hence be available to the Security Trustee for application in accordance with the Priority of Payments after Enforcement.

Principal Deficiency Ledger

A Principal Deficiency Ledger comprising four sub-ledgers (the Class A Principal Deficiency Ledger, the Class B Principal Deficiency Ledger, the Class C Principal Deficiency Ledger and the Class D Principal Deficiency Ledger) will be established by or on behalf of the Issuer in order to record any Principal Deficiency. An amount equal to any Principal Deficiency will be debited to the Class D Principal Deficiency Ledger (such debit items being credited at item (l) 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 the Class D Principal Deficiency Limit and thereafter such amount will be debited, to the Class C Principal Deficiency Ledger (such debit items being credited at item (j) 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 Class C Principal Deficiency Limit and thereafter such amount will be debited to the Class B Principal Deficiency Ledger (such debit items being credited at item (h) 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 Class B Principal Deficiency Limit and thereafter such amount will be debited to the Class A Principal Deficiency Ledger (such debit items being credited at item (f) of the Interest Priority of Payments, to the extent any part of the Notes Interest Available Amount is available for such purpose).

OVERVIEW OF THE DUTCH RESIDENTIAL MORTGAGE MARKET

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

Market Characteristics

Owner-Occupancy Rates

The Dutch housing market exhibited a relatively low owner-occupancy rate of 54 per cent. in 2003, whereas the average owner-occupancy rate in the EU as a whole was 64 per cent. However, the owner-occupancy rate in the Netherlands has been gradually increasing; in 1982 the owner-occupancy rate was 42 per cent.

House Prices

Following the rapid increase in house prices during the 1970s, on the back of high inflation and new government measures to support owner-occupancy, the Dutch housing market was significantly affected by the economic downturn experienced during 1980 and 1981. House prices dropped substantially during this period and only slowly recovered thereafter. Since 1991, house price inflation has gradually picked up, peaking in the second half of the 1990s.

Price increases on the Dutch housing market occurred in the 1995 – 2000 period, due to the combined effects of favourable economic conditions and institutional changes. Income growth, declining mortgage interest rates and a reduction of unemployment increased demand for owner-occupied housing. Furthermore, a decrease in the number of newly built homes supported these price rises. Another cause of the price increases in the late 1990s is a change in how some mortgage lenders calculate the borrowing capacity of households. In general, lenders formerly calculated the borrowing capacity of households based on the primary household salary only. Since the mid-1990s, some lenders also evaluated a second household salary. For double-income households this resulted in a surge in their borrowing capacity, which could be used to bid up prices of the relatively scarce owner-occupied property. In addition the number of double-income households has been increasing over the past decade. It is not certain whether, and how many, lenders will continue to underwrite mortgage loans in this way, and accordingly to this increased capacity may not be generally sustained.

After the strong price increases seen in the late 1990s, house price increases levelled off in the Netherlands, according to the Dutch Land Registry. An increase of 1.4 per cent. (comparing the figures relating to the fourth quarter of 2003 with the corresponding figures relating to the fourth quarter of 2004) was reported. However, recently released house price data reflect some volatility since last summer. In the last three months of 2004, average transaction prices decreased by 2.5 per cent. compared to the previous three months, but the average transaction price in January 2005 rose again by 2.2 per cent. This price volatility was primarily caused by price swings in the upper segment.

Housing transactions

The number of housing transactions remained at relatively robust levels in 2004. According to the Dutch Land Registry, it totalled 191,900 houses, compared to 193,300 in 2003. Although the number of transactions increased sharply in the 1990s, since 1998 transactions have been fluctuating around 195,000 a year. Figures for January and February show that the number of transactions was on average 7.8 per cent. higher than in the same months a year earlier.

Home ownership development in the future

The Dutch Ministry for Housing, Spatial Planning and Environment (“**VROM**”) continues to stimulate owner occupancy by encouraging new construction of houses and the selling of rental houses to current tenants. Nevertheless, the targeted delivery of hundred thousand (100,000) new units per year in the period 2000-2010 has not been realised in recent years, implying that the Netherlands continue to be confronted with a structural shortage in suitable housing units.

Demographic factors included: the strong growth of single parent families, an ageing population that is able to stay longer in their houses, young adults leaving their parent’s house at an earlier age and, a substantial natural birth surplus. In addition to these demographic factors, the previous period of strong economic growth has led to a growing share of double income families and higher family income, resulting in higher household budgets that can be spent on housing. More potential homeowners, and in particular younger families, were therefore able to qualify for a mortgage loan, again adding to the demand for houses. While the economic conditions have been less favourable in

recent years, the continued low interest rate environment combined with a moderate unemployment rate in the Netherlands continues to support the demand for house ownership.

Mortgage Indebtedness relatively high

Compared to other European countries the Dutch market shows a relatively high degree of mortgage indebtedness. Both the fiscal climate and the existence of the NHG Guarantee help explain this fact. In the Netherlands it is possible to deduct mortgage interest payments from taxable income (see *Government Policy and Regulations*). The NHG Guarantee makes it possible to finance a house with a mortgage loan corresponding to 100 per cent. of the market value of the property plus costs relating to the purchase of the property, with a maximum loan of euro 240,000 as of 1 January 2005. Around 50 per cent. of all newly issued mortgages up to euro 240,000 are covered by the NHG Guarantee. Foreclosure Value in the Netherlands is estimated to be generally around 85 to 90 per cent. of the market value.

As a result of the relatively high mortgage indebtedness, the Dutch market tends to be a relatively high loan-to-value market. Due to rising home-ownership and rising prices, the total mortgage debt outstanding increased substantially in the late 1990s. Total mortgage debt outstanding as of the end of 2004 was euro 420 billion.

Default Losses

Since the BKR registers all loans as well as their status, financial institutions use the historical information of the BKR to determine potential borrowers' creditworthiness. In case of default this will inevitably lead to limited access to loans for the defaulter (or no access at all) for some years. Furthermore, under Dutch law the lender is able to seize a portion of the borrower's earnings from his employer in case the borrower defaults. Available data indicate that losses peaked in the early 1980s to about 30 basis points of the outstanding amount, due to a combined effect of declining house prices and an increase in unemployment levels. In the event of foreclosure, however, recoveries are generally still less than fair market value. Since then, losses declined substantially, reaching levels of below 1 basis point of the outstanding principal in the 1990s. A factor that prevents lenders from incurring high losses on the Dutch mortgage market is the already mentioned NHG Guarantee. Defaults of borrowers covered under the NHG do not have consequences for the lenders since such losses are 100 per cent. covered by the government.

Although most housing market variables point to stable market circumstances, foreclosures are trending upward. The reason for this trend is that labour market conditions have not yet improved, although the 2003 recession ended over a year ago. Until now the housing market has been steady, although the economy has been going through a longer period of stagnant growth. Foreclosures totalled 1,500 in 2004, compared to 1,100 in 2003.

Prepayment Terms

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 relocation or death. However, borrowers 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 interest reset date. Prepayment penalties are tax deductible to the borrower. Declining interest rates in the mid- and late 1990s encouraged many borrowers to refinance.

Government Policy and Regulation

The Dutch tax system allows, in principle, full deduction of all mortgage interest payments on the borrower's primary residence from taxable income. The interest deduction is limited to 30 years of interest payments.

As per 1st January 2004, new legislation has come into force in the Netherlands limiting the deduction of mortgage interest payments in specific situations. If a homeowner sells his residence for an amount in excess of the amount of the mortgage loan (the "excess value") and acquires a new residence for an amount exceeding the previous mortgage loan, deduction of interest on the mortgage loan to acquire the new residence will be limited if the "excess value" is not entirely used for the acquisition of the new residence.

Mortgage interest payments on residences that are not the primary residence of the borrower are not tax deductible. Instead, both the fair market value of the property and the corresponding loan

are taken into account for the calculation of the borrower's "yield basis" when determining the borrower's income on savings and investments (the so-called "Box III") (see *Taxation in the Netherlands*). On an annual basis the borrower will be taxed at a rate of 30 per cent. on deemed income, which consists of 4 per cent. of the average yield basis of the borrower insofar as the average yield basis exceeds a certain threshold. In addition, home owners have to take into account a fictitious income with respect to their primary residence the amount of which is based on the value of the residence, the so-called *Eigen Woningforfait*. For 2005, the maximum fictitious income is euro 8,750.

The fiscal advantage of the interest deduction is maximised in the Netherlands through the availability of interest-only mortgages whereby full redemption takes place upon maturity but not during the term of the loan. In addition, a proportion of residential mortgage loans may have the benefit of a life insurance policy or a savings insurance policy, with the most common term of insurance being 30 years. The government encourages this method of redemption by exempting from tax the capital sum received under the policy, up to a certain amount (in 2005: euro 137,500 for individuals and euro 275,000 for couples) plus annual indexing, provided the term of insurance is at least 20 years and other conditions are met.

BANK OF SCOTLAND GROUP

General

The Governor and Company of the Bank of Scotland, and its subsidiaries (together, the Bank of Scotland Group) is a diversified financial services group engaged in banking, insurance broking and financial services and related activities throughout the United Kingdom and internationally. The Bank of Scotland, which was established by an Act of the Parliament of Scotland in 1695, has its head office at The Mound, Edinburgh EH1 1YZ. It is a UK clearing bank and an “authorised institution” under the Banking Act 1987. The Banking Act 1987 was repealed when section 19 of the FSMA was brought into force on 30th November, 2001. The Bank of Scotland is now authorised as required under the FSMA.

On 10th September, 2001 Halifax Group plc and The Governor and Company of the Bank of Scotland were acquired by a new holding company, HBOS plc (HBOS, together with its subsidiaries from time to time, HBOS Group). HBOS is the fourth largest banking group in the UK in terms of assets and is the UK’s largest savings banking group.

HBOS was incorporated in Scotland on 3rd May, 2001. HBOS had consolidated total assets at 31st December, 2004 of £442,881 million. HBOS’s consolidated profit on ordinary activities before tax for the year ended 31st December, 2004 was £4,592 million.

Mortgage business

Retail Banking, a division of HBOS, has a number of separate operational areas. The operations of the Bank of Scotland mortgages business form part of this division and include the marketing, processing and administration of residential mortgages originated by the Bank of Scotland, either through intermediaries or from direct sales to borrowers. The direct mortgage business was created in 1980 as part of the Bank of Scotland’s strategy at that time to increase its overall market share in England and Wales without the need to establish a branch network. The total consolidated value of Bank of Scotland’s mortgage loans and advances secured on residential properties as at 31st December, 2004 was approximately £41 billion (before provisions and after securitisation).

Bank of Scotland Netherlands

Bank of Scotland Netherlands is a branch office of the Bank of Scotland, operating as a part of HBOS Retail Banking. Bank of Scotland Netherlands started its activities in The Netherlands in 1999. Bank of Scotland Netherlands was registered with the Amsterdam Chamber of Commerce (*Kamer van Koophandel*) under number 34122516 on 1st October, 1999. The corporate seat of Bank of Scotland Netherlands is in Amsterdam, The Netherlands and its registered office is at De Entrée 254, 1101 EE in Amsterdam.

Bank of Scotland Netherlands has outsourced its mortgage administration to STATER which is an established provider of such services in the Netherlands.

Bank of Scotland Netherlands started originating mortgage loans via the internet in 1999. Since then, Bank of Scotland Netherlands has achieved strong growth in its business with a mortgage book of over euro 4.5 billion by year-end 2004. At present most sales are originated via packagers and intermediaries (90%); approximately 10% is originated via internet and the telephone, supported by an in-house mortgage desk.

DESCRIPTION OF THE MORTGAGE LOANS

References in this Chapter to ratios and amounts are to those applied by the Seller at the date of this Offering Circular and such ratios and amounts may change in the future.

Types of Mortgage Loans

The Mortgage Loans will consist of Interest-only Mortgage Loans, Annuity Mortgage Loans, Life Mortgage Loans or combinations of these types of loans.

Life Mortgage Loans are connected to a combined risk and capital insurance policy. Interest-only Mortgage Loans and Annuity Mortgage Loans are not connected to a combined risk and capital insurance policy. They may, however, be connected to a Risk Insurance Policy. See *Risk Insurance Policy*.

Pursuant to the Mortgage Conditions, the Mortgage Receivable becomes due and payable (*opeisbaar*) if the Borrower fails to perform in timely fashion its (payment) obligations under a connected Insurance Policy.

Characteristics of the Mortgage Loans

The Mortgage Loans will have different repayment methods as described below. Prepayment of principal is possible, subject, in certain circumstances, to a penalty.

Interest-only Mortgage Loans

Under Interest-only Mortgage Loans, the Borrower is obliged to pay only interest during the term of such Mortgage Loan, so that the Borrower does not pay principal towards redemption of the relevant Mortgage Receivable until maturity, when the entire principal amount is due.

Interest-only Mortgage Loans may be granted up to an amount equal to 90 per cent. of the Foreclosure Value of the Mortgaged Asset at origination in respect of a Bank of Scotland Economy Mortgage Loans and up to an amount equal to 75 per cent. of the Foreclosure Value of the Mortgaged Asset at origination in respect of Bank of Scotland Standard Mortgage Loans.

Annuity Mortgage Loans

Under Annuity Mortgage Loans, the Borrower pays a constant total monthly amount (assuming interest rates do not change) made up of an initially high and subsequently decreasing interest portion and an initially low and subsequently increasing principal portion, and calculated in such a manner that the Mortgage Receivable will be fully redeemed at the end of its term.

Life Mortgage Loans

Life Mortgage Loans have the benefit of Life Insurance Policies taken out by the Borrowers with any of the Life Insurance Companies. A Life Insurance Policy is a combined capital and risk insurance policy. Under Life Mortgage Loans, no principal is scheduled to be repaid prior to maturity. Until maturity, the Borrower under the Mortgage Conditions is only required to pay interest in connection with the mortgage loan and to take out a Life Insurance Policy under which the Borrower pays a premium which consists of a risk insurance element and a capital insurance element.

The risk insurance element of the premium is paid under the policy, in exchange for the undertaking of the Life Insurance Company to pay out an agreed amount upon the death of the insured.

The capital insurance element of the premium is used by the Life Insurance Company to build up capital. Typically the capital built up under the Insurance Policy is applied towards redemption of the principal amount of the Life Mortgage Loan at maturity thereof.

Life Insurance Policies are offered in several alternatives by the Life Insurance Companies. Failure by the Borrower to pay the premium under the Life Insurance Policy would result in the Mortgage Receivable becoming due and payable.

Interest Payments/Interest Rate Setting

A portion of the Mortgage Loans carry a fixed rate of interest, all for a certain set interest period (*rentevastperiode*). At the end of an interest period, the interest rate will be reset, unless the

Borrower redeems the Mortgage Loans. In general, fixed rate reset terms can be set for periods of 1, 5, 6, 10, 15, 20 and 30 years.

In addition a portion of the Mortgage Loans carry a variable rate of interest. This variable rate is reset monthly.

Bank of Scotland Economy Mortgage Loans and Bank of Scotland Standard Mortgage Loans

At Closing the Mortgage Receivables assigned to the Issuer are either “Bank of Scotland Economy Mortgage Loans” or “Bank of Scotland Standard Mortgage Loans”.

A “Bank of Scotland Economy Mortgage Loan” is a mortgage loan with the following characteristics:

- (a) a savings, life, investment, interest-only or annuity mortgage loan;
- (b) 10 per cent. early redemption annually is allowed without penalty;
- (c) a floating interest rate or an interest rate which may be fixed for 1, 5 or 10 years;
- (d) an offer period of 3 months, without the possibility for extension;
- (e) a maximum LTFV-ratio of 100 per cent., except in the case of Interest-only Mortgage Loans, which may be granted with a maximum LTFV-ratio of 90 per cent.;
- (f) a maximum loan-to-income ratio of 6 where the Borrower’s income is greater than euro 35,000 per year and 5.5 where the Borrower’s income is less than euro 35,000 per year; and
- (g) no NHG Guarantee is possible.

A “Bank of Scotland Standard Mortgage Loan” is a mortgage loan with the following characteristics:

- (a) a savings, life, investment, interest-only or annuity mortgage loan;
- (b) 15 per cent. early redemption annually is allowed without penalty;
- (c) a floating interest rate or an interest rate which may be fixed for 1, 5, 6, 10, 15, 20 or 30 years;
- (d) an offer period of 3 months, which may be extended to a maximum of 6 months against a commitment fee;
- (e) a maximum LTFV-ratio of 125 per cent., except in the case of Mortgage Loans granted to self employed persons, which may be granted with a maximum LTFV-ratio of 100 per cent. and interest-only Mortgage Loans, which may be granted with a maximum LTFV-ratio of 75 per cent.;
- (f) a maximum loan-to-income ratio of 5.5 where the Borrower’s income is greater than euro 35,000 and 5.0 where the Borrower’s income is less than euro 35,000; and
- (g) a NHG Guarantee is possible.

For the avoidance of doubt, no savings mortgage loans, investment mortgage loans or mortgage loans with the benefit of a NHG Guarantee are assigned to the Issuer.

Valuation

At origination, each Mortgaged Asset relating to a Mortgage Loan is required to be valued not more than 12 months before the application for such loan is made, except in the case of (i) a (re)financing with a maximum LTFV-ratio of 75 per cent. and the Foreclosure Value of the residential property is less than 80 per cent. of the value as shown on the assessment notice of the real estate tax authorities (*WOZ Beschikking*); and (ii) Mortgage Loans secured by a mortgage right on newly built properties whereby the maximum amount lent is 125 per cent. of the foreclosure value, which is determined by using the ratio 100/120 per cent. of the purchase/contracting price plus 100 per cent. of any additional work and at most 5 per cent. loss of interest during construction. The maximum cost of addition work for new housing is 20 per cent. of the purchase/contracting price.

The valuation forms must be drawn up by an independent qualified appraiser *taxateur* who is registered in one of the approved registers (NRVT *Nederlands Register van Vastgoed Taxateurs*, CRMT *Stichting Nederlands Instituut Certificatie en Register Makelaars-Taxateurs Onroerende Zaken* or SCVM *Stichting Certificering VBO Makelaars*) and who must not be involved in the relevant transaction.

Risk Insurance Policy

In respect of the Mortgage Loans, a Borrower is required to take out a Risk Insurance Policy if and to the extent the Outstanding Principal Amount of the Mortgage Loan exceeds an amount equal to (i) 90 per cent. in case of a Bank of Scotland Economy Mortgage Loan or (ii) 75 per cent. in case of a Bank of Scotland Standard Mortgage Loan of the Foreclosure Value of the Mortgaged Asset the Borrower is also required to take out a Life Insurance Policy with a certain expected net return in respect of such excess amount.

Lending Criteria

Minimum and Maximum Amounts

The minimum amount of a Mortgage Loan is euro 75,000 and, if a Mortgage Loan has more than one repayment component (loan part), the minimum amount for each loan part of such Mortgage Loan is euro 5,000. The maximum amount of an interest-only mortgage loan (part) is euro 700,000. The maximum amount of a Mortgage Loan is euro 1,500,000.

Age restrictions

All Borrowers should be over 18 years old. The maximum age for Borrowers of Life Mortgage Loans and Annuity Mortgage Loans depends on the Insurance Policy connected to the Mortgage Loan.

Creditworthiness

The process of verifying a prospective borrower's creditworthiness is set up to determine whether the prospective borrower has sufficient monthly income available to meet his payments on the requested mortgage loan as well as to support other financial obligations and monthly living expenses. A check on the income of a prospective borrower who is employed is conducted by requesting a recent employer's declaration of the borrower, as well as the borrower's salary slip to ensure that the information is corresponding.

Income from self-employment

The self-employed applicant's income must be demonstrated by means of annual accounts of the self-employed borrower for the three most recent financial years, and an estimate for the upcoming year should be included. In addition, the applicant must submit tax returns for the most recent three years and a copy of the tax inspector's tax assessments. If no annual accounts are available, Bank of Scotland Netherlands may determine that tax declarations and tax returns for the same periods are sufficient. Where the period of an applicant's self-employment is only one year, then the applicant must provide to Bank of Scotland Netherlands employment income details for the two years preceding the period of self-employment. This employment income must have been earned in employment of a type equivalent to the business currently operated by the applicant. In this way Bank of Scotland Netherlands will be able to consider three years of comparable income for the applicant. Should self-employment income in the last year be lower than in the preceding two years, the income data will be fed into the STATER Mortgage System ("SMS").

Mortgage Loans to the self-employed cannot exceed 100 per cent. of the Foreclosure Value of the Mortgaged Asset except in the case where less than 50 per cent. of the borrower's income is generated from self-employment, in which case a Mortgage Loan up to 125 per cent. of Foreclosure Value may be obtained.

An income assessment of a self-employed entrepreneur in the hotel and catering industry ("HORECA") will always be conducted by Bank of Scotland Netherlands directly.

Debt to income ratios

If the total annual income of an applicant (or, if there are two applicants, the aggregate income) is more than euro 35,000 a Mortgage Loan is granted in an amount up to 5.5 times the annual income in case of a Bank of Scotland Standard Mortgage Loan and 6 times the annual income in case of a Bank of Scotland Economy Mortgage Loan. If the total annual income of an applicant (or, if there are two applicants, the aggregate income) is less than euro 35,000 a Mortgage Loan is granted in an amount up to 5.0 times the annual income in case of a Bank of Scotland Standard Mortgage Loan and 5.5 times the annual income in case of a Bank of Scotland Economy Mortgage Loan. The actual monthly mortgage and related insurance payments calculated do not exceed 35 per cent. of the total monthly income of the applicant(s).

National Credit Register

A credit check is conducted for every prospective borrower with the BKR in Tiel. All financial commitments over the past five years that prospective borrowers have entered into with financial institutions are recorded in this register.

Loan-to-Foreclosure Value Ratio

Mortgage Loans are granted up to a maximum of 125 per cent. of the Foreclosure Value. However, if the relevant Mortgage Loan exceeds an amount equal to 75 per cent. of the Foreclosure Value of a Bank of Scotland Standard Mortgage Loan or 90 per cent. in case of a Bank of Scotland Economy Mortgage Loan, the borrower is required to take out a Life Insurance Policy or, in case of an Annuity Mortgage Loan, a Risk Insurance Policy covering the excess amount. The LTFV-ratio of a mortgage loan is the outstanding principal amount of the mortgage loan divided by the Foreclosure Value of the relevant Mortgaged Asset and is usually about 85 to 90 per cent. of the market value of the property.

Other Lending Criteria

Apart from the principal criteria already mentioned, the following criteria also apply to each mortgage loan: (i) mortgage loans are granted only to individuals, (ii) if there is more than one borrower, there must be joint and several liabilities for the mortgage receivable and (iii) mortgage loans are only granted on the basis of owner occupancy. As to the procedure applied by the Seller in case of non-compliance by an applicant with any of the underwriting criteria, see *Mortgage Loan Underwriting and Origination* below.

Mortgage pool

All of the Mortgage Loans forming the mortgage pool were selected on the Cut-off Date and were originated by the Seller between November 1999 and January 2005. For a description of the representations and warranties given by the Seller with respect to the Mortgage Loans, see *Mortgage Receivables Purchase Agreement*.

The numerical information set out below relates to the provisional mortgage pool as selected on the Cut-off Date and as updated as per 31st March, 2005 may not necessarily correspond to the Mortgage Receivables to be sold and assigned to the Issuer on the Closing Date. In each table the Weighted Average Coupon (“WAC”) and the Weighted Average Maturity (“WAM”) are specified.

KEY FIGURES

Number of Loanparts	19,232
Number of Loans.....	10,128
Min Coupon (%).....	2.8
Max Coupon (%).....	7.5
Weighted Average Coupon (%).....	4.15
Weighted Average Seasoning (Months).....	20.54
Weighted Average Maturity (Months)	36.10
Original Balance (EUR).....	1,790,868,198
Outstanding Principal Balance (EUR).....	1,786,938,713
Average Balance by Borrower (EUR)	176,436
Maximum Loan Value (EUR).....	500,000
Current Loan-to-Value (Recorded Foreclosure Value)	105.10%
Current Loan-to-Value (Indexed Recorded Foreclosure Value)	102.59%
Current Loan-to-Value (Estimated Fair Market Value)	93.73%
Current Loan-to-Value (Indexed Estimated Fair Market Value).....	91.49%

Origination date of the mortgage loan parts in the Provisional Pool

<i>Year of origination</i>	<i>Aggregate Outstanding Principal Amount (EUR)</i>	<i>Proportion of pool</i>	<i>Number of Loan parts</i>	<i>Proportion of pool</i>	<i>WAM (Months)</i>	<i>WAC</i>
1999 Q4.....	204,201.10	0.01%	1	0.01%	—	3.15%
2000 Q1.....	1,138,628.73	0.06%	9	0.05%	7.99	3.59%
2000 Q2.....	2,020,968.10	0.11%	22	0.11%	2.88	3.49%
2000 Q3.....	5,858,819.81	0.33%	41	0.21%	11.36	3.86%
2000 Q4.....	15,144,098.66	0.85%	126	0.66%	46.33	5.26%
2001 Q1.....	15,678,026.63	0.88%	152	0.79%	51.24	5.45%
2001 Q2.....	22,047,022.59	1.23%	227	1.18%	50.42	5.41%
2001 Q3.....	20,951,254.89	1.17%	224	1.16%	44.00	5.46%
2001 Q4.....	19,833,527.40	1.11%	203	1.06%	42.14	5.03%
2002 Q1.....	26,726,763.36	1.50%	263	1.37%	37.51	4.99%
2002 Q2.....	35,121,057.74	1.97%	365	1.90%	29.74	5.17%
2002 Q3.....	73,669,131.64	4.12%	779	4.05%	29.29	4.81%
2002 Q4.....	121,561,340.12	6.80%	1,347	7.00%	34.34	4.63%
2003 Q1.....	173,003,821.88	9.68%	1,893	9.84%	40.53	4.41%
2003 Q2.....	277,669,959.47	15.54%	3,049	15.85%	44.41	4.22%
2003 Q3.....	275,355,137.25	15.41%	2,997	15.58%	46.50	4.18%
2003 Q4.....	152,973,309.88	8.56%	1,654	8.60%	36.88	4.02%
2004 Q1.....	109,863,835.05	6.15%	1,239	6.44%	26.05	3.71%
2004 Q2.....	129,882,627.70	7.27%	1,434	7.46%	25.23	3.54%
2004 Q3.....	113,254,957.13	6.34%	1,218	6.33%	22.91	3.63%
2004 Q4.....	154,203,003.22	8.63%	1,579	8.21%	25.10	3.44%
2005 Q1.....	40,777,220.62	2.28%	410	2.13%	31.24	3.45%
	1,786,938,712.97	100.00%	19,232	100.00%	36.10	4.15%

Type of mortgage loan parts in the Provisional Pool

<i>Type of mortgage</i>	<i>Aggregate Outstanding Principal Amount (EUR)</i>	<i>Proportion of pool</i>	<i>Number of Loan parts</i>	<i>Proportion of pool</i>	<i>WAM (Months)</i>	<i>WAC</i>
Annuity.....	13,495,213.24	0.76%	248	1.29%	42.91	4.32%
Interest only.....	890,701,622.35	49.85%	9,771	50.81%	34.46	4.08%
Life (Unit Linked).....	882,741,877.38	49.40%	9,213	47.90%	37.64	4.22%
	1,786,938,712.97	100.00%	19,232	100.00%	36.10	4.15%

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

<i>Range of interest rates</i>	<i>Aggregate Outstanding Principal Amount (EUR)</i>	<i>Proportion of pool</i>	<i>Number of Loan parts</i>	<i>Proportion of pool</i>	<i>WAM (Months)</i>	<i>WAC</i>
2.5% <= r < 3.5%.....	594,162,006.76	33.25%	6,085	31.64%	2.01	3.13%
3.5% <= r < 4.5%.....	583,251,914.04	32.64%	6,462	33.60%	42.42	4.17%
4.5% <= r < 5.5%.....	457,800,949.94	25.62%	5,128	26.66%	61.11	4.90%
5.5% <= r < 6.5%.....	150,855,462.24	8.44%	1,547	8.04%	69.11	5.79%
r >= 6.5%.....	868,379.99	0.05%	10	0.05%	190.93	6.69%
	1,786,938,712.97	100.00%	19,232	100.00%	36.10	4.15%

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

<i>Range of Years</i>	<i>Aggregate Outstanding Principal Amount (EUR)</i>	<i>Proportion of pool</i>	<i>Number of Loan parts</i>	<i>Proportion of pool</i>	<i>WAM (Months)</i>	<i>WAC</i>
2005	547,809,163.03	30.66%	5,594	29.09%	1.32	3.14%
2006	71,641,252.11	4.01%	786	4.09%	11.87	3.78%
2007	144,809,996.66	8.10%	1,635	8.50%	28.50	5.21%
2008	546,946,315.19	30.61%	6,120	31.82%	38.19	4.28%
2009	144,991,207.29	8.11%	1,664	8.65%	50.51	4.23%
2010	42,294,837.55	2.37%	425	2.21%	62.96	4.73%
2011	45,176,442.48	2.53%	433	2.25%	73.55	5.80%
2012	45,999,525.61	2.57%	460	2.39%	88.02	5.69%
2013	156,608,866.49	8.76%	1,681	8.74%	98.07	5.01%
2014	27,618,580.23	1.55%	301	1.57%	110.52	4.92%
2016 < interest reset date <= 2020	9,962,486.98	0.56%	101	0.53%	144.67	5.33%
2021 < interest reset date <= 2025	2,671,685.38	0.15%	28	0.15%	212.83	6.10%
2031 < interest reset date <= 2035	408,353.97	0.02%	4	0.02%	326.56	6.65%
	<u>1,786,938,712.97</u>	<u>100.00%</u>	<u>19,232</u>	<u>100.00%</u>	<u>36.10</u>	<u>4.15%</u>

Maturity of the mortgage loan parts in the Provisional Pool

<i>Range of Years</i>	<i>Aggregate Outstanding Principal Amount (EUR)</i>	<i>Proportion of pool</i>	<i>Number of Loan parts</i>	<i>Proportion of pool</i>	<i>WAM (Months)</i>	<i>WAC</i>
2004 <= maturity < 2010.....	963,836.50	0.05%	14	0.07%	5.98	3.30%
2010 <= maturity < 2015.....	2,448,224.40	0.14%	55	0.29%	50.10	4.68%
2015 <= maturity < 2020.....	7,794,714.34	0.44%	132	0.69%	27.75	3.99%
2020 <= maturity < 2025.....	28,751,002.63	1.61%	365	1.90%	33.53	4.17%
2025 <= maturity < 2030.....	90,093,622.55	5.04%	1,022	5.31%	34.09	4.06%
2030 <= maturity < 2035.....	1,572,206,345.36	87.98%	16,819	87.45%	36.73	4.20%
2035 <= maturity < 2040.....	84,335,345.90	4.72%	822	4.27%	28.05	3.41%
2040 <= maturity < 2045.....	345,621.29	0.02%	3	0.02%	42.29	5.11%
	<u>1,786,938,712.97</u>	<u>100.00%</u>	<u>19,232</u>	<u>100.00%</u>	<u>36.10</u>	<u>4.15%</u>

Size of outstanding mortgage loans in the Provisional Pool

<i>Range of loan sizes</i>	<i>Aggregate Outstanding Principal Amount (EUR)</i>	<i>Proportion of pool</i>	<i>Number of Loans</i>	<i>Proportion of pool</i>	<i>WAM (Months)</i>	<i>WAC</i>
loan size < 50,000.....	146,764.12	0.01%	3	0.03%	15.42	4.37%
50,000 <= loan size < 100,000.....	32,178,905.91	1.80%	367	3.62%	41.74	4.29%
100,000 <= loan size < 150,000 ...	432,565,925.44	24.21%	3,351	33.09%	36.62	4.22%
150,000 <= loan size < 200,000 ...	602,070,180.55	33.69%	3,501	34.57%	35.84	4.17%
200,000 <= loan size < 250,000 ...	418,415,267.36	23.42%	1,895	18.71%	36.68	4.12%
250,000 <= loan size < 300,000 ...	172,810,400.56	9.67%	643	6.35%	34.81	4.05%
300,000 <= loan size < 350,000 ...	73,359,516.57	4.11%	229	2.26%	35.40	4.02%
350,000 <= loan size < 400,000 ...	28,595,094.21	1.60%	77	0.76%	38.39	4.22%
400,000 <= loan size < 450,000 ...	20,589,985.55	1.15%	49	0.48%	23.34	3.86%
450,000 <= loan size < 500,000 ...	6,206,672.70	0.35%	13	0.13%	32.51	4.01%
	<u>1,786,938,712.97</u>	<u>100.00%</u>	<u>10,128</u>	<u>100.00%</u>	<u>36.10</u>	<u>4.15%</u>

Geographical distribution of the mortgage loans in the Provisional Pool

<i>Geographical distribution</i>	<i>Aggregate Outstanding Principal Amount (EUR)</i>	<i>Proportion of pool</i>	<i>Number of Loans</i>	<i>Proportion of pool</i>	<i>WAM (Months)</i>	<i>WAC</i>
Drenthe.....	50,266,982.19	2.81%	306	3.02%	27.93	3.88%
Flevoland.....	92,061,774.61	5.15%	523	5.16%	32.06	4.19%
Friesland.....	57,573,256.59	3.22%	379	3.74%	29.33	3.87%
Gelderland.....	193,766,328.55	10.84%	1,075	10.61%	33.25	4.06%
Groningen.....	46,251,355.10	2.59%	313	3.09%	36.30	4.10%
Limburg.....	95,803,384.47	5.36%	581	5.74%	36.60	4.18%
Noord-Brabant.....	309,166,507.21	17.30%	1,658	16.37%	36.34	4.15%
Noord-Holland.....	244,221,618.43	13.67%	1,316	12.99%	37.54	4.20%
Overijssel.....	141,563,529.94	7.92%	860	8.49%	34.21	4.04%
Utrecht.....	152,507,121.19	8.53%	779	7.69%	39.20	4.26%
Zeeland.....	24,625,683.78	1.38%	166	1.64%	38.39	4.14%
Zuid-Holland.....	379,131,170.91	21.22%	2,172	21.45%	38.67	4.23%
	<u>1,786,938,712.97</u>	<u>100.00%</u>	<u>10,128</u>	<u>100.00%</u>	<u>36.10</u>	<u>4.15%</u>

Income data of borrowers in the Provisional Pool

Region of income (EUR)

<i>Region of income (EUR)</i>	<i>Aggregate Outstanding Principal Amount (EUR)</i>	<i>Proportion of pool</i>	<i>Number of Loans</i>	<i>Proportion of pool</i>	<i>WAM (Months)</i>	<i>WAC</i>
10,000 <= income < 20,000.....	25,840,048.31	1.45%	271	2.68%	45.50	4.40%
20,000 <= income < 30,000.....	423,169,243.85	23.68%	3,222	31.81%	37.40	4.26%
30,000 <= income < 40,000.....	541,642,211.78	30.31%	3,197	31.57%	35.07	4.12%
40,000 <= income < 50,000.....	403,292,757.37	22.57%	1,936	19.12%	36.82	4.12%
50,000 <= income < 60,000.....	198,908,025.67	11.13%	830	8.20%	32.61	4.01%
60,000 <= income < 70,000.....	93,637,368.89	5.24%	352	3.48%	39.51	4.17%
70,000 <= income < 80,000.....	48,889,372.40	2.74%	165	1.63%	38.88	4.23%
80,000 <= income < 100,000.....	37,328,531.92	2.09%	110	1.09%	30.07	4.04%
100,000 <= income < 150,000.....	12,671,814.26	0.71%	39	0.39%	31.88	4.01%
150,000 <= income < 200,000.....	1,450,771.60	0.08%	5	0.05%	28.87	4.32%
income >= 350,000.....	108,566.92	0.01%	1	0.01%	14.00	5.45%
	<u>1,786,938,712.97</u>	<u>100.00%</u>	<u>10,128</u>	<u>100.00%</u>	<u>36.10</u>	<u>4.15%</u>

Employment of borrowers in the Provisional Pool

<i>Employment type</i>	<i>Aggregate Outstanding Principal Amount (EUR)</i>	<i>Proportion of pool</i>	<i>Number of Loans</i>	<i>Proportion of pool</i>	<i>WAM (Months)</i>	<i>WAC</i>
(early) retirement	17,081,558.35	0.96%	123	1.21%	30.16	3.70%
Full time permanent employment ..	1,569,849,814.25	87.85%	8,856	87.44%	35.69	4.14%
Full time temporary employment...	143,849,464.29	8.05%	857	8.46%	39.90	4.29%
No profession	158,448.27	0.01%	2	0.02%	50.96	5.13%
Part time permanent employment ..	15,864,120.95	0.89%	97	0.96%	41.19	4.19%
Part time temporary employment...	2,295,235.98	0.13%	14	0.14%	48.69	4.29%
Self employed	37,840,070.88	2.12%	179	1.77%	38.11	4.24%
	1,786,938,712.97	100.00%	10,128	100.00%	36.10	4.15%

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

<i>Range of DTI</i>	<i>Aggregate Outstanding Principal Amount (EUR)</i>	<i>Proportion of pool</i>	<i>Number of Loans</i>	<i>Proportion of pool</i>	<i>WAM (Months)</i>	<i>WAC</i>
DTI <= 10%.....	38,183,320.64	2.14%	268	2.65%	9.15	3.27%
10% < DTI <= 15%.....	244,382,735.70	13.68%	1,385	13.67%	9.61	3.29%
15% < DTI <= 20%.....	540,138,412.96	30.23%	2,930	28.93%	19.55	3.60%
20% < DTI <= 25%.....	647,804,220.56	36.25%	3,719	36.72%	47.57	4.45%
25% < DTI <= 30%.....	286,597,952.19	16.04%	1,655	16.34%	64.76	5.21%
30% < DTI <= 35%.....	29,199,645.16	1.63%	167	1.65%	62.91	5.75%
35% < DTI <= 40%.....	155,000.01	0.01%	1	0.01%	84.00	6.20%
40% < DTI <= 50%.....	293,498.75	0.02%	2	0.02%	39.93	4.27%
50% < DTI <= 60%.....	183,927.00	0.01%	1	0.01%	31.39	6.15%
	1,786,938,712.97	100.00%	10,128	100.00%	36.10	4.15%

Property types of the mortgage loans in the Provisional Pool

<i>Property types</i>	<i>Aggregate Outstanding Principal Amount (EUR)</i>	<i>Proportion of pool</i>	<i>Number of Loans</i>	<i>Proportion of pool</i>	<i>WAM (Months)</i>	<i>WAC</i>
Condominium	313,066,685.57	17.52%	2,148	21.21%	36.85	4.27%
Condominium with garage	6,945,683.45	0.39%	34	0.34%	33.41	4.32%
Farm house.....	2,529,794.96	0.14%	7	0.07%	42.03	4.45%
Other terrains	132,500.00	0.01%	1	0.01%	7.00	3.00%
Single family house.....	1,180,190,091.37	66.05%	6,547	64.64%	36.79	4.16%
Single family house with garage.....	283,857,457.62	15.89%	1,390	13.72%	32.42	3.97%
timber framed house.....	216,500.00	0.01%	1	0.01%	25.06	3.36%
	1,786,938,712.97	100.00%	10,128	100.00%	36.10	4.15%

Current Loan-to-Value (Recorded Foreclosure Value)

<i>Range of Loan-to-Value</i>	<i>Aggregate Outstanding Principal Amount (EUR)</i>	<i>Proportion of pool</i>	<i>Number of Loans</i>	<i>Proportion of pool</i>	<i>WAM (Months)</i>	<i>WAC</i>
LTV < 25%	285,719.95	0.02%	3	0.03%	42.61	4.17%
25% <= LTV < 50%	13,151,020.07	0.74%	106	1.05%	29.87	3.83%
50% <= LTV < 60%	19,253,485.62	1.08%	143	1.41%	32.86	3.93%
60% <= LTV < 70%	42,694,413.04	2.39%	279	2.75%	24.39	3.75%
70% <= LTV < 80%	80,195,156.43	4.49%	507	5.01%	31.63	3.86%
80% <= LTV < 90%	120,096,324.39	6.72%	721	7.12%	33.49	3.88%
90% <= LTV < 100%	186,740,818.91	10.45%	1,085	10.71%	32.43	3.89%
100% <= LTV < 105%	106,037,816.88	5.93%	601	5.93%	34.32	4.02%
105% <= LTV < 110%	99,732,091.73	5.58%	549	5.42%	34.70	4.12%
110% <= LTV < 115%	147,379,455.56	8.25%	797	7.87%	36.93	4.19%
115% <= LTV < 120%	228,908,687.28	12.81%	1,242	12.26%	37.44	4.26%
120% <= LTV <= 125%	742,463,723.11	41.55%	4,095	40.43%	38.65	4.31%
	1,786,938,712.97	100.00%	10,128	100.00%	36.10	4.15%

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

<i>Range of Loan-to-Value</i>	<i>Aggregate Outstanding Principal Amount (EUR)</i>	<i>Proportion of pool</i>	<i>Number of Loans</i>	<i>Proportion of pool</i>	<i>WAM (Months)</i>	<i>WAC</i>
LTV < 25%	285,719.95	0.02%	3	0.03%	42.61	4.17%
25% <= LTV < 50%	16,550,258.30	0.93%	132	1.30%	29.30	3.96%
50% <= LTV < 60%	22,929,756.36	1.28%	161	1.59%	32.00	3.99%
60% <= LTV < 70%	48,722,538.70	2.73%	315	3.11%	26.35	3.82%
70% <= LTV < 80%	80,299,871.63	4.49%	505	4.99%	31.96	3.89%
80% <= LTV < 90%	133,881,422.01	7.49%	794	7.84%	35.16	3.97%
90% <= LTV < 100%	212,872,050.73	11.91%	1,221	12.06%	32.60	3.97%
100% <= LTV < 105%	120,572,481.03	6.75%	664	6.56%	35.00	4.15%
105% <= LTV < 110%	133,333,782.66	7.46%	728	7.19%	37.55	4.34%
110% <= LTV < 115%	198,627,557.38	11.12%	1,068	10.55%	38.45	4.38%
115% <= LTV < 120%	337,350,304.63	18.88%	1,895	18.71%	38.95	4.37%
120% <= LTV <= 125%	481,512,969.59	26.95%	2,642	26.09%	36.90	4.08%
	1,786,938,712.97	100.00%	10,128	100.00%	36.10	4.15%

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

<i>Range of Loan-to-Value</i>	<i>Aggregate Outstanding Principal Amount (EUR)</i>	<i>Proportion of pool</i>	<i>Number of Loans</i>	<i>Proportion of pool</i>	<i>WAM (Months)</i>	<i>WAC</i>
LTV < 25%	336,531.69	0.02%	4	0.04%	60.63	4.41%
25% <= LTV < 50%	25,264,460.19	1.41%	196	1.94%	29.03	3.86%
50% <= LTV < 60%	37,418,307.88	2.09%	255	2.52%	28.80	3.84%
60% <= LTV < 70%	81,191,854.55	4.54%	513	5.07%	29.92	3.83%
70% <= LTV < 80%	125,570,812.00	7.03%	753	7.43%	34.12	3.89%
80% <= LTV < 90%	221,795,958.18	12.41%	1,283	12.67%	32.92	3.90%
90% <= LTV < 100%	244,693,160.69	13.69%	1,333	13.16%	34.44	4.11%
100% <= LTV < 105%	202,097,606.86	11.31%	1,089	10.75%	37.29	4.21%
105% <= LTV < 110%	390,017,589.22	21.83%	2,174	21.47%	40.80	4.36%
110% <= LTV < 115%	449,953,778.02	25.18%	2,479	24.48%	36.55	4.25%
115% <= LTV < 120%	8,304,604.11	0.46%	48	0.47%	37.62	4.41%
120% <= LTV <= 125%	294,049.58	0.02%	1	0.01%	67.00	6.00%
	1,786,938,712.97	100.00%	10,128	100.00%	36.10	4.15%

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

<i>Range of Loan-to-Value</i>	<i>Aggregate Outstanding Principal Amount (EUR)</i>	<i>Proportion of pool</i>	<i>Number of Loans</i>	<i>Proportion of pool</i>	<i>WAM (Months)</i>	<i>WAC</i>
LTV < 25%	336,531.69	0.02%	4	0.04%	60.63	4.41%
25% <= LTV < 50%	30,720,992.80	1.72%	233	2.30%	30.63	4.00%
50% <= LTV < 60%	41,879,585.82	2.34%	281	2.77%	27.36	3.83%
60% <= LTV < 70%	83,747,658.62	4.69%	530	5.23%	30.94	3.89%
70% <= LTV < 80%	136,896,387.15	7.66%	808	7.98%	34.85	3.96%
80% <= LTV < 90%	250,790,086.97	14.03%	1,431	14.13%	33.82	3.99%
90% <= LTV < 100%	316,043,469.46	17.69%	1,697	16.76%	36.67	4.28%
100% <= LTV < 105%	255,290,750.34	14.29%	1,411	13.93%	37.99	4.36%
105% <= LTV < 110%	447,924,923.36	25.07%	2,515	24.83%	39.72	4.27%
110% <= LTV < 115%	220,912,633.76	12.36%	1,203	11.88%	33.38	3.94%
115% <= LTV < 120%	2,395,693.00	0.13%	15	0.15%	40.01	3.97%
	1,786,938,712.97	100.00%	10,128	100.00%	36.10	4.15%

MORTGAGE LOAN UNDERWRITING AND ORIGINATION

Underwriting

The underwriting rules for mortgage loans originated by Bank of Scotland Netherlands typically include, but are not limited to, the following aspects:

- BKR registration (former or present);
- a written sales contract (in case of a refinancing deed of title and/or excerpt of the Dutch Land Registry);
- applicable mortgage rates;
- collateral requirements such as valuation report and type of collateral;
- loan to value limitations, loan to income limitations and definition of income for the purposes of this calculation; and
- additional security requirements relating to risk insurance and capital insurance and repayment form.

The Bank of Scotland Netherlands underwriting criteria have been incorporated in STATER's automated lending decision management system ("**Capstone**"). Capstone is part of SMS, used by Bank of Scotland Netherlands in the origination of the mortgage loans. Capstone is a rule based system used to regulate the underwriting process.

Origination process – general

The Bank of Scotland originates mortgage loans through intermediaries and/or packagers, but also directly, via its website. These origination channels are discussed below.

Origination: outsourced final credit approval

Where the final credit approval is outsourced, loan application forms are submitted to applicants electronically, by mail or by fax via an intermediary, such as a mortgage adviser, insurance agent or real estate broker. The information received on the loan application is then entered into SMS by the relevant packager. SMS automatically collects information about the applicant from the BKR. After the application data have been entered into SMS, Capstone automatically checks the underwriting criteria. Each application is automatically evaluated by reference to the underwriting criteria of Bank of Scotland Netherlands. In case of a violation of the underwriting criteria, Capstone generates a stop code, and a loan offer will not be generated by the system. In such instances the packager will contact Bank of Scotland Netherlands and the loan offer may be generated only after written consent by the underwriters of Bank of Scotland Netherlands.

In case the loan application complies with all underwriting criteria or an overrule has been given by Bank of Scotland Netherlands, SMS submits an offer which is sent by the packager to the intermediary. The borrower must accept, sign and return the offer together with the required documentation to the intermediary. Once the offer has been accepted by the applicant, the intermediary collects the signed offer and all required loan documents and sends it to the packager, who will review the documents and send them to STATER for Final Credit Approval ("**FCA**").

After receipt of the loan file STATER scans the loan file into the STATER HYARCHIS (mortgage archive system), which is connected to SMS. The loan file is then available online. FCA is performed in two stages: (1) before scanning, the authenticity of all original documents is assessed; and (2) after scanning, FCA is carried out.

The FCA includes, amongst other things, a review of evidence of the applicant's income, the sales contract, appraisal report and insurance application, if applicable.

Bank of Scotland Netherlands has outsourced FCA to STATER's front office and, in respect of mortgage loans originated through Goudse only, Goudse, provided that FCA in respect of mortgage loans originated in the Hague and Rotterdam is not outsourced but given by the underwriters of Bank of Scotland Netherlands.

Origination: www.Bankofscotland.nl

Where loan application forms are submitted by applicants directly to the Bank of Scotland Netherlands via its website, the information received is automatically entered into the Business Rule Checker ("**BRC**"). BRC is a pre-qualification decision tool which generates a positive or negative decision based on the underwriting criteria of Bank of Scotland Netherlands. Only a positive decision generates a mortgage loan offer. In case of a negative decision the loan offer may be generated only

after an overrule by the underwriters of Bank of Scotland Netherlands. Once the offer has been accepted by the applicant it is automatically entered in to SMS. After the application data have been entered into SMS, the application is evaluated by Capstone. Each application is automatically evaluated against the underwriting criteria of Bank of Scotland Netherlands. In case of violation of the underwriting criteria, Capstone generates a stop code. Once the offer has been accepted by the applicant, the Bank of Scotland Netherlands front office collects the signed offer and all required loan documents, which will be reviewed by a Bank of Scotland Netherlands employee. The FCA includes, amongst other things, a review of evidence of the applicant's income, the sales contract, identity check, fraud check, appraisal report and insurance application, if applicable. FCA is performed by the underwriters of Bank of Scotland Netherlands. After FCA, the loan file is scanned onto HYARCHIS (mortgage archive system), which is connected to SMS and the loan file is then available online.

Completion of the loan

After FCA and acceptance of a loan, information for the civil law notary is automatically generated by SMS and sent out to the civil law notary. Based on this information the notary creates the mortgage deed and is responsible for the execution of the mortgage deed. Each mortgage loan is secured in the form of a notarial deed. The Borrower is required to take out insurance in respect of the mortgaged property against risk of fire, direct and indirect local rain and/or snow and leaking and other accidental damage for the full restitution value thereof. All the original deeds are stored by the civil law notary and are registered with the central registry (*Kadaster*). After scanning of the completed loan, all original documents are kept as a paper file with Iron Mountain Incorporated Records Storage & Management.

ADMINISTRATION OF THE MORTGAGE LOANS

Mortgage Administration

All Mortgage Loans are administered and serviced by the MPT Provider. The MPT Provider will provide mortgage payment transactions and other services to the Issuer on a day-to-day basis in relation to the Mortgage Loans. The duties of the MPT Provider include the collection of payments of principal, interest and other amounts in respect of the Mortgage Loans and the implementation of arrears procedures including the enforcement of the Mortgages.

In accordance with the Issuer Services Agreement, the MPT Provider will appoint STATER as its sub-agent to carry out the activities described above upon the terms and provisions of and in accordance with the Issuer Services Agreement. STATER will accept this appointment and will commit itself, in favour of the Issuer, to carry out the activities subject to and on the terms provided in the Issuer Services Agreement. The Issuer and the Security Trustee will consent to the appointment of STATER as sub-agent.

Collections

All monthly payments of principal and interest on the Mortgage Loans are collected from Borrowers by direct debit. STATER is mandated by the MPT Provider to draw the monthly payments from the Borrower's bank account directly into the Portfolio Accounts, which are then swept on a daily basis to the Seller Central Collection Account. SMS automatically collects the payments on the day before the last business day of each month. Payment information is monitored daily by personnel in STATER's arrears department.

Arrears procedure

The MPT Provider currently sub-contracts arrears management responsibilities to STATER. Every day SMS detects and keeps track of arrears. Two weeks after the first payment has been missed, a first reminder letter is sent to the Borrower. If the Borrower does not pay or react to the first reminder letter, a second reminder letter is sent after two weeks. The second reminder letter notifies the Borrower that measures for collecting the outstanding payment will be taken, including the engagement of a bailiff. Reminder letters include a specification of the penalty interest charged. Reminder letters are automatically generated by SMS and sent to Borrowers by STATER.

During the four weeks following the appointment of the bailiff, the Borrower will be contacted by the bailiff four times. The following procedures are: a summons, a telephone call, a service of a writ and another telephone call. Concurrently detailed information is collected regarding the Borrower's current job status, actual income, property, and monthly expenditures in order to attach the earnings and/or dispose of properties.

Where a Borrower falls into arrears, a credit check is carried out at BKR, the outcome of which indicates whether the Borrower is experiencing difficulties making other payments on consumer loans or other debt instruments. After three consecutive months of delinquency, BKR is notified of such delinquency by STATER in the fourth month.

STATER's arrears department works, in consultation with and upon instruction of Bank of Scotland Netherlands and in accordance with the Code of Conduct of Mortgage Loans (*Gedragcode Hypothecaire Financieringen*), to ascertain whether a solution to a delinquent Borrower's payment problem can be reached. At any time, the Borrower can make a proposal to STATER for repaying the arrears balance. STATER's arrears department, in consultation with and upon instruction from Bank of Scotland Netherlands, will then assess the Borrower's proposal and a counter-proposal can be made, if necessary. The Borrower may also propose to sell the property at any stage through a private sale. Bank of Scotland Netherlands may accept a private sale if (a) revenues from the sale are expected to cover the outstanding debt in full, or (b) it is estimated that the costs of the foreclosure process will result in a lower recovery value than a private sale of the property by the Borrower (see below).

Foreclosure process

The right to foreclose is afforded to Bank of Scotland Netherlands as mortgagee under Dutch law. Bank of Scotland Netherlands has, as a first ranking mortgagee, an "executorial title", which means that it does not have to obtain court permission prior to foreclose on the mortgaged property in case of default (*verzuim*) of the Borrower. If the proceeds from the sale or auction of the mortgaged property do not fully cover Bank of Scotland Netherlands' claims, Bank of Scotland Netherlands may sell any pledged associated life insurance or investment deposit. However, Dutch law

requires that, before a lender may foreclose on a Borrower's mortgaged property, the Borrower must be notified in writing of the default and it must be given reasonable time to comply with the lender's claims. This notification must include the amount outstanding and the amount of any expenses incurred. The name of the civil law notary responsible for the foreclosure sale should also be given.

In the case of a Borrower's bankruptcy, Bank of Scotland Netherlands may foreclose on the Borrower's mortgaged property. Execution of the foreclosure process must take place within a reasonable time, otherwise the bankruptcy trustee may take control of the execution process. In this case, Bank of Scotland Netherlands will be obliged to contribute to the bankruptcy costs. In addition the bankruptcy trustee may order a "cooling off" period (see *Special Considerations*).

Upon the request from Bank of Scotland Netherlands, STATER will assess the alternative sale methods to ascertain the method most likely to maximise value for the Bank of Scotland Netherlands. Based on this assessment, Bank of Scotland Netherlands may decide that the property should be sold either in a private sale or by public auction. A private sale is often an attractive alternative to a public auction. When the notification of foreclosure is made by Bank of Scotland Netherlands, STATER gives formal instructions to the civil notary for the relevant location. The date of the sale will be set by the civil notary within, in principle, three weeks of this instruction and typically no later than about six weeks after the decision to foreclose has been made (depending on the region and the number of other foreclosures currently being handled by the relevant district court).

The manner in which the proceeds from the sale are divided depends on the number of mortgages over the property. If there is only one mortgage holder, the proceeds will be passed on to the mortgage holder after deducting the costs of the execution. In the case of more than one mortgage holder, the division of the proceeds takes place according to the priority of the mortgages.

In general, STATER requires approximately four months to foreclose on a property once the decision to foreclose has been made. Throughout the foreclosure process, STATER works according to the instructions of Bank of Scotland Netherlands, guidelines set down by Dutch law, the Code of Conduct of Mortgage Loans and the BKR.

Outstanding amounts

If amounts are still outstanding after the foreclosure process or sale of the property has been completed, STATER continues to manage the remaining receivables. These amounts still have to be repaid by the Borrower and, if possible, a settlement agreement will be entered into. In the event a Borrower does not comply with a settlement agreement, or does not wish to cooperate with STATER acting as agent of Bank of Scotland Netherlands, other measures can be taken by Bank of Scotland Netherlands or by STATER, after being instructed to do so by Bank of Scotland Netherlands. These measures include the engagement of a bailiff to levy an attachment over the Borrower's salary as permitted by Dutch law.

STATER NEDERLAND B.V.

STATER Nederland B.V. is the leading independent, third party provider of mortgage payment transactions with regard to residential mortgages in the Netherlands. The activities are provided in a completely automated and paperless electronic format. STATER has pioneered the use of technology through its E-transactions concept for owners of residential mortgage loan portfolios and features capabilities to enhance, accelerate and facilitate securitisation transactions.

STATER started its activities on 1st January, 1997. The combination of technology and experience in originating and providing activities consisting of mortgage payment transactions and ancillary activities with regard to residential mortgage loans in the Netherlands has led to a market share of more than 30 per cent.

STATER provides activities consisting of mortgage payment transactions and ancillary activities with regard to a total of euro 69.2 billion and approximately 470,000 mortgage loans. STATER is a 100 per cent. subsidiary of STATER N.V., of which the shares are held for 60 per cent. by ABN AMRO Bank N.V. and for the remainder by (a subsidiary of) ABN AMRO Bouwfonds Nederlandse Gemeenten N.V.

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

In the securitisation process, STATER is able to identify specific loan pools based on underwriting criteria as instructed by its clients and provides the Company Administrator access to pool performance and information. Finally, STATER provides detailed investor reports regarding pool status on a consistent basis.

The STATER computer system, for which STATER also provides back-up facilities, is regularly updated and modified.

MORTGAGE RECEIVABLES PURCHASE AGREEMENT

Transfer of Legal Title

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, to the extent legally possible the Beneficiary Rights relating thereto by means of the Deed of Assignment. Legal title will remain with the Seller unless (a) an Assignment Notification Event occurs or (ii) (at the option of the Seller) the Deed of Assignment and/or Purchase Deeds of Assignment are registered with the relevant tax authorities. Following such assignment, the Issuer will be entitled to all proceeds, except for Prepayment Penalties, in respect of the Mortgage Receivables as of the Closing Date. The Seller is entitled to withhold any Prepayment Penalties from the Seller Central Collection Account. After transfer of legal title to the Mortgage Receivables, the Issuer will be contractually obliged to pass on to the Seller any Prepayment Penalties which the Issuer has received from the Borrowers.

The assignment of the Mortgage Receivables from the Seller to the Issuer will not be notified to the Borrowers, except upon the occurrence of an Assignment Notification Event as further described below. Until notification the Borrowers will only be entitled to validly pay (*bevrijdend betalen*) to the Seller (whether or not registration as referred to above has taken place). The Seller (or a third party on its behalf) will pay to the Issuer on a monthly basis all proceeds received during the immediately preceding Mortgage Calculation Period in respect of the Mortgage Receivables (other than Prepayment Penalties).

Purchase Price

The purchase price for the Mortgage Receivables will consist of (i) the Initial Purchase Price which will be payable on the Closing Date in respect of the Mortgage Receivables purchased on such date and, in respect of Substitute Mortgage Receivables, on the relevant Mortgage Payment Date, as the case may be, and (ii) the Deferred Purchase Price. The Deferred Purchase Price will be equal to the sum of all Deferred Purchase Price Instalments. The Initial Purchase Price payable on the Closing Date amounts to euro 1,499,999,954. The remaining euro 46 will be deposited on the Issuer Collection Account and form part of the Substitution Available Amount.

Representations and Warranties

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

- (1) each Mortgage Receivable is duly and validly existing;
- (2) each Mortgage Loan was originated by the Seller;
- (3) each of the Mortgage Loans conforms to the Mortgage Loans Criteria;
- (4) the Seller has full right and title (*titel*) to the Mortgage Receivables and no restrictions on the sale and assignment of the Mortgage Receivables are in effect and the Mortgage Receivables are capable of being assigned;
- (5) the Seller has the power (*is beschikkingsbevoegd*) to sell and assign the Mortgage Receivables;
- (6) the Mortgage Receivables are free and clear of any rights of pledge or other or similar rights (*beperkte rechten*), encumbrances and attachments (*beslagen*) and no option rights have been granted in favour of any third party with regard to the Mortgage Receivables other than pursuant to the Relevant Documents and no claims or other contractual entitlements of third parties exist in respect of the Mortgage Receivables that could be adverse to the Issuer's interest therein to the validity/enforceability of the Relevant Documents;
- (7) the Mortgage Loans and the Mortgage Conditions comply in all material respects with the laws of the Netherlands applicable thereto, including mortgage credit and consumer protection legislation;
- (8) each Mortgage Receivable is secured by a mortgage right (*hypotheekrecht*) on a Mortgaged Asset located in the Netherlands and is governed by Dutch law;
- (9) all Mortgages and Borrower Pledges (i) constitute valid mortgage rights (*hypotheekrechten*) and rights of pledge (*pandrechten*) respectively on the assets which are the subject of the Mortgages and the Borrower Pledges, as applicable, 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*) or, as the case may be, first and one or more sequential lower ranking priority in favour of the Seller; and (iii) were vested to secure the repayment of an Outstanding Principal Amount which at least equals the Outstanding Principal Amount at origination, increased with interest, penalties, costs and any damages together up to an amount equal to 40 per cent. of the Outstanding Principal Amount at origination;
- (10) each Mortgage Receivable, the Mortgage and the Borrower Pledge securing such receivable, if any, constitute legal, valid, binding and enforceable obligations of the relevant Borrower vis-à-vis the Seller, except for any limitation on enforceability due to applicable bankruptcy or insolvency laws;
 - (11) upon creation of each mortgage right, the Seller was granted the right to unilaterally terminate such mortgage right in whole or in part, and such right has not been revoked, terminated or amended;
 - (12) the Mortgage Deeds contain the provision that the Mortgages will partially follow, *pro rata*, the Mortgage Receivables upon their assignment;
 - (13) at origination, each Mortgaged Asset was valued by an independent qualified appraiser not more than 12 months before application for a Mortgage Loan was made, except that in the case of refinancing Mortgage Loans with a maximum LTFV-ratio of 75 per cent. and a principal amount lower than 80 per cent. of the Foreclosure Value, in which case a valuation based on the Act on Valuation of Real Property (*Wet Waardering Onroerende Zaken*) is accepted;
 - (14) each Mortgage Loan has been granted to a Borrower in accordance with all applicable legal requirements and the Code of Conduct on Mortgage Loans (*Gedragcode Hypothecaire financieringen*) prevailing at the time of origination in all material respects and each Mortgage Loan meets in all material respects the standard underwriting criteria and procedures of the Seller, including Borrower income requirements, prevailing at the time of origination;
 - (15) the Borrowers have committed in the Mortgage Conditions to take out a building insurance policy (*opstalverzekering*) for the full reinstatement value (*herbouwwaarde*) at the time the relevant Mortgage Loan was advanced;
 - (16) all Mortgage Loans have been fully disbursed;
 - (17) the notarial mortgage deeds (*minuut*) relating to the mortgage rights are filed by STATER while the loan files, which include authenticated copies of the notarial mortgage deeds, and which loan files could be in electronic form, are kept by STATER Nederland B.V. to the order of the Seller or, as the case may be, the Issuer or the Security Trustee;
 - (18) to the best of the knowledge of the Seller, the Borrowers are not in any material breach of any provision of their Mortgage Loans;
 - (19) the Mortgage Conditions provide that all payments by the Borrower should be made without any deduction or set-off;
 - (20) each Mortgage Loan constitutes the entire loan granted to the relevant Borrower that is secured by the Mortgage and not merely one or more loan parts (*leningdelen*);
 - (21) the particulars of each Mortgage Receivable, as set forth in the list of Mortgage Receivables (i) attached to the Mortgage Receivables Purchase Agreement and to the Deed of Assignment to be signed on the Closing Date and (ii) to be deposited with the civil-law notary, are true, correct and complete in all material respects;
 - (22) all Mortgage Receivables secured by a Mortgage on a long lease (*erfpacht*) provide that the Outstanding Principal Amount, including interest, will become immediately due and payable if the long lease terminates, if the leaseholder materially breaches or ceases to perform its payment obligation under the long lease (*canon*) or if the leaseholder in any other manner breaches the conditions of the long lease;
 - (23) the Seller has no Other Claim vis-à-vis a Borrower.

Repurchase of Mortgage Receivables

The Seller will undertake to repurchase and accept reassignment of the Mortgage Receivables under the following four circumstances, in each case for a price equal to the relevant Outstanding Principal Amount together with interest accrued up to but excluding the date of purchase and reassignment of the Mortgage Receivable:

- (a) if at any time after the Closing Date any of the representations and warranties relating to a Mortgage Loan and/or Mortgage Receivable proves to have been untrue or incorrect in any material respect, the Seller will within 14 days of having knowledge of such breach or receipt of written notice thereof from the Issuer or the Security Trustee, remedy the matter giving rise thereto and if such matter is not capable of remedy or is not remedied within those 14 days the Seller will repurchase and accept reassignment of the relevant Mortgage Receivable;
- (b) if it agrees with a Borrower to amend the terms of the relevant Mortgage Loan and as a result thereof the relevant Mortgage Loan no longer meets each of the Mortgage Loans Criteria and the representations and warranties of the Mortgage Receivables Purchase Agreement or if such amendment, as a result, changes the maturity date of the loan, the interest rate (other than as a result of an interest reset) or monthly payment amount (other than as a result of an interest reset), 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 such Seller shall not repurchase the relevant Mortgage Receivable;
- (c) on the immediately succeeding Mortgage Payment Date after the date on which it has agreed to grant a Further Advance to the relevant Borrower; and/or
- (d) if it obtains an Other Claim vis-à-vis the Borrower or such Mortgage Receivable on the Mortgage Payment Date immediately succeeding the day such Other Claim is obtained.

Seller Clean-Up Call

The Seller may (without the obligation to do so) exercise the Seller Clean-Up Call Option and repurchase and accept re-assignment of all (but not some only) the Mortgage Receivables on any Quarterly Payment Date on which the principal amount due on the Mortgage Receivables then outstanding is less than 10 per cent. of the principal amount of the Mortgage Receivables on the Closing Date.

Mortgage Loans Criteria

On 30th April, 2005, each of the Mortgage Loans met the Mortgage Loans Criteria:

- (a) the Mortgage Loans are in one of the following forms:
 - (1) Life Mortgage Loans (*levenhypotheke*),
 - (2) Annuity Mortgage Loans (*annuïteiten hypotheke*),
 - (3) Interest-only Mortgage Loans (*aflossingsvrije hypotheke*), or
 - (4) a combination of any of the above mentioned types of mortgage loans (*combinatiehypotheke*);
- (b) the Borrower is a resident of the Netherlands and not employed by the Seller;
- (c) each Mortgage Loan is secured by a first ranking – or first ranking and sequentially lower ranking-right of mortgage on a Mortgaged Asset situated in the Netherlands;
- (d) none of the Mortgage Loans are bridging loans (*overbruggingshypotheke*);
- (e) in respect of all Mortgage Loans, the Borrowers' income statements have been verified and no income was taken into account other than employment income, self-employment income and (early) retirement income;
- (f) the Mortgaged Asset had to be occupied by the Borrower at and after the time of origination. No consent for residential letting of the mortgaged property has been given by or on behalf of the Seller;
- (g) the interest rate on each Mortgage Loan is a fixed rate, subject to an interest reset from time to time, or a floating rate;
- (h) all scheduled payments on the Mortgage Loans are to be made monthly in arrear by direct debit;
- (i) the LTFV-ratio of each of the Mortgage Loans did not exceed 125 per cent. upon its creation;
- (j) no Mortgage Loan will have a legal maturity beyond April 2048;
- (k) each Mortgage Loan has an Outstanding Principal Amount of not more than euro 500,000;

- (l) all Mortgage Loans are fully disbursed (no *bouwhypotheken*);
- (m) in respect of all Interest-only Mortgage Loans, or in the case of a combination of types of mortgage loans, the LTFV-ratio of the interest-only loan part does not exceed 75 per cent. of the Mortgaged Asset upon creation of the Mortgage Loan in the case of Bank of Scotland Standard Mortgage Loans, and in the case of Bank of Scotland Economy Mortgage Loans, the LTFV-ratio of the interest-only loan part does not exceed 90 per cent. of the Mortgaged Asset upon creation of the Mortgage Loan;
- (n) no Mortgage Loan benefits from a NHG Guarantee; and
- (o) the total amount of arrears of interest and principal, together with any fees, commissions and premiums payable at the same time as that interest payment or principal repayment in respect of any Mortgage Loan is not, on the date of sale and assignment to the Issuer, nor has been during the 12 months immediately preceding the date of sale and assignment to the Issuer, more than the amount of the monthly payment then due including in the case where the Mortgage Loan has less than 12 months' seasoning.

The Mortgage Loans Criteria also apply to the selection of Substitute Mortgage Receivables unless stated otherwise.

Assignment Notification Events

The Mortgage Receivables Purchase Agreement provides that, notwithstanding the Seller's right to complete the assignment at any time by way of registration of the Deed of Assignment and/or Purchase Deed(s) of Assignment, 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 it under the Mortgage Receivables Purchase Agreement or under any other Relevant Document to which it is a party and such default 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 other Relevant Document to which it is a party and, if such failure is capable of being remedied, such default 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) the Seller takes any corporate action or other steps are taken or legal proceedings have been instituted or threatened against it for its dissolution and liquidation or legal demerger involving a material part of the Seller's assets or its assets are placed under administration; or
- (d) the Seller, otherwise than for the purposes of such amalgamation or reconstruction as is referred to in subparagraph (g) below, ceases or threatens to cease to carry on its business or a substantial part of its business or the Seller is deemed unable to pay its debts within the meaning of Section 123(1)(a), (b), (c) or (d) of the Insolvency Act 1986 (as that section may be amended, modified or re-enacted) or the value of its assets falls to less than the amount of its liabilities (taking into account for both these purposes its contingent and prospective liabilities) or otherwise becomes insolvent; 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 submission to an emergency regulation (*noodregeling*) or for the bankruptcy (*faillissement*) or for any analogous insolvency proceedings under any applicable law or for the appointment of a receiver or a similar officer of it or of any or all of its assets; or
- (f) an order is made or an effective resolution is passed for the winding-up of the Seller except a winding-up for the purposes of or pursuant to an amalgamation or reconstruction the terms of which have previously been approved by the Security Trustee in writing or by an Extraordinary Resolution of the Noteholders; or
- (g) proceedings are otherwise initiated against the Seller under any applicable liquidation, insolvency, bankruptcy, composition, reorganisation or other similar laws (including, but not limited to, an application for an administration order, the filing of documents with the court for the appointment of an administrator, the service of a notice of intention to appoint an administrator or the taking of any steps to appoint an administrator) and (except in the case of an application for an administration order or the taking of any steps to appoint an

administrator) such proceedings are not, in the sole opinion of the Security Trustee, being disputed in good faith with a reasonable prospect of success, or an administration order being granted or the appointment of an administrator taking effect or an administrative receiver or other receiver, liquidator, trustee in sequestration or other similar official being appointed in relation to the Seller or in relation to the whole or any substantial part of the undertaking or assets of the Seller, or an encumbrancer taking possession of the whole or any substantial part of the undertaking or assets of the Seller, or a distress, execution, diligence or other process is levied or enforced upon or sued out against the whole or any substantial part of the undertaking or assets of the Seller and such possession or process (as the case may be) is not discharged or does not otherwise cease to apply within 30 days, or the Seller initiates or consents to judicial proceedings relating to itself under applicable liquidation, insolvency, bankruptcy, composition, reorganisation or other similar laws or makes a conveyance or assignment for the benefit of its creditors generally or takes steps with a view to obtaining a moratorium in respect of any indebtedness; or

- (h) at any time it becomes unlawful for the Seller to perform all or a material part of its obligations hereunder or under any Relevant Document to which it is a party in such a manner that this would have a material adverse effect on its ability to perform such obligations; or
- (i) the Seller has given materially incorrect information or has not given material information which was essential for the Issuer and the Security Trustee in connection with the entering into of the Mortgage Receivables Purchase Agreement and/or any of the other Relevant Documents; or
- (j) the rating assigned to the unsecured, unsubordinated and unguaranteed long term debt obligations of the Seller falls (i) below A3 by Moody's and/or A- by Fitch and/or BBB by S&P, or is withdrawn or (ii) if legal title to the Mortgage Receivables has previously passed to the Issuer by way of registration of the Deed of Assignment and any Purchase Deed of Assignment, below Ba2 by Moody's or is withdrawn;
- (k) a Trustee I Notification Event occurs,

then, and at any time thereafter, unless (but only in case of the occurrence of the events mentioned under (a), (b) and (j)) within a period of 10 business days) an appropriate remedy to the satisfaction of the Security Trustee is found, after having received confirmation from all Rating Agencies that no downgrading of the then current ratings assigned to the Notes outstanding will occur as a result of not giving notice, the Seller will forthwith notify the relevant Borrowers and any other relevant parties indicated by the Issuer and/or the Security Trustee of the assignment of the Mortgage Receivables to the Issuer or, at its option, the Issuer will be entitled to make such notifications itself.

For a discussion as to the Beneficiary rights in case of the occurrence of an Assignment Notification Event, see *Special Considerations – Beneficiary Rights*.

As a transfer of legal title to claims can also be effected by way of registration of the deeds of assignment, the Seller or the Issuer could complete the assignment by registration of the Deed of Assignment and/or Purchase Deeds of Assignment. In such event the Rating Agencies will be notified thereof. The parties have agreed that in the absence of any Assignment Notification Event, only the Seller may effect registration.

Purchase of Substitute Mortgage Receivables

The Mortgage Receivables Purchase Agreement provides that the Issuer will on any Mortgage Payment Date apply the Substitution Available Amount to purchase Substitute Mortgage Receivables from the Seller, if and to the extent offered by the Seller.

The Initial Purchase Price payable by the Issuer as consideration for any Substitute Mortgage Receivables will be equal to the aggregate of the Outstanding Principal Amount on the first day of the month of the relevant Mortgage Payment Date. The Issuer will be entitled to all proceeds in respect of the Substitute Mortgage Receivables following such assignment as of the relevant Mortgage Payment Date.

The purchase by the Issuer of Substitute Mortgage Receivables will be subject to a number of conditions, which include, *inter alia*, the conditions that on the relevant date of completion of the sale and purchase of the Substitute Mortgage Receivables:

- (a) the Substitute Mortgage Receivables meet the Mortgage Loans Criteria set out in Schedule 7 of the Mortgage Receivables Purchase Agreement;

- (b) the Substitute Mortgage Receivables are encumbered with a first ranking right of pledge in favour of the Security Trustee and (if legal title remains with the Seller) a second ranking right of pledge in favour of the Issuer;
- (c) the Seller will make the representations and warranties to the Issuer and the Security Trustee relating to the Mortgage Loans and the Mortgage Receivables with respect to the Substitute Mortgage Loans and the Substitute Mortgage Receivables sold on such date, and with respect to the Seller set out in the Mortgage Receivables Purchase Agreement in the relevant Purchase Deed of Assignment;
- (d) no Assignment Notification Event has occurred and is continuing;
- (e) none of the representations and warranties set forth (by reference) in Clause 7.1 (Representations and Warranties relating to the Mortgage Loans/Mortgage Receivables) of the Mortgage Receivables Purchase Agreement is or proves to have been untrue and incorrect in any material respect;
- (f) there has been no failure by the Seller to repurchase any Mortgage Receivable which it is required to repurchase pursuant to the Mortgage Receivables Purchase Agreement;
- (g) the Substitution Available Amount is sufficient to pay the initial purchase price for the relevant Substitute Mortgage Receivables;
- (h) not more than 2.2 per cent. of the aggregate Outstanding Principal Amount of the Mortgage Receivables is in arrears for an amount exceeding 60 days of interest and principal;
- (i) not more than 1.5 per cent. of the aggregate Outstanding Principal Amount of the Mortgage Receivables is in arrears for an amount exceeding 90 days of interest and principal;
- (j) the cumulative Realised Losses as a percentage of the Outstanding Principal Amount of the Mortgage Receivables at the Closing Date do not exceed 0.8 per cent.;
- (k) there is no debit balance on the Principal Deficiency Ledger;
- (l) there is no drawing under the Liquidity Facility that has not been repaid and there is no drawing made under the Liquidity Facility on the relevant date of completion of the purchase of the Substitute Mortgage Receivables;
- (m) the aggregate Outstanding Principal Amount of the Substitute Mortgage Loans and the Mortgage Loans purchased by the Issuer since the Mortgage Payment Date immediately preceding the relevant date of the sale and purchase does not cause the weighted average seasoning (according to the Outstanding Principal Amount of the Mortgage Receivables) to be less than one year;
- (n) the weighted average LTFV-ratio does not exceed the LTFV-ratio as at the Closing Date provided that the Issuer and the Seller may agree to a higher LTFV-ratio, subject to the confirmation of the Rating Agencies that no downgrading of the Notes (excluding the Subordinated Class E Notes) will occur as a result thereof;
- (o) the proportion of all Mortgage Receivables with an LTFV-ratio over 100 per cent. does not exceed such proportion as at the Closing Date plus 1.0 per cent. The Issuer and the Seller may agree to a higher percentage, subject to the confirmation by the Rating Agencies that no downgrading of the Notes (excluding the Subordinated Class E Notes) will occur as a result thereof.
- (p) the aggregate proportion of the Outstanding Principal Amount of the Interest-only Mortgage Receivables to the Outstanding Principal Amount of all Mortgage Receivables should be equal to or exceed such proportion as at the Closing Date plus 1.0 per cent. provided that the Seller and the Issuer may agree to a higher percentage, subject to the confirmation by the Rating Agencies that no downgrade of the Notes (excluding the Subordinated Class E Notes) will occur as a result hereof;
- (q) the aggregate proportion of the Outstanding Principal Amount of the Fixed Rate Mortgage Receivables to the Outstanding Principal Amount of all Mortgage Receivables should be equal to or exceed 70 per cent. provided that the Seller and the Issuer may agree to a lower percentage, subject to the confirmation by the Rating Agencies that no downgrade of the Notes (excluding the Subordinated Class E Notes) will occur as a result hereof;

- (r) the annual aggregate Outstanding Principal Amount of the Substitute Mortgage Loans and the Mortgage Loans purchased by the Issuer does not exceed 20 per cent. per cent. of the aggregate Principal Amount Outstanding of the Notes (excluding the Subordinated Class E Notes);
- (s) the amount standing to the Reserve Account is equal to the Reserve Account Target Level or in case the Reserve Account has not yet been fully funded, there shall be no drawing on the Reserve Account;
- (t) the purchase by the Issuer of Substitute Mortgage Receivables on the relevant Mortgage Payment Date does not result in the product of the weighted average foreclosure frequency (“WAFF”) and the weighted average loss severity (“WALS”) for the Mortgage Receivables exceeding the product of the WAFF and WALS for the Mortgage Receivables calculated on the Closing Date, plus 0.25 per cent.; and
- (u) not more than 9.25 per cent. of the Mortgage Loans is connected to Life Insurance Policies taken out with an individual Life Insurance Company.

Interest reset agreements

Pursuant to the Mortgage Receivables Purchase Agreement and the Issuer Services Agreement the Seller will determine and set the interest rates in accordance with the Mortgage Conditions in such a way, that the weighted average interest margin in respect of the Mortgage Receivables will at all times be at least equal to the Threshold Margin. If on a Quarterly Calculation Date the Company Administrator determines that the weighted average interest rate has dropped below the Threshold Margin, the authority to set the interest rates in accordance with the Mortgage Conditions and Clause 5.1 of the Issuer Services Agreement will pass from the Seller to the Security Trustee (prior to transfer of legal title to the Mortgage Receivables by way of a power of attorney from the Seller and after transfer of legal title by way of a power of attorney from the Issuer) until such time as the Issuer and the Security Trustee may in their sole discretion determine.

ISSUER SERVICES AGREEMENT

In the Issuer Services Agreement, the MPT Provider will agree to provide the MPT Services (mortgage payment transactions 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 of payments of principal, interest to the Issuer and other amounts in respect of the Mortgage Loans. The MPT Provider will also agree to provide the Defaulted Loan Services, including the implementation of arrears procedures and the enforcement of mortgage rights (see further *Mortgage Loan Underwriting and Origination*). The MPT Provider will be obliged to provide the services as set out above in respect of the Mortgage Loans and the Mortgage Receivables at the same level of skill, care and diligence as mortgage loans in its own portfolio. The MPT Provider will, in accordance with the Issuer Services Agreement, appoint STATER as its sub-agent to carry out the MPT Services and the Defaulted Loan Services described above upon the terms and provisions of and in accordance with the Issuer Services Agreement. STATER will accept this appointment and will commit itself, in favour of the Issuer, to carry out the activities subject to and on the terms provided in the Issuer Services Agreement. The Issuer and the Security Trustee have consented to the appointment of STATER as sub-agent. Finally, the MPT Provider will perform certain cash management services by instructing the Paying Agent to make such payments to such persons as calculated by the Company Administrator.

The Company Administrator will in the Issuer Services Agreement agree to provide certain administration and calculation services to the Issuer and, where necessary, provide the relevant information to the MPT Provider for it to perform certain cash management services, including (a) calculations and determinations of the amounts received by the Seller to the GIC Account and the production of monthly reports in relation thereto, (b) indicating to the MPT Provider which drawings (if any) to be made by the Issuer from the Reserve Account, (c) calculations and determinations of all payments to be made by the Issuer under the Swap Agreement, (d) calculating and determining all payments to be made by the Issuer under the Notes in accordance with the Conditions of the Notes, (e) the maintaining of all required ledgers in connection with the above, (f) all calculations to be made pursuant to the Conditions and (g) determinations whether the weighted average interest margin in respect of the Mortgage Receivables is at least equal to the Threshold Margin.

SWAP AGREEMENT

The following section contains a summary of the material terms of the Swap Agreement. This summary does not purport to be complete and is subject to the provisions of the Swap Agreement.

General

Approximately 80 per cent. of the Mortgage Loans sold and assigned to the Issuer on the Closing Date carry a fixed rate of interest, all for a certain set interest period (*rentevastperiode*). At the end of an interest period, the interest rate will be reset, unless the Borrower redeems the Mortgage Loans. In general, fixed rate reset terms can be set for periods of 1, 5, 6, 10, 15, 20 and 30 years. In addition, a portion of the Mortgage Loans carry a variable rate of interest. This variable rate is reset monthly. However, the interest rate payable by the Issuer with respect to the Notes is calculated as margin over EURIBOR for three-month euro deposits. To provide a hedge against possible variance between (i) the variable rate of interest and fixed rate of interest payable on the Mortgage Loans and (ii) a EURIBOR-based rate for three-month euro deposits, the Issuer, the Swap Counterparty and the Security Trustee will enter into the Swap Agreement on the Closing Date. The Swap Agreement will have a notional amount that is sized to hedge against any potential interest rate mismatches in relation to the Notes excluding the Subordinated Class E Notes. Under the Swap Agreement, on each Mortgage Calculation Date, the following amounts will be calculated:

- the amount produced by multiplying EURIBOR for three-month euro deposits (as determined in respect of the relevant Mortgage Calculation Period) plus the Swap Margin for the relevant Quarterly Calculation Period by the Notional Amount (the “**Quarterly Calculation Period Swap Provider Amount**”); and
- the amount produced by multiplying a rate equal to the weighted average (by Outstanding Principal Amount) of:
 - (i) the fixed rates of interest payable on Mortgage Loans carrying a fixed rate of interest; and
 - (ii) EURIBOR for one-month euro deposits in respect of Mortgage Loans carrying a floating rate of interest,

for the relevant Quarterly Calculation Period by the Notional Amount (the “**Quarterly Calculation Period Issuer Amount**”).

After these two payments are calculated in relation to the Quarterly Payment Date, the following payments will be made on that Quarterly Payment Date:

- if the first amount is greater than the second amount, then the Swap Counterparty will pay the difference to the Issuer;
- if the second amount is greater than the first amount, then the Issuer will pay the difference to the Swap Counterparty; and
- if the two amounts are equal, then neither party will make a payment to the other.

If a payment is to be made by the Swap Counterparty, that payment will be included in the Notes Interest Available Amount and will be applied on the relevant Quarterly Payment Date according to the relevant order of priority of payments of the Issuer. If a payment is to be made by the Issuer, it will be made according to the relevant priority of payments of the Issuer.

The Notional Amount of the Swap Agreement in respect of a Quarterly Calculation Period will be an amount in euro equal to:

- the aggregate Principal Amount Outstanding of the Senior Class A Notes, the Mezzanine Class B Notes, the Junior Class C Notes and the Subordinated Class D Notes on the first day of such Quarterly Calculation Period; less
- the balance of the Principal Deficiency Ledger attributable to the Notes on the first day of such Quarterly Calculation Period; less
- the amount of Principal Receipts in the Issuer Collection Account on the first day of such Quarterly Calculation Period.

In the event that the Swap Agreement is terminated prior to the service of any Enforcement Notice, the Issuer shall enter into a replacement swap agreement on terms acceptable to the Rating Agencies, with the Security Trustee and with a swap counterparty whom the Rating Agencies have previously confirmed in writing to the Issuer and the Security Trustee will not cause the then current ratings of the Notes to be downgraded, withdrawn or qualified. If the Issuer is unable to enter into a

replacement swap agreement on terms acceptable to the Rating Agencies, this may affect amounts available to pay interest on the Notes.

Ratings downgrade of the Swap Counterparty

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 a Rating Agency below the relevant Required Swap Counterparty Ratings (in accordance with the requirements of the rating agencies), and, if applicable, as a result of the downgrade, the then current ratings of the Notes, would, be adversely affected, 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 Swap Counterparty Rating (in accordance with the requirements of the relevant Rating Agency), procuring another entity with the Required Swap Counterparty Rating (in accordance with the requirements of the relevant Rating Agency) to become co-obligor or guarantor, as applicable, in respect of its obligations under the Swap Agreement, or taking such other action as it may agree with the relevant Rating Agency.

Termination of the Swap Agreement

The Swap Agreement will or may be terminated under certain circumstances, including the following:

- the Swap Agreement will terminate on the date on which the Principal Amount Outstanding of the Notes is reduced to zero,
- the Swap Agreement may also be terminated in certain other circumstances, including the following, each referred to as a “**Swap Early Termination Event**”:
 - at the option of one party to the Swap Agreement, if there is a failure by the other party to pay any amounts due under the Swap Agreement;
 - at the option of the Swap Counterparty, if the Security Trustee serves an Enforcement Notice;
 - at the option of either party, if a redemption or purchase of the Notes occurs pursuant to Conditions 6(a), (b), (e), (g), (i) or (j);
 - at the option of the Issuer, if certain tax representations by the Swap Counterparty prove to have been incorrect or misleading in any material respect;
 - at the option of the Swap Counterparty, if certain insolvency events occur with respect to the Issuer;
 - at the option of the Issuer upon the occurrence of an insolvency of the Swap Counterparty, or its guarantor, or the merger of the Swap Counterparty without an assumption of its obligations under the Swap Agreement, or if a material misrepresentation is made by the Swap Counterparty under the Swap Agreement or a default by the Swap Counterparty under an over-the-counter derivatives transaction under another agreement between the Issuer and Swap Counterparty or if a breach of a provision of the Swap Agreement by the Swap Counterparty is not remedied within the applicable grace period, or, if applicable, the guarantor of the Swap Counterparty fails to comply with its obligations under any guarantee;
 - if a change in law results in the obligations of one of the parties becoming illegal:
 - at the option of the Swap Counterparty but subject to obtaining the consent of the Security Trustee, if withholding taxes are imposed on payments made by the Swap Counterparty under the Swap Agreement; and
 - if the Swap Counterparty or its guarantor, as applicable, is downgraded and fails to comply with the requirements of the ratings downgrade provision contained in the relevant swap agreement and described above under “**Ratings downgrade of the Swap Counterparty**”.

Upon the occurrence of a Swap Early Termination Event, 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 Agreement 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.

If the Swap Agreement is terminated early and a termination payment is due by the Issuer to the Swap Counterparty, then, the Issuer shall apply Notes Interest Available Amount in accordance with the relevant priority of payments of the Issuer. The application by the Issuer of termination payments due to the Swap Counterparty may affect the funds available to pay amounts due to the Noteholders (see further *Special Considerations – Swap Agreement*).

If the Issuer receives a termination payment from the Swap Counterparty, then the Issuer shall use those funds towards meeting its costs in entering into a replacement swap.

Noteholders will not receive extra amounts (over and above Interest and Principal payable on the Notes) as a result of the Issuer receiving a termination payment.

Transfer of the Swap Agreement

The Swap Counterparty may, subject to certain conditions specified in the Swap Agreement, including (without limitation) the satisfaction of certain requirements of the Rating Agencies, transfer its obligations under any Swap Agreement to another entity.

Taxation

The Issuer is not obliged under the Swap Agreement to gross up payments made by them if withholding taxes are imposed on payments made under the Swap Agreement.

The Swap Counterparty will be obliged to gross up payments made by it to the Issuer if withholding taxes are imposed on payments made under the Swap Agreement. However, if the Swap Counterparty is required to gross up a payment under the Swap Agreement the Swap Counterparty may subject to the consent of the Security Trustee transfer the Swap Agreement.

Governing law

The Swap Agreement will be governed by English law.

THE ISSUER

The Issuer was incorporated with limited liability under the laws of the Netherlands on 22nd April, 2005 under number B.V. 1317115. The corporate seat (*statutaire zetel*) of the Issuer is in Amsterdam, the Netherlands and its registered office is at Frederik Roeskestraat 123, 1076 EE Amsterdam, the Netherlands. The Issuer is registered with the Commercial Register of the Chamber of Commerce of Amsterdam under number 34225360.

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

The Issuer has an authorised share capital of euro 90,000 of which euro 18,000 has been issued and is fully paid. All shares of the Issuer are held by Stichting Holding.

Stichting Holding is a foundation (*stichting*) incorporated under the laws of the Netherlands on 11th March, 2005. The objects of Stichting Holding are, *inter alia*, to incorporate, acquire and to hold shares in the share capital of the Issuer and to exercise all rights attached to such shares and to dispose of and encumber such shares. The sole managing director of Stichting Holding is ATC Management B.V.

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

The sole managing director of the Issuer is ATC Management B.V. The managing directors of ATC Management B.V. are J.H. Scholts, G.F.X.M. Nieuwenhuizen, A.G.M. Nagelmaker and J. Lont.

The financial year of the Issuer coincides with the calendar year. The first financial year will end on 31st December, 2005.

Capitalisation

The following table shows the capitalisation of the Issuer as of 17th May, 2005 as adjusted to give effect to the issue of the Notes:

Share Capital

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

Borrowings

Senior Class A Notes	euro	1,395,000,000
Mezzanine Class B Notes.....	euro	51,000,000
Junior Class C Notes	euro	31,500,000
Subordinated Class D Notes.....	euro	22,500,000
Subordinated Class E Notes	euro	4,500,000
Subordinated Loan.....	euro	2,800,000

AUDITORS' REPORT

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

“Auditors’ Report

Candide Financing 2005 B.V. (the “**Issuer**”) was incorporated on 22nd April, 2005 under number B.V. 1317155 with an issued share capital of Euro 18,000. The Issuer has not yet filed any financial statements.

Amstelveen, 17th May, 2005

Yours faithfully,

KPMG Accountants N.V.”

USE OF PROCEEDS

The net proceeds of the Notes to be issued on the Closing Date will amount to euro 1,504,500,000.

The net proceeds of the issue of the Notes other than the Subordinated Class E Notes will be applied on the Closing Date to pay the Initial Purchase Price for the Mortgage Receivables purchased under the Mortgage Receivables Purchase Agreement. The net proceeds of the issue of the Subordinated Class E Notes will be credited to the Reserve Account. The Subordinated Loan will, *inter alia*, be applied by the Issuer to cover expenses in respect of the issue of the Notes.

DESCRIPTION OF SECURITY

In the Parallel Debt Agreement, the Issuer will irrevocably and unconditionally undertake to pay to the Security Trustee 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 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 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. The amounts due to the Secured Parties will be the sum of (a) amounts recovered (*verhaald*) by it on the Mortgage Receivables and the other assets pledged under the Trustee Pledge Agreement I and the Trustee Pledge Agreement II, (b) any amount received in connection with the penalty provided in the Mortgage Receivables Purchase Agreement; and (c) the amounts received from any of the Secured Parties, as received or recovered by any of them pursuant to the Parallel Debt Agreement; less (y) any amounts already paid by the Security Trustee to the Secured Parties pursuant to the Parallel Debt Agreement and (z) the costs and expenses of the Security Trustee (including, for the avoidance of doubt, any costs of, *inter alia*, Euronext Amsterdam, Fitch, Moody's and S&P and any legal advisor, auditor, Euronext, or accountant appointed by the Security Trustee).

The Seller shall grant a first ranking right of pledge (*pandrecht*) by means of the Trustee Pledge Agreement I over the Mortgage Receivables and the Beneficiary Rights (see further *Insurance Policies* under *Special Considerations*) to the Security Trustee on the Closing Date and in respect of any Substitute Mortgage Receivables it undertakes to grant a first ranking right of pledge on the relevant Substitute Mortgage Receivables and, if applicable, the relevant Beneficiary Rights on the relevant Mortgage Payment Date which will, *inter alia*, secure the payment obligation of the Issuer to the Security Trustee under the Parallel Debt Agreement. The pledges over the Mortgage Receivables will be given by the Seller since it has legal title over the Mortgage Receivables. After transfer of legal title (upon notification to the Borrowers of the assignment by the Seller of the Mortgage Receivables upon the occurrence of Assignment Notification Events or earlier, at the option of the Seller by way of registration of the Deed of Assignment and/or Purchase Deeds of Assignments; see *Mortgage Receivables Purchase Agreement*), legal title to the Mortgage Receivables will pass to the Issuer, the right of pledge over the Mortgage Receivables will follow as an ancillary right (*afhankelijk recht*) and the Trustee Pledge Agreement I will provide that the Issuer (who will be a party to such pledge agreement) will be bound by the provisions of the Trustee Pledge Agreement I in such event.

The Trustee Pledge Agreement I will also secure all liabilities of the Seller under the Mortgage Receivables Purchase Agreement, including the obligation to pay a penalty if, for whatever reason, the transfer of legal ownership of the Mortgage Receivables to the Issuer is not completed. The penalty claim of the Security Trustee is a separate and independent obligation in an amount equal to penalty due to the Issuer. The penalty will be due to the Issuer or, if a Trustee I Notification Event has occurred, to the Security Trustee. The penalty is drafted in such manner that any detrimental effects resulting from the failure to transfer legal ownership of the Mortgage Receivables to the Issuer will, to the extent possible, be eliminated. Any amount due to the Security Trustee will be reduced by any amount paid in respect of the penalty to the Issuer and any amount due to the Issuer in respect of the penalty will be reduced by amount paid to the Security Trustee. The penalty claim of the Security Trustee shall rank in priority to the claim of the Issuer for the penalty. The pledge on the Mortgage Receivables, the Life Beneficiary Rights and the Risk Beneficiary Rights provided in the Trustee Pledge Agreement I will not be notified to the Borrowers and the Life Insurance Companies respectively, except in case of the occurrence of any of the Trustee I 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.

In order to secure the obligation of the Seller to transfer legal title to the Mortgage Receivables to the Issuer, the Seller will grant a second ranking right of pledge by means of the Issuer Pledge Agreement over the Mortgage Receivables and the Beneficiary Rights to the Issuer on the Closing Date and in respect of any Substitute Mortgage Receivables undertakes to grant a second ranking right of pledge on the relevant Substitute Mortgage Receivables and, if applicable, the relevant Beneficiary Rights on the relevant Mortgage Payment Date. Since a right of pledge can only be vested as security for a monetary claim, this pledge will secure the payment of the penalty by the Seller, provided in the Mortgage Receivables Purchase Agreement. This right of pledge on the

Mortgage Receivables and the Life Beneficiary Rights will also be a “silent” pledge as described above.

The Issuer will also vest a right of pledge by means of the Trustee Pledge Agreement II in favour of the Security Trustee on the Closing Date. This right of pledge secures any and all liabilities of the Issuer to the Security Trustee resulting from or in connection with the Parallel Debt Agreement, the Trust Deed and any other Relevant Document and will be vested on all rights of the Issuer under or in connection with (i) the Mortgage Receivables Purchase Agreement, (ii) the Issuer Services Agreement, (iii) the Liquidity Facility Agreement, (iv) the GIC, (v) the Swap Agreement, (vi) the Subordinated Loan Agreement and (vii) in respect of the Transaction Accounts and the Issuer undertakes to grant a first ranking right of pledge on such rights to the extent required. This right of pledge will be notified to the relevant obligors and will therefore be a “disclosed” right of pledge (*openbaar pandrecht*).

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

THE SECURITY TRUSTEE

The Security Trustee is a foundation (*stichting*) incorporated under the laws of the Netherlands on 22nd April, 2005. It has its registered office Frederik Roeskestraat 123, 1076 EE Amsterdam, the Netherlands.

The objects of the Security Trustee are (a) to act as agent and/or trustee; (b) (in summary) to acquire security rights as agent and/or trustee and/or for itself; (c) to hold, administer and to enforce the security rights mentioned under (b); (d) to borrow money and (e) to perform any and all acts which are related, incidental or which may be conducive to the above.

The sole director of the Security Trustee is Amsterdamsch Trustee's Kantoor B.V. The Security Trustee has its registered office at Amsterdam, the Netherlands. The managing directors of Amsterdamsch Trustee's Kantoor B.V. are R.F. Govaerts and D.P. Stolp.

TERMS AND CONDITIONS OF THE NOTES

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

The issue of the euro 1,395,000,000 Senior Class A Mortgage-Backed Notes 2005 due 2050 (the “**Senior Class A Notes**”), the euro 51,000,000 Mezzanine Class B Mortgage-Backed Notes 2005 due 2050 (the “**Mezzanine Class B Notes**”), the euro 31,500,000 Junior Class C Mortgage-Backed Notes 2005 due 2050 (the “**Junior Class C Notes**”), the euro 22,500,000 Subordinated Class D Notes 2005 due 2050 (the “**Subordinated Class D Notes**”) and the euro 4,500,000 Subordinated Class E Notes 2005 due 2050 (the “**Subordinated Class E Notes**”) and together with the Senior Class A Notes, the Mezzanine Class B Notes, the Junior Class C Notes, the Subordinated Class D Notes (the “**Notes**”), was authorised by a resolution of the managing director of Candide Financing 2005 B.V. (the “**Issuer**”) passed on 10th May, 2005. The Notes are issued under a Trust Deed to be dated 18th May, 2005 (the “**Trust Deed**”) between the Issuer, Stichting Candide Financing Holding and Stichting Security Trustee Candide Financing 2005 (the “**Security Trustee**”).

Under a paying agency agreement (the “**Paying Agency Agreement**”) dated 18th May, 2005 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**”), provision is made for, amongst others, the payment of principal and interest in respect of the Notes.

The statements in these terms and conditions of the Notes (the “**Conditions**”) include summaries of, and are subject to, the detailed provisions of (i) the Trust Deed, which will include the form of the Notes and the coupons appertaining to the Notes (the “**Coupons**”) and the forms of the Temporary Global Notes and the Permanent Global Notes, (ii) the Paying Agency Agreement, (iii) a servicing agreement (the “**Issuer Services Agreement**”) dated 18th May, 2005 between the Issuer, ATC Financial Services B.V. as the Company Administrator, The Governor and Company of the Bank of Scotland acting through its Amsterdam Branch as the Seller, the Swap Counterparty, the MPT Provider and the Security Trustee, (iv) a pledge agreement dated 18th May, 2005 between the Seller, the Security Trustee and the Issuer, (v) a pledge agreement dated 18th May, between the Seller and the Issuer and (vi) a pledge agreement dated 18th May, between the Issuer, the Security Trustee and others (jointly with the other two pledge agreements referred to under (iv) and (v) above, the “**Pledge Agreements**”).

Certain words and expressions used below are defined in a master definitions agreement (the “**Master Definitions Agreement**”) dated 17th May, 2005 and signed by the Issuer, the Security Trustee, the Seller and certain other parties. Such words and expressions shall, except where the context requires otherwise, have the same meanings in these Conditions. As used herein, “**Class**” means either the Senior Class A Notes, the Mezzanine Class B Notes, the Junior Class C Notes, the Subordinated Class D Notes or the Subordinated Class E 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 at the specified office of the Paying Agent and the present office of the Security Trustee, being at the date hereof Frederik Roeskestraat 123, 1076EE, 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 and the Pledge Agreements.

1. Form, Denomination and Title

The Notes will be in bearer form serially numbered with Coupons attached on issue in denominations of euro 100,000 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 is 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 will 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) Status

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

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

(b) Security

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 Pledge Agreements, which will create the following security rights:

- (i) a first ranking pledge by the Seller to the Security Trustee over the Mortgage Receivables and the Beneficiary Rights;
- (ii) a second ranking right of pledge by the Seller to the Issuer over the Mortgage Receivables and the Beneficiary Rights;
- (iii) a first ranking pledge by the Issuer to the Security Trustee of the Issuer’s rights (a) against the Seller under or in connection with the Mortgage Receivables Purchase Agreement; (b) against the Company Administrator under or in connection with the Issuer Services Agreement; (c) against the MPT Provider under or in connection with the Issuer Services Agreement; (d) against the Swap Counterparty under or in connection with the Swap Agreement; (e) against the GIC Provider under or in connection with the GIC; (f) against the Liquidity Facility Provider under or in connection with the Liquidity Facility Agreement; (g) against the GIC Provider in respect of the Transaction Accounts; and (h) against the Subordination Loan Provider under the Subordinated Loan Agreement and to the extent such rights do not exist at the Closing Date the Issuer will undertake to vest such first ranking right of pledge on such rights.

The Senior Class A Notes, the Mezzanine Class B Notes, the Junior Class C Notes, the Subordinated Class D Notes and the Subordinated Class E Notes will be secured (indirectly) by the Security. The Senior Class A Notes will rank in priority to the Mezzanine Class B Notes, the Junior Class C Notes, the Subordinated Class D Notes and the Subordinated Class E Notes; the Mezzanine Class B Notes will rank in priority to the Junior Class C Notes, the Subordinated Class D Notes and the Subordinated Class E Notes; the Junior Class C Notes will rank in priority to the Subordinated Class D Notes and the Subordinated Class E Notes; and the Subordinated Class D Notes will rank in priority to the Subordinated Class E Notes. The Trust Deed contains provisions requiring the Security Trustee to have regard to the interests of the Senior Class A Noteholders, the Mezzanine Class B Noteholders, the Junior Class C Noteholders, the Subordinated Class D Noteholders and the Subordinated Class E Noteholders, as regards all powers, trust, authorities, duties and discretions of the Security Trustee (except where expressly provided otherwise) but requiring the Security Trustee in any such case to have regard only to the interests of the Senior Class A Noteholders if, in the Security Trustee’s opinion, there is a conflict between the interests of the Senior Class A Noteholders on the one hand and the Mezzanine Class B Noteholders, the Junior Class C Noteholders, the Subordinated Class D Noteholders and the Subordinated Class E Noteholders on the other hand and, if no Senior Class A Notes are outstanding, to have regard only to the interests of the Mezzanine Class B Noteholders if, in the Security Trustee’s opinion, there is a conflict between the interests of the Mezzanine Class B Noteholders on the one hand and the Junior Class C Noteholders, the Subordinated Class D Noteholders and the Subordinated Class E Noteholders on the other hand and if no Mezzanine Class B Notes are outstanding, to have regard only to the interests of the Junior Class C Noteholders, if, in the Security Trustee’s opinion, there is a conflict between the interests of the Junior Class C Noteholders on the one hand and the Subordinated Class D Noteholders and the Subordinated Class E Noteholders on the other hand and if no Junior Class C Notes are outstanding to have regard only to the interests of the Subordinated Class D Noteholders if, in the Security

Trustee's opinion there is a conflict between the interests of the Subordinated Class D Noteholders on the one hand and the Subordinated Class E Notes on the other hand. In addition, the Security Trustee shall have regard to the interests of the other Secured Parties, provided that in case of a conflict 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 the requirements of Dutch law and accounting practice and shall not, except to the extent permitted by the Relevant Documents or with the prior written consent of the Security Trustee:

- (a) carry out any business other than as described in the Offering Circular dated 17th May 2005 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 whatsoever over any of its assets, or use, invest, sell, transfer or otherwise dispose of any part of its assets, except as contemplated in the Relevant Documents (in particular the Pledge Agreements);
- (d) take action for its dissolution (*ontbinding*), request the court to grant a suspension of payments (*surseance van betaling*) or declare its bankruptcy (*faillissement*);
- (e) consolidate or merge with any other person or convey or transfer its assets substantially or as an entirety to one or more persons;
- (f) permit the validity or effectiveness of the Pledge Agreements, or the priority of the security created thereby or pursuant thereto to be amended, terminated, postponed or discharged, or permit any person whose obligations form part of such security rights to be released from such obligations except as contemplated in the Relevant Documents;
- (g) have any employees or premises or have any subsidiary or subsidiary undertaking; or
- (h) have an interest in any bank account other than the Issuer Collection Account, the Reserve Account or an account to which collateral under the Swap Agreement is transferred, unless all rights in relation to such account will have been pledged to the Security Trustee as provided in Condition 2(b) hereof.

4. Interest

(a) *Period of Accrual*

The Notes shall bear interest on their Principal Amount Outstanding (as defined in Condition 6 hereof) 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 judgement) at the rate applicable to such Note up to but excluding the date on which, on presentation of such Note, payment in full of the relevant amount of principal is made or (if earlier) the seventh day after notice is duly given by the Paying Agent to the holder thereof (in accordance with Condition 13 hereof) that upon presentation thereof, such payments will be made, provided that upon such presentation payment is in fact made. Whenever it is necessary to compute an amount of interest in respect of any Note for any period, such interest shall be calculated on the basis of actual days elapsed in the Floating Rate Interest Period divided by 360 days.

(b) *Floating Rate Interest Periods and Payment Dates*

Interest on the Notes will be 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 (as defined in Condition 6 hereof) of the Notes, respectively, on the 20th day of January, April, July and October 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 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 European Transfer System (“**TARGET 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 end (but exclude) the Quarterly Payment Date falling on 20th July, 2005.

(c) Interest on the Notes other than the Class E Notes up to the First Optional Redemption Date

Except for the first Floating Rate Interest Period, during which interest will accrue from (and including) the Closing Date at an annual rate equal to the linear interpolation between the Euro Interbank Offered Rate (“**Euribor**”) for 2 months deposits in euro and the Euribor for 3 months deposits in euro plus the margin as set out below, interest on the Notes other than the Subordinated Class E Notes for each Floating Rate Interest Period up to the First Optional Redemption Date will accrue at an annual rate equal to Euribor for three-months deposits in euro, rounded, if necessary, to the 5th decimal place with 0.000005 being rounded upwards plus:

- (i) for the Senior Class A Notes, a margin of 0.15 per cent. per annum;
- (ii) for the Mezzanine Class B Notes, a margin of 0.18 per cent. per annum;
- (iii) for the Junior Class C Notes, a margin of 0.23 per cent. per annum; and
- (iv) for the Subordinated Class D Notes a margin of 0.44 per cent. per annum.

(d) Interest on the Notes other than the Subordinated Class E Notes following the First Optional Redemption Date

If on the First Optional Redemption Date (as defined in Condition 6) the Notes of any Class have not been redeemed in full, the margin on the Senior Class A Notes, the Mezzanine Class B Notes, the Junior Class C Notes and the Subordinated Class D Notes will then be equal to the sum of Euribor for three-months deposits in euro, payable by reference to Floating Rate Interest Periods on each Quarterly Payment Date, plus:

- (i) for the Senior Class A Notes, a margin of 0.30 per cent. per annum;
- (ii) for the Mezzanine Class B Notes, a margin of 0.36 per cent. per annum;
- (iii) for the Junior Class C Notes, a margin of 0.46 per cent. per annum; and
- (iv) for the Subordinated Class D Notes a margin of 0.88 per cent. per annum.

(e) Interest on the Class E Notes

Except for the first Floating Rate Interest Period, during which interest will accrue from (and including) the Closing Date at an annual rate equal to the linear interpolation between Euribor for 2 months deposits in euro and the Euribor for 3 months deposits in euro, interest on the Subordinated Class E Notes for each Floating Rate Interest Period will accrue at an annual rate equal to Euribor for three-months deposits in euro, rounded if necessary, to the 5th decimal place with 0.000005 being rounded upwards plus a margin of 1.85 per cent. per annum until the Final Maturity Date.

(f) Euribor

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

- (i) the Reference Agent will obtain for each Floating Rate Interest Period, except for the first Floating Rate Interest Period, the rate equal to the sum of Euribor for three months deposits in euro. The Reference Agent shall use the Euribor rate as determined and published jointly by the European Banking Federation and ACI – The Financial Market Association and which appears for information purposes on the Telerate Page 248 (or, if not available, any other display page on any screen service maintained by any registered information vendor (including, without limitation, the Reuters 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 Rate Interest Period (each an “**Interest Determination Date**”); or
- (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:

- (i) request the principal Euro-zone office of each of four major banks in the Euro-zone interbank market (the “**Reference Banks**”) to provide the offered quotations 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 fifth decimal place with 0.000005 being rounded upwards) of such quotation as is provided; or
- (ii) if fewer than two such quotations are provided as requested, the Reference Agent will determine the arithmetic mean (rounded, if necessary, to the fifth decimal place with 0.000005 being rounded upwards) of the offered rates quoted by major banks, of which there will 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 one month 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 will be the rate per annum equal to the Euro-interbank offered rate for euro deposits as determined in accordance with this paragraph (f), 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.

(g) Determination of Floating Rate of Interest and Calculation of the Floating Interest Amount

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

(h) Notification of the Floating Rate of Interest and the Floating Interest Amount

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

(i) Determination or Calculation by Security Trustee

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

(j) 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 hereof. If any person will 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 will 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 Definitive Notes will be made upon presentation of the Note and against surrender of the relevant Coupon appertaining thereto, at any specified office of the Paying Agent in cash or by transfer to a euro account maintained by the payee with a bank in the Netherlands, as the holder may specify. All such payments are subject to any fiscal or other laws and regulations applicable in the place of payment.
- (b) At the Final Maturity Date (as defined in Condition 6 hereof), 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 hereof).
- (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 ("**Local Business Day**"), the holder thereof shall not be entitled to payment until the next 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 Local Business Day immediately following the day on which banks are open for business in the Netherlands. The name of the Paying Agent and of its office is set out below.
- (d) The Issuer reserves the right at any time to vary or terminate the appointment of the Paying Agent and to appoint additional or other paying agents provided that no paying agent located in the United States of America will be appointed and that the Issuer will at all times maintain a paying agent having a specified office in the European Union which, for as long as the Notes are listed on the Official Segment of the stock market of Euronext Amsterdam will be located 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 hereof.

6. Redemption and purchase

(a) Final redemption

Unless previously redeemed as provided below, the Issuer will (in respect of the Mezzanine Class B Notes, the Junior Class C Notes, the Subordinated Class D Notes and the Subordinated Class E Notes subject to Condition 9(b) hereof) redeem the Notes at their respective Principal Amount Outstanding on the Quarterly Payment Date falling in April 2050 (the "**Final Maturity Date**").

(b) Mandatory redemption

Provided that no Enforcement Notice has been served in accordance with Condition 10 hereof, the Issuer will be obliged to apply the Notes Redemption Available Amount minus any amounts of Initial Purchase Price paid in the relevant Quarterly Calculation Period by the Issuer to purchase Substitute Mortgage Receivables to redeem (or partially redeem) the Notes at their Principal Amount Outstanding, subject to Condition 9(b) hereof (and in each case only if and to the extent that payments or provisions of a higher priority have been made in full):

- (i) *first*, the Senior Class A Notes, until fully redeemed, and, thereafter
- (ii) *second*, the Mezzanine Class B Notes, until fully redeemed, and, thereafter
- (iii) *third*, the Junior Class C Notes, until fully redeemed, and, thereafter
- (iv) *fourth*, the Subordinated Class D Notes, until fully redeemed.

The principal amount so redeemable in respect of each Note, other than the Subordinated Class E Notes, (each a "**Principal Redemption Amount**") on the relevant Quarterly Payment Date shall be

the Notes Redemption Available Amount (minus the Initial Purchase Price of any Substitute Mortgage Receivables purchased by the Issuer in accordance with the Mortgage Receivables Purchase Agreement) on the relevant Quarterly Payment Date divided by the number of Notes of the relevant Class subject to such redemption (rounded down to the nearest euro). The Principal Redemption Amount may never exceed the Principal Amount Outstanding of the relevant Note of the relevant Class. Following application of the Principal Redemption Amount to redeem a Note, the Principal Amount Outstanding of such Note shall be reduced accordingly.

(c) Definitions

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

The “**Principal Amount Outstanding**” on any Quarterly Payment Date (i) of any Note other than the Subordinated Class E Notes will 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 and (ii) of any Subordinated Class E Note will be the principal amount of such Notes upon issue less the aggregate amount of all Class E Redemption Amounts in respect of that Note that have become due and payable prior to such Quarterly Payment Date.

“**Notes Redemption Available Amount**” shall mean, on any Quarterly Payment Date, the aggregate amount received by the Issuer during the immediately preceding Quarterly Calculation Period as items (i) through (vi):

- (i) as repayment and prepayment in full or in part of principal under the Mortgage Receivables, from any person, whether by set-off or otherwise, but, for the avoidance of doubt, excluding Prepayment Penalties,
- (ii) as Net Proceeds, to the extent such proceeds relate to principal;
- (iii) as amounts received in connection with a repurchase of Mortgage Receivables pursuant to the Mortgage Receivables Purchase Agreement and any other amounts received pursuant to the Mortgage Receivables Purchase Agreement to the extent such amounts relate to principal;
- (iv) as amounts received in connection with a sale of Mortgage Receivables pursuant to the Trust Deed and the Issuer Services Agreement to the extent such amounts relate to principal;
- (v) as amounts of interest received to be credited to the Principal Deficiency Ledger on the immediately succeeding Quarterly Payment Date in accordance with the Issuer Services Agreement; and
- (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;

“**Mortgage Calculation Period**” means the period commencing on (and including) the first day of each calendar month and ending on (and including) the last day of such calendar month.

“**Net Proceeds**” means (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 fire insurance and the Insurance Policies, (d) the proceeds of any guarantees or sureties and (e) the proceeds of foreclosure on any other assets of the relevant debtor, after deduction of foreclosure costs in respect of such Mortgage Receivable.

“**Quarterly Calculation Date**” means, in relation to a Quarterly Payment Date the third business day prior to such Quarterly Payment Date.

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

(d) Determination of Principal Redemption Amount, Class E Redemption Amount and Principal Amount Outstanding

- (i) On each Quarterly Calculation Date, the Issuer shall determine (or cause the Company Administrator to determine) (a) the Principal Redemption Amount and the Class E Redemption Amount (b) the Principal Amount Outstanding of the relevant Notes on the first day following the Quarterly Payment Date. Each determination by or on behalf of the

Issuer of any Principal Redemption Amount or the Principal Amount Outstanding of a Note shall in each case (in the absence of manifest error) be final and binding on all persons.

- (ii) The Issuer will cause each determination of a Principal Redemption Amount, the Class E Redemption Amount and Principal Amount Outstanding of Notes to be notified forthwith to the Security Trustee, the Paying Agent, the Reference Agent, Euroclear, Clearstream, Luxembourg, Euronext Amsterdam N.V. and to the holders of Notes by an advertisement in the English language in the Euronext Amsterdam Daily Official List of Euronext Amsterdam N.V. (*Officiële Prijscourant*). 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 Company Administrator to determine) the Principal Redemption Amount the Class E Redemption Amount or the Principal Amount Outstanding of a Note, such Principal Redemption Amount or such Principal Amount Outstanding shall be determined by the Security Trustee in accordance with this paragraph (d) and paragraph (c) above (but based upon the information in its possession as to the Notes Redemption Available Amount each such determination or calculation shall be deemed to have been made by the Issuer).

(e) Optional Redemption

The Issuer may, at its option, on giving not more than sixty (60) nor less than thirty (30) days written notice to the Security Trustee and the Noteholders in accordance with Condition 13, on the Quarterly Payment Date falling in April 2012 (the “**First Optional Redemption Date**”) and on each Quarterly Payment Date thereafter (each an “**Optional Redemption Date**”) redeem, subject to Condition 9(b), all (but not some only) of the Notes, at their Principal Amount Outstanding plus accrued but unpaid interest thereon, after payment of the amounts to be paid in priority to the Notes.

(f) Redemption of Subordinated Class E Notes

Prior to the redemption in full of the Senior Class A Notes, the Mezzanine Class B Notes, the Junior Class C Notes and the Subordinated Class D Notes, the Subordinated Class E Notes will not be redeemed (subject to Condition 10). Provided that no Enforcement Notice has been served in accordance with Condition 10 and provided that on a Quarterly Payment Date all Notes other than the Subordinated Class E Notes have been fully redeemed, the Issuer will on such Quarterly Payment Date apply an amount equal to (i) the balance of the Reserve Account after items (a) up to including (m) of the Interest Priority of Payments have been met and (ii) any other part of the Notes Interest Available Amount remaining after items (a) up to and including (p) have been met, to redeem (or partially redeem on a *pro rata* basis, the Subordinated Class E Notes until fully redeemed. The amount so available for redemption of each Subordinated Class E Note will be such amount divided by the number of Subordinated Class E Notes (rounded down to the nearest euro) (the “**Class E Redemption Amount**”)

(g) Redemption following Clean-Up Call

In case on any Quarterly Payment Date the aggregate Principal Amount Outstanding of the Notes is not more than ten (10) per cent. of the aggregate Principal Amount Outstanding of the Notes on the Closing Date (in case of a Principal Shortfall in respect of any Class of Notes, less such Principal Shortfall) the Issuer may (but is not obligated to) redeem all of the 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, subject to and in accordance with the Condition 9(b) and after payment of the amounts to be paid in priority to the Notes. 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.

(h) Purchases

The Issuer may at any time purchase Notes at any price in the open market or otherwise. Such Notes may, at the option of the Issuer be held, re-issued or resold at their Principal Amount Outstanding together with accrued interest thereon up to and including the date of redemption, subject to and in accordance with this Condition. 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) *Redemption for tax reasons*

In the event of certain tax changes affecting the Notes, including (a) in the event that the Issuer or the Paying Agent is or will be obliged to make any withholding or deduction from payments in respect of the Notes (although the Issuer will not have any obligation to pay additional amounts in respect of any such withholding or deduction), and (b) the Issuer has become or will become subject to any limitation of the deductibility of interest on any of the Notes, as a result of (i) a change in any laws, rules or regulations, or in the interpretation or administration thereof, or (ii) any act taken by any taxing authority on or after the issue date of the Notes or similar event, the Issuer may (but is not obliged to) redeem all of the 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, subject to and in accordance with this Condition (including, without limitation, Condition 9(b)). No Class of Notes may be redeemed under such circumstances unless the other Classes of Notes (or such of them as are then outstanding) are also redeemed in full at the same time.

(j) *Redemption or purchase following a Regulatory Event*

(A) If:

- I. the New Basel Capital Accord (as described in the document titled: “*The International Convergence of Capital Measurement and Capital Standards: A Revised Framework*” published in June 2004 by the Basel Committee on Banking Supervision) has been implemented in the United Kingdom, whether by rule of law, recommendation of best practices or by any other regulation (a “**Regulatory Event**”);
- II. no Enforcement Notice has been served on or prior to the relevant Quarterly Payment Date for the exercise of the Purchase Option or Redemption Option (as defined below), as the case may be;
- III. the Issuer has given not more than 60 days’ and not less than 30 days’ (or such shorter period as may be required by any relevant law) prior written notice to the Security Trustee, the Swap Providers and the Noteholders, in accordance with Condition 13, of the exercise of the Purchase Option or Redemption Option, as the case may be;
- IV. each Rating Agency has confirmed to the Issuer in writing that its then current ratings of none of the Notes would be adversely affected by the exercise of the Purchase Option or Redemption Option, as the case may be; and
- V. prior to giving any such notice, the Issuer shall have provided to the Security Trustee a certificate signed by its director to the effect that the Issuer will have sufficient funds to purchase or redeem, as the case may be, the Called Notes (as defined below) in accordance with this Condition 6(j) and to pay any amounts under the Interest Priority of Payments required to be paid in priority to or *pari passu* with payments on the Notes on the relevant Quarterly Payment Date,

then:

- (y) the Issuer has the right (the “**Purchase Option**”) to require holders of all but not some only of one or more Classes of Notes (collectively, the “**Called Notes**”) to transfer the Called Notes to the Issuer on any Quarterly Payment Date falling on or after the Quarterly Payment Date in April 2008 for a price equal to the Principal Amount Outstanding of the Called Notes subject to Condition 9(b), together with any accrued interest on the Called Notes, or
 - (z) the issuer may redeem (the “**Redemption Option**”) the Called Notes on any interest payment date falling on or after the interest payment date in April 2008 at their Principal Amount Outstanding (subject to Condition 9(b)), together with any accrued interest on the Called Notes.
- (B) The Called Notes transferred to the Issuer pursuant to the Purchase Option shall, subject as provided in (C) below, remain outstanding until the date on which they would otherwise be redeemed or cancelled in accordance with the Conditions of the Notes.
- (C) The Security Trustee shall concur in, execute and do all such deeds, instruments, acts and things, and shall consent to any amendment, modification or waiver of the provisions of the Relevant Documents to which it is a party and of the Conditions of the Notes, which may be necessary or desirable to permit and give effect to the exercise of the Purchase Option and the transfer of the Called Notes to the Issuer, including any waiver of covenants of the Issuer and

any suspension or termination of the rights of the holders of the Called Notes from (and including) the interest payment date specified for the exercise of the Purchase Option, for as long as the Called Notes have not been transferred to the Issuer, other than the right to receive the price payable for such transfer.

7. Taxation

All payments of, or in respect of, principal of and interest on the Notes will be made without withholding of, or deduction for, or on account of any present or future taxes, duties, assessments or charges of whatsoever nature imposed or levied by or on behalf of the Netherlands, any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or charges is required by law. In that event, the Issuer will make the required withholding or deduction of such taxes, duties, assessments or charges and will have no obligation to pay any additional amounts to such Noteholders. In particular, but without limitation, no additional amounts shall be payable in respect of any Note or Coupon presented for payment where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to any European Union Directive on the taxation of savings that was adopted on 3 June 2003 or any law implementing or complying with, or introduced in order to conform to, such Directive.

8. Prescription

Claims against the Issuer for payment in respect of the Notes and Coupons shall become prescribed 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 Junior Class C Notes, the Subordinated Class D Notes and the Subordinated Class E Notes shall be payable in accordance with the provisions of Conditions 4 and 5, subject to the terms of this Condition.

In the event that on any Quarterly Calculation Date the Issuer has insufficient funds available to it to satisfy its obligations in respect of amounts of interest due on the Mezzanine Class B Notes, the Junior Class C Notes, the Subordinated Class D Notes and the Subordinated Class E on the next 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 such Class of Notes (after payment of amounts ranking higher in priority). In the event of a shortfall, the Issuer shall credit the relevant Interest Deficiency Ledger, with an amount equal to the amount by which the aggregate amount of interest paid on such Class of Notes on any Quarterly Payment Date (in accordance with this Condition) falls short of the aggregate amount of interest payable on that Class of Notes on that date pursuant to Condition 4. Such shortfall shall not be treated as due on that date for the purposes of Conditions 4 and 10, but shall accrue interest as long as it remains outstanding at the rate of interest applicable to the relevant Class of Notes for such period, and a *pro rata* share of such shortfall and accrued interest thereon will 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 Note of the relevant Class on the next succeeding Quarterly Payment Date.

(b) Principal

If, on any Quarterly Payment Date, there is a balance on the Principal Deficiency Ledger of a Class of Notes other than the Subordinated Class E Notes, then notwithstanding any other provisions of these Conditions the principal amount payable on redemption of each such Note on such Quarterly Payment Date shall not exceed its Principal Amount Outstanding less the relevant Principal Shortfall on such Quarterly Payment Date. The Noteholders of a Class of Notes shall have no further claim against the Issuer for the Principal Amount Outstanding on such Notes after the earlier of (i) the Final Maturity Date or (ii) the relevant Redemption Date on which a Note is fully redeemed or (iii) the date on which the Issuer no longer holds any Mortgage Receivables and there are no balances standing to the credit of the Transaction Accounts. “**Principal Shortfall**” shall mean an amount equal to the quotient of the balance on the relevant sub-ledger of the Principal Deficiency Ledger divided by the number of the Notes (other than the Subordinated Class E Notes) of the relevant Class on such Quarterly Payment Date.

(c) *General*

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

10. Events of Default

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

- (i) the Issuer is in default for a period of fifteen (15) days or more in the payment on the due date of any amount due in respect of the Notes of the Relevant Class; or
- (ii) the Issuer fails to perform any of its other obligations binding on it under the Notes of the Relevant Class, the Trust Deed, the Paying Agency Agreement or the Pledge Agreements and, except where such failure, in the reasonable opinion of the Security Trustee, is incapable of remedy, such default continues for a period of thirty (30) days after written notice by the Security Trustee to the Issuer requiring the same to be remedied; or
- (iii) 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
- (iv) if any order shall be made by any competent court or other authority or a resolution passed for the dissolution or winding-up of the Issuer or for the appointment of a liquidator or receiver of the Issuer or of all or substantially all of its assets; or
- (v) the Issuer makes an assignment for the benefit of, or enters into any general assignment (*akkoord*) with its creditors; or
- (vi) the Issuer files a petition for a suspension of payments (*surseance van betaling*) or for bankruptcy (*faillissement*) or is declared bankrupt;

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

11. Enforcement

(a) *Enforcement*

At any time after the Notes of any Class become due and payable 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 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 Senior Class A Noteholders or, if all amounts due in respect of the Senior Class A Notes have been fully paid, the Mezzanine Class B Noteholders or, if all amounts due in respect of the Senior Class A Notes and the Mezzanine Class B Notes have been fully paid, the Junior Class C Noteholders or, if all amounts due in respect of the Senior Class A Notes, the Mezzanine Class B Notes and the Junior Class C Notes have been fully paid, the Subordinated Class D Noteholders or, if all amounts due in respect of the Senior Class A Notes, the Mezzanine Class B Notes, the Junior Class C Notes and the Subordinated Class D Notes have been fully paid, the Subordinated Class E Noteholders and (ii) it shall have been indemnified to its satisfaction.

(b) No direct action against Issuer by Noteholders

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

(c) No petition, limited recourse

The Noteholders and the Security Trustee may not institute against, or join any person in instituting against, the Issuer any bankruptcy, winding-up, reorganisation, arrangement, insolvency or liquidation proceeding until the expiry of a period of at least one (1) year after the latest maturing Note is paid in full. The Noteholders accept and agree that the only remedy of the Security Trustee against the Issuer after any of the Notes have become due and payable pursuant to Condition 10 is to enforce the Security.

12. Indemnification of the Security Trustee

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

13. Notices

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

14. Meetings of Noteholders; Modification; Consents; Waiver

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

A meeting as referred to above may be convened by the Issuer or by Noteholders of any Class holding not less than 10 per cent. in Principal Amount Outstanding of the Notes of such Class. The quorum for any meeting convened to consider an Extraordinary Resolution for any Class

of Notes shall be two-thirds of the Principal Amount Outstanding of the Notes of the relevant Class, as the case may be, and at such a meeting an Extraordinary Resolution is adopted with not less than a two-third majority of the validly cast votes, except that the quorum required for an Extraordinary Resolution including the sanctioning of a Basic Terms Change shall be at least 75 per cent. of the 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 shall be held within one month, with due observance of the same formalities for convening the meeting which governed the convening of the first meeting; at such second meeting an Extraordinary Resolution is adopted with not less than a two-thirds majority of the validly cast votes, except that (for an Extraordinary Resolution including a sanctioning of a Basic Terms Change the majority required shall be 75 per cent. of the validly cast votes, regardless of the Principal Amount Outstanding of the Notes of the relevant Class then represented, except if the Extraordinary Resolution relates to the removal and replacement of any or all of the managing directors of the Security Trustee, in which case at least 30 per cent. of the Notes of the relevant Class should be represented.

No Extraordinary Resolution to sanction a change which would have the effect of accelerating or 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 by an Extraordinary Resolution of the Mezzanine Class B Noteholders and/or the Junior Class C Noteholders and/or the Subordinated Class D Noteholders and/or the Subordinated Class E Noteholders.

An Extraordinary Resolution of the Mezzanine Class B Noteholders and/or the Junior Class C Noteholders and/or the Subordinated Class D Noteholders and/or the Subordinated Class E Noteholders shall only be effective when the Security Trustee is of the opinion that it shall 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 Junior Class C Noteholders and/or the Subordinated Class D Noteholders or it is sanctioned by an Extraordinary Resolution of the Senior Class A Noteholders, the Mezzanine Class B Noteholders, the Junior Class C Noteholders or the Subordinated Class D Noteholders, as the case may be. The Trust Deed imposes no such limitations on the powers of the Senior Class A Noteholders, the exercise of which shall be binding on the Mezzanine Class B Noteholders, the Junior Class C Noteholders, the Subordinated Class D Noteholders and the Subordinated Class E Noteholders irrespective of the effect on their interests.

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

- (b) The Security Trustee may agree, without the consent of the Noteholders, 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. The Security Trustee shall only agree to 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. Any such 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 shall be deemed not to be materially prejudicial to the interests of the Noteholders, if Fitch, Moody's and S&P have confirmed that the then current ratings of the Notes would not be adversely affected by any such modification, authorisation or waiver. Any such modification, authorisation or waiver shall be binding on the Noteholders and, if the Security Trustee so requires, such modification shall be notified to the Noteholders in accordance with Condition 13 as soon as practicable thereafter.
- (c) 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 Junior Class C Noteholders and the Subordinated Class D Noteholders and the Subordinated Class E Noteholders each as a Class and shall not have regard to the consequences of such exercise for individual Noteholders and the Security Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders.

15. Replacements of Notes and Coupons

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

16. Governing Law

The Notes and Coupons are governed by, and shall 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 and the Security Trustee irrevocably submit to the exclusive jurisdiction of the District Court in Amsterdam, the Netherlands.

17. Additional obligations

For as long as the Notes are listed on the Official Segment of the Stock Market of Euronext Amsterdam N.V., the Issuer shall comply with the provisions set forth in Article 2.1.20 Section a-g of Schedule B of the Listing and Issuing Rules (*Fondsenreglement*) of Euronext Amsterdam N.V. or any amended form of the said provisions as in force at the date of the issue of the Notes.

THE GLOBAL NOTES

Each Class of Notes will be initially represented by (i) in the case of the Senior Class A Notes a Temporary Global Note in bearer form, without coupons, in the principal amount of euro 1,395,000,000, (ii) in the case of the Mezzanine Class B Notes a Temporary Global Note in bearer form, without coupons, in the principal amount of euro 51,000,000, (iii) in the case of the Junior Class C Notes a Temporary Global Note in bearer form, without coupons, in the principal amount of euro 31,500,000, (iv) in the case of the Subordinated Class D Notes a Temporary Global Note in bearer form without coupons, in the principal amount of euro 22,500,000 and (v) in case of the Subordinated Class E Notes a Temporary Global Note in bearer form without coupons, in the principal amount of euro 4,500,000. Each Temporary Global Note will be deposited with Citibank N.A. as common depository for Euroclear and Clearstream, Luxembourg on or about 18th May, 2005. 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) on the Exchange Date for interests in a Permanent Global Note, in bearer form, without coupons, in the principal amount of the Notes of the relevant Class. On the exchange of a Temporary Global Note for a Permanent Global Note of the relevant Class, the Permanent Global Note will remain deposited with the common depository.

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. 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 will 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.

Payments of principal and interest in respect of Notes represented by a Global Note will, subject as set out below, be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of such Global Note to the Paying Agent. A record of each payment made will be endorsed on the appropriate part of the schedule to the relevant Global Note by or on behalf of the Paying Agent, which endorsement shall be *prima facie* evidence that such payment has been made in respect of the Notes. Payments of interest on the Temporary Global Note (if permitted by the first sentence of this paragraph) will be made only upon certification as to non-U.S. beneficial ownership unless such certification has already been made.

For so long as all of the Notes are represented by the Global Notes and such Global Notes are held on behalf of Euroclear and/or Clearstream, Luxembourg, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg (as the case may be) for communication to the relevant accountholders rather than by publication as required by Condition 13 (provided that, in the case any publication required by a stock exchange, that stock exchange agrees or, as the case may be, any other publication requirement of such stock exchange will be met). Any such notice will 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 Notes is 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 deemed to be owner of, and treated by the Issuer and the Security Trustee as a holder of such principal amount of that Class of Notes and the expression Noteholder is without prejudice to the entitlement of the bearer of 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 will 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 subdivision 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 18th May, 2005, the Issuer or the Paying Agent is or will be required to make any deduction or withholding on account of tax from any payment in respect of the Notes which would not be required were the Notes in definitive form, then the Issuer will at its sole cost and expense, issue:

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

in each case within 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, redemption and disposal of Notes, which term, for the purpose of this summary, includes Coupons. This summary does not purport to be a comprehensive description of all Dutch tax considerations that may be relevant to a decision to acquire, to hold, and to dispose of the Notes. Each prospective Noteholder should consult a professional adviser with respect to the tax consequences of an investment in the Notes. The discussion of certain Dutch taxes set forth below is included for general information purposes only.

This summary is based on the Dutch tax legislation, published case law, treaties, rules, regulations and similar documentation, in force as of the date of this Offering Circular, without prejudice to any amendments introduced at a later date and implemented with retroactive effect.

This summary does not address the Dutch tax consequences of a Noteholder who holds a substantial interest (*aanmerkelijk belang*) in the Issuer, within the meaning of Section 4.3 of the Income Tax Act 2001. Generally speaking, a Noteholder holds a substantial interest in the Issuer, if such Noteholder, alone or together with his or her partner (statutory defined term) or certain other related persons, directly or indirectly, holds (i) an interest of 5 per cent. or more of the total issued capital of the Issuer or of 5 per cent. 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.

Withholding Tax

No Dutch withholding tax is due upon payments on the Notes.

Corporate Income Tax and Individual Income Tax

Residents of the Netherlands

If the Noteholder is subject to Dutch corporate income tax and the Notes are attributable to its (deemed) business assets, income derived from the Notes and gains realised upon the redemption and disposal of the Notes are generally taxable in the Netherlands.

If the Noteholder is an individual, resident or deemed to be resident of the Netherlands for Dutch tax purposes (including the individual Noteholder who has opted to be taxed as a resident of the Netherlands), the income derived from the Notes and the gains realised upon the redemption and disposal of the Notes are taxable at the progressive rates of the Income Tax Act 2001, if:

- (i) the Noteholder has an enterprise or an interest in an enterprise, to which enterprise the Notes are attributable; or
- (ii) such income or gains qualify as “income from miscellaneous activities” (*resultaat uit overige werkzaamheden*) within the meaning of Section 3.4 of the Income Tax Act 2001, which include activities with respect to the Notes that exceed “regular, active portfolio management” (*normaal, actief vermogensbeheer*).
- (iii) If neither condition (i) nor condition (ii) applies to the individual Noteholder, the actual income derived from the Notes and the actual gains realised with respect to the Notes will not be taxable. Instead, such Noteholder will be taxed at a flat rate of 30 per cent. on deemed income from “savings and investments” (*sparen en beleggen*) within the meaning of Section 5.1 of the Income Tax Act 2001. This deemed income amounts to 4 per cent. of the average of the individual’s “yield basis” (*rendementsgrondslag*) within the meaning of article 5.3 of the Income Tax Act 2001 at the beginning of the calendar year and the individual’s yield basis at the end of the calendar year, insofar the average exceeds a certain threshold. The fair market value of the Notes will be included in the individual’s yield basis.

Non-residents of the Netherlands

A Noteholder who is not a resident nor deemed to be a resident of the Netherlands for Dutch tax purposes (nor, if he or she is an individual, has opted to be taxed as a resident of the Netherlands) is not taxable in respect of income derived from the Notes and gains realised upon the redemption and disposal of the Notes, unless:

- (i) the Noteholder 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 Dutch permanent establishment or permanent representative the Notes are attributable; or

- (ii) the Noteholder 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, through an employment contract, and to which enterprise the Notes are attributable; or
- (iii) the Noteholder is an individual and such income or gains qualify as “income from miscellaneous activities” (*resultaat uit overige werkzaamheden*) in the Netherlands within the meaning of Section 3.4 of the Income Tax Act 2001, which include activities in the Netherlands with respect to the Notes that exceed “regular, active portfolio management” (*normaal, actief vermogensbeheer*).

Gift and Inheritance Taxes

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 Noteholder who 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.

An individual 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. An individual of any other nationality is deemed to be a resident of the Netherlands for the purposes of the Dutch gift and inheritance tax only if he or she has been residing in the Netherlands at any time during the twelve months preceding the time of the gift.

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 Noteholder who 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 Noteholder at the time of the gift has or at the time of his or her death had an enterprise or an interest in an enterprise that is or was, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands and to which Dutch permanent establishment or permanent representative the Notes are or were attributable; or
- (ii) the Notes are or were attributable to the assets of an enterprise that is effectively managed in the Netherlands and the donor is or the deceased was entitled to a share in the profits of that enterprise, at the time of the gift or at the time of his or her death, other than by way of securities or through an employment contract; or
- (iii) in the case of a gift of the Notes by an individual who at the date of the gift was neither a resident nor deemed to be a resident of the Netherlands, such individual 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.

Treaties

Treaties may limit the Netherlands' sovereignty to levy gift and inheritance tax.

Other Taxes and Duties

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

EU Savings Directive

On 3rd June, 2003, the European Council of Economics and Finance Ministers adopted a Directive on the taxation of savings income. Under the Directive Member States will (if equivalent measures have been introduced by certain non-EU countries) be required, from a date not earlier than 1st July, 2005, to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria will instead be 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).

It is expected that a number of third countries and territories including Switzerland will adopt similar measures (a withholding system in the case of Switzerland) with effect from the same date.

SUBSCRIPTION AND SALE

The Managers have (the Co-Managers only in respect of the Senior Class A Notes), pursuant to the Notes Purchase Agreement I, jointly and severally agreed with the Issuer, subject to certain conditions, to purchase the Senior Class A Notes, the Mezzanine Class B Notes, the Junior Class C Notes and the Subordinated Class D Notes at their respective issue prices. The Seller has, pursuant to Note Purchase Agreement II, agreed with the Issuer, subject to certain conditions, to purchase the Subordinated Class E Notes at their issue price. The Issuer has agreed to indemnify and reimburse the Managers against certain liabilities and expenses in connection with the issue of the relevant Class of Notes.

United Kingdom

Each of the Managers has severally but not jointly agreed that (i) it has not offered or sold and, prior to the expiration of the period of six months from the Closing Date, will not offer or sell any Notes to persons in the United Kingdom, except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995, (ii) it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom and (iii) it will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the Financial Services and Markets Act 2000 does not apply to the Issuer.

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, US persons (as defined in Regulation S under the Securities Act) except to certain persons in offshore transactions in reliance on Regulation S under the Securities Act. Each Manager has agreed severally but not jointly 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 and 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 dealer to which it sells Notes during such distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to or for the account or benefit of US persons. In addition, until the expiration of 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 requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes, including Notes in bearer form, 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 US 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 and regulations thereunder.

France

The Issuer and each Manager has represented and agreed that it has not offered or sold, and will not offer or sell, directly or indirectly, Notes to the public in France and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France the Offering Circular or any other offering material relating to the Notes and that such offers, sales and distributions have been and will only be made in France to qualified investors (*investisseurs qualifiés*) acting for their account, all as defined in, and in accordance with, articles L.411-1 and L.411-2 of the French *Code monétaire et financier* and *décret* No. 98-880 dated 1st October, 1998.

This Offering Circular has not been submitted for clearance to the *Autorité des marchés financiers*.

Germany

Each of the Managers has severally but not jointly acknowledged that the Notes are issued under the “Euro 40,000 Exemption” pursuant to Section 2 No. 4 of the Securities Selling Prospectus Act of the Federal Republic of Germany (*Wertpapier-Verkaufsprospektgesetz*) of December 13, 1990, as amended (the “**Securities Selling Prospectus Act**”) and that no Securities Sales Prospectus (*Verkaufsprospekt*) has been published; in particular, the Notes may not be offered in Germany by way of public promotions. Each of the Managers represents and agrees that it has offered and sold and will offer and sell the Notes only (i) in denominations of at least euro 40,000, or (ii) for an aggregate purchase price per purchaser of at least euro 40,000 (or foreign currency equivalent), or (iii) if the selling price for all Notes offered does not exceed euro 40,000 or such other amount as may be stipulated from time to time by applicable German law. In particular, each Manager undertakes not to engage in public offerings in the Federal Republic of Germany with respect to the Notes otherwise than in accordance with the Securities Selling Prospectus Act and any other act replacing or supplementing such Act, and all other applicable laws and regulations.

Spain

The sale of the Notes, by the Managers on behalf of the Issuer or a third party, does not form part of any public offer of such securities in Spain. Each sale of Notes to each investor is an individual transaction and has been negotiated and/or agreed between each investor and the Managers upon each investor's request. Any subsequent transaction any investor executes regarding the Notes, including requesting the Managers to transfer the Notes to any entity managed or controlled by such investor, will be executed on such investor's own behalf only and not on behalf of or for the account of any of the Managers. These Notes may not be directly/indirectly sold, transferred or delivered in any manner, at any time other than to institutional investors in Spain (defined under Spanish Law to include only pension funds, collective investment schemes, insurance companies, banks, saving banks and securities companies).

Each investor will be deemed to have represented that (i) such investor has made its own independent decision to purchase the Notes and have not relied on any recommendation or advice from any of the Managers and (ii) such investor has already has all required information and understand all the indicative terms, conditions and restrictions of these Notes.

Notice to investors

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

The Notes will bear a legend to the following effect:

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

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

General

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

GENERAL INFORMATION

- (1) The issue of the Notes has been authorised by a resolution of the managing director of the Issuer passed on 10th May, 2005.
- (2) The Senior Class A Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg and through the Securities Clearing Corporation of Euronext Amsterdam and will bear common code 021853976, ISIN XS 021853976 4 and Fondscode 15292.
- (3) The Mezzanine Class B Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg and through the Securities Clearing Corporation of Euronext Amsterdam and will bear common code 021854026, ISIN XS 021854026 7 and Fondscode 15293.
- (4) The Junior Class C Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg and through the Securities Clearing Corporation of Euronext Amsterdam and will bear common code 021854085, ISIN XS 021854085 3 and Fondscode 15294.
- (5) The Subordinated Class D Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg and through the Securities Clearing Corporation of Euronext Amsterdam and will bear common code 021854123, ISIN XS 021854123 2 and Fondscode 15295.
- (6) The Subordinated Class E Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg and through the Securities Clearing Corporation of Euronext Amsterdam and will bear common code 021854255, ISIN XS 021854255 2 and Fondscode 15296.
- (7) There has been no material adverse change in the financial position or prospects of the Issuer since 22nd April, 2005.
- (8) KPMG Accountants N.V. has given and has not withdrawn its written consent to the issue of the Preliminary Offering Circular with its report included herein in the form and context in which it appears.
- (9) Since its incorporation, the Issuer is not involved in any legal or arbitration proceedings which may have a significant effect on the Issuer's financial position nor, so far as the Issuer is aware, are any such proceedings pending or threatened against the Issuer.
- (10) Copies of the following documents may be inspected at the specified offices of the Security Trustee during normal business hours:
 - (i) the Deed of Incorporation of the Issuer;
 - (ii) the Mortgage Receivables Purchase Agreement;
 - (iii) the Notes Purchase Agreements;
 - (iv) the Paying Agency Agreement;
 - (v) the Trust Deed;
 - (vi) the Parallel Debt Agreement;
 - (vii) the Trustee Pledge Agreement I;
 - (viii) the Trustee Pledge Agreement II;
 - (ix) the Issuer Pledge Agreement;
 - (x) the Issuer Services Agreement;
 - (xi) the GIC;
 - (xii) the Swap Agreement;
 - (xiii) the Liquidity Facility Agreement;
 - (xiv) the Beneficiary Waiver Agreement;
 - (xv) the Master Definitions Agreement; and
 - (xvi) the Subordinated Loan Agreement.
- (11) The audited financial statements of the Issuer prepared annually will be made available, free of charge, at the specified offices.

(12) The articles of association of the Issuer are incorporated herein by reference. A free copy of the Issuer's articles of association is available at the office of the Issuer.

(13) 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.

ANNEX A

THE FOLLOWING EXPRESSIONS, AS USED IN THE OFFERING CIRCULAR, HAVE THE FOLLOWING MEANINGS:

ABN AMRO means ABN AMRO Bank N.V., a public company (*naamloze vennootschap*), organised under the laws of the Netherlands and established in Amsterdam, the Netherlands;

Allianz means Allianz Nederland Levensverzekering N.V., a public company (*naamloze vennootschap*), organised under the laws of the Netherlands and established in Utrecht, the Netherlands;

Annuity Mortgage Loan means any Mortgage Loan under which the Borrower pays a fixed monthly payment, consisting of an initially high and subsequently decreasing interest portion and an initially low and subsequently increasing principal portion;

Assignment Notification Event means any of the events set out in Clause 11.1 of the Mortgage Receivables Purchase Agreement;

Average Fixed Rate Mortgage Loan Balance means, in respect of a Mortgage Calculation Period, the average daily aggregate Outstanding Principal Amount of Fixed Rate Mortgage Loans for such Mortgage Calculation Period;

Average Floating Rate Mortgage Loan Balance means, in respect of a Mortgage Calculation Period, the average daily aggregate Outstanding Principal Amount of Floating Rate Mortgage Loans for such Mortgage Calculation Period;

Average Mortgage Loan Balance means, in respect of a Mortgage Calculation Period, the sum of the Average Fixed Rate Mortgage Loan Balance and the Average Floating Rate Mortgage Loan Balance;

Bank Mortgage means any mortgage right which not only secures the loan granted to the Borrower to purchase the mortgaged property, but also any other liabilities and monies that the Borrower, now or in the future, may owe to the Seller;

Bank of Scotland means The Governor and Company of the Bank of Scotland, established by an Act of the Parliament of Scotland in 1695 and having its head office at The Mound, Edinburgh, EH1 1YZ, United Kingdom;

Bank of Scotland Economy Mortgage Loan means a Mortgage Loan with the following characteristics:

- (a) a life, interest-only or annuity Mortgage Loan;
- (b) 10 per cent. early redemption annually is allowed without penalty;
- (c) a floating interest rate or an interest rate which may be fixed for 1, 5 or 10 years
- (d) an offer period of 3 months, without the possibility for extension;
- (e) a maximum LTFV-ratio of 100 per cent., except in the case of interest-only Mortgage Loans, which may be granted with a maximum LTFV-ratio of 90 per cent.; and
- (f) a maximum loan-to-income ratio of 6 where the Borrower's income is greater than euro 35,000 per year and 5.5 where the Borrower's income is less than euro 35,000 per year;

Bank of Scotland Netherlands means Bank of Scotland acting through its the Amsterdam Branch, having its address at De Entrée 254, 1101 EE Amsterdam, the Netherlands and registered with the Amsterdam Chamber of Commerce (*Kamer van Koophandel*) under number 34122516;

Bank of Scotland Standard Mortgage Loan means a Mortgage Loan with the following characteristics:

- (a) a life, interest-only or annuity Mortgage Loan;
- (b) 15 per cent. early redemption annually is allowed without penalty;
- (c) a floating interest rate or an interest rate which may be fixed for 1, 5, 6, 10, 15, 20 or 30 years;
- (d) an offer period at 3 month, which may be extended to a maximum of 6 months against a commitment fee;

- (e) a maximum LTFV-ratio of 125 per cent., except in the case of Mortgage Loans granted to self employed persons, which may be granted with a maximum LTFV-ratio of 100 per cent. and interest-only Mortgage Loans, which may be granted with a maximum LTFV-ratio of 75 per cent.; and
- (f) a maximum loan-to-income ratio of 5.5 where the Borrower's income is greater than euro 35,000 and 5.0 where the Borrower's income is less than euro 35,000;

Beneficiary Rights means the Risk Beneficiary Rights and the Life Beneficiary Rights;

Beneficiary Waiver Agreement means the beneficiary waiver agreement to be entered into by the Seller, the Life Insurance Companies, the Security Trustee and the Issuer on the Closing Date;

BKR means the National Credit Register (*Bureau Krediet Registratie*);

Borrower Insurance Pledge means a right of pledge (*pandrecht*) in favour of the Seller on the rights of the relevant Borrower against the relevant Insurance Company under the relevant Insurance Policy securing the Life Mortgage Receivable as created under the Mortgage Conditions in the form attached to the Mortgage Receivables Purchase Agreement;

Borrower Insurance Proceeds Instruction means the irrevocable instruction by the beneficiary under an Insurance Policy to the relevant Insurance Company to apply the insurance proceeds towards repayment up to the amount the relevant Borrower now or in the future may owe to the Seller (or any of its successors) under the Mortgage Conditions in the form attached to the Mortgage Receivables Purchase Agreement;

Borrower Pledge means a right of pledge (*pandrecht*) securing the relevant Mortgage Receivable, including a Borrower Insurance Pledge;

Borrowers means the debtors, including any jointly and severally liable co-debtors, of the Mortgage Receivables;

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 TARGET System or any successor thereto is operating credit or transfer instructions in respect of payments in euro;

Citigroup means Citigroup Global Markets Limited;

Class means either the Senior Class A Notes, the Mezzanine Class B Notes, the Junior Class C Notes, the Subordinated Class D Notes or the Subordinated Class E Notes;

Class A Principal Deficiency means any Realised Losses debited to the Class A Principal Deficiency Ledger, less any amounts credited to the Class A Principal Deficiency Ledger;

Class A Principal Deficiency Ledger means a sub-ledger of the Principal Deficiency Ledger;

Class A-D Margin means the weighted average margin payable under the Senior Class A Notes, the Mezzanine Class B Notes, the Junior Class C Notes and the Subordinated Class D Notes, weighted by the Principal Amount Outstanding under each of the aforementioned Classes of Notes, expressed in basis points per annum;

Class B Interest Deficiency Ledger means the ledger to which any interest due but not paid in respect of the Mezzanine Class B Notes will be credited in accordance with Condition 9(a);

Class B Principal Deficiency means any Realised Losses debited to the Class B Principal Deficiency Ledger, less any amounts credited to the Class B Principal Deficiency Ledger;

Class B Principal Deficiency Ledger means a sub-ledger of the Principal Deficiency Ledger;

Class B Principal Deficiency Limit means the aggregate Principal Amount Outstanding of the Mezzanine Class B Notes;

Class C Interest Deficiency Ledger means the ledger to which any interest due but not paid in respect of the Junior Class C Notes will be credited in accordance with Condition 9(a);

Class C Principal Deficiency means any Realised Losses debited to the Class C Principal Deficiency Ledger, less any amounts credited to the Class C Principal Deficiency Ledger;

Class C Principal Deficiency Ledger means a sub-ledger of the Principal Deficiency Ledger;

Class C Principal Deficiency Limit means the aggregate Principal Amount Outstanding of the Junior Class C Notes;

Class D Interest Deficiency Ledger means the ledger to which any interest due but not paid in respect of the Subordinated Class D Notes will be credited in accordance with Condition 9(a);

Class D Principal Deficiency means any Realised Losses debited to on the Class D Principal Deficiency Ledger, less any amounts credited to the Class D Principal Deficiency Ledger;

Class D Principal Deficiency Ledger means a sub-ledger of the Principal Deficiency Ledger;

Class D Principal Deficiency Limit means the aggregate Principal Amount Outstanding of the Subordinated Class D Notes;

Class E Interest Deficiency Ledger means the ledger to which any interest due but not paid in respect of the Subordinated Class E Notes will be credited in accordance with Condition 9(a);

Class E Redemption Amount has the meaning set out in Condition 6(f);

Clean-Up Call Option has the meaning ascribed thereto in Condition 6(g);

Clearstream, Luxembourg means Clearstream Banking, société anonyme;

Closing and **Closing Date** means 18th May, 2005 (or such later date as may be agreed between the Issuer and the Managers);

Co-Managers means Citigroup and Deutsche Bank;

Company Administrator means ATC Financial Services B.V., in its capacity as Company Administrator of the Issuer under the Issuer Services Agreement or its successor or successors;

Company Administrator Services means the services as set out in Schedule 2 of the Issuer Services Agreement;

Conditions means the terms and conditions endorsed on (or incorporated by reference) to any Class of Notes in the form or substantially in the form set out in section Terms and Conditions of the Notes;

Cut-off Date means 31st January, 2005;

Deed of Assignment means the deed of assignment entered into between the Seller and the Issuer in respect of the Mortgage Receivables on the Closing Date;

Defaulted Loan Services means the services as set out in Schedule 1 of the Issuer Services Agreement;

Deferred Purchase Price is part of the purchase price for the Mortgage Receivables and will be equal to the sum of all Deferred Purchase Price Instalments;

Deferred Purchase Price Instalment is equal to (i) prior to the Enforcement Date, the positive difference, if any, between the Notes Interest Available Amount as calculated on each 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 (s) and (ii) after the Enforcement Date, the amount remaining after payments as set forth in the Priority of Payments upon Enforcement under (a) up to and including (q) have been made on such date;

Deutsche Bank means Deutsche Bank AG London;

Director means Amsterdamsch Trustee's Kantoor B.V. as sole director of the Security Trustee and ATC Management B.V. as sole director of the Issuer and Stichting Holding;

Eligible Investments means short-term unsecured euro-denominated debt obligations (including Commercial Paper) issued by an issuing entity of which the unsecured and unguaranteed debt obligations are assigned a rating of A-1+ by S&P (or, in case such debt obligations are guaranteed, the unsecured and unguaranteed debt obligations of the guarantor are assigned a rating of A-1+ by S&P), provided that such obligations may not have a maturity beyond the immediately succeeding Payment Date;

Enforcement Date means the date of an Enforcement Notice;

Enforcement Notice means a notice referred to in Condition 10;

Euribor has the meaning ascribed to it in the Condition 4(f);

euro means the currency of the member states of the European Union that adopt a single currency in accordance with the treaty establishing the European Communities, as amended by the Treaty on the European Union;

Euroclear means Euroclear Bank S.A./N.V. or its successors, as operator of the Euroclear System;

Euronext Amsterdam means Eurolist of Euronext Amsterdam;

Excess Swap Collateral means an amount equal to the value of the collateral (or the applicable part of any collateral) provided by the Swap Counterparty to the Issuer pursuant to the Swap Agreement (i) that is in excess of the Swap Counterparty's liability under the Swap Agreement as at the date of termination of the Swap Agreement or (ii) that the Swap Counterparty is otherwise entitled to have returned to it under the terms of the Swap Agreement;

Exchange Date means the date at least 40 days after the issue of the Notes;

Final Maturity Date means the Quarterly Payment Date falling in April 2050;

First Optional Redemption Date means the Quarterly Payment Date falling in April 2012;

Fitch means Fitch Ratings Ltd.;

Fixed Rate Mortgage Loans means Mortgage Loans in the mortgage pool with reset periods that are greater than one month;

Floating Rate Interest Period means the successive quarterly interest periods in which interest on the Notes will be payable, which 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 July 2005;

Floating Rate Mortgage Loans means Mortgage Loans in the mortgage pool in respect of which a floating rate of interest is payable;

Foreclosure Value means the foreclosure value of the mortgaged property as valued (i) when application for a mortgage loan was made, based on an existing tax assessment or (ii) by an independent qualified appraiser, provided that such assessment is not older than one year;

Further Advance means a loan or a further advance to be made to a Borrower under the relevant Mortgage Loan pursuant to and in accordance with the Mortgage Conditions, which will (also) be secured by the Mortgage;

GIC means the guaranteed investment contract to be entered into by the Issuer, the Security Trustee and the GIC Provider on the Closing Date;

GIC Provider means ABN AMRO in its capacity as GIC Provider under the GIC;

Global Notes means the Temporary Global Notes and the Permanent Global Notes;

Goudse means De Goudse Levensverzekeringen N.V.;

Initial Margins means the margins which will be applicable up to (but excluding) the First Optional Redemption Date and be equal to 0.15 per cent. per annum for the Senior Class A Notes, 0.18 per cent. per annum for the Mezzanine Class B Notes, 0.23 per cent. per annum for the Junior Class C Notes and 0.44 per cent. per annum for the Subordinated Class D Notes;

Initial Purchase Price means the aggregate Outstanding Principal Amount at 30th April, 2005 of euro 1,499,999,954, which shall be payable on the Closing Date or, in respect of the Substitute Mortgage Receivables on the relevant Mortgage Payment Date;

Insurance Companies means the Life Insurance Companies;

Insurance Policies means the Life Insurance Policies, the Risk Insurance Policies and combinations thereof;

Interest-only Mortgage Loans means any Mortgage Loan in respect of which the Borrower does not pay principal towards redemption of the relevant Mortgage Receivable until maturity of the Mortgage Receivable;

Interest Priority of Payments means the priority of payments set out in Clause 5.3 of the Trust Deed;

ISDA Definitions means the 2000 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. (**ISDA**);

ISDA Master Agreement means the 1992 ISDA Master Agreement (Multicurrency Cross Border), as published by ISDA, and the Schedule thereto, as amended from time to time, governed by English law;

Issuer means Candide Financing 2005 B.V., a private company with limited liability organised under the laws of the Netherlands and established in Amsterdam;

Issuer Collection Account means the account of the Issuer maintained with the GIC Provider, to which, *inter alia*, all amounts of interest, Prepayment Penalties (to the extent not withheld by the Seller in accordance with the Mortgage Receivables Purchase Agreement), principal and all other collections received under the Mortgage Loans relating to the Mortgage Receivables will be transferred by the Seller in accordance with the Mortgage Receivables Purchase Agreement or, as the case may be, the MPT Provider in accordance with the Issuer Services Agreement;

Issuer Pledge Agreement means the pledge agreement to be entered into by the Seller and the Issuer on the Closing Date;

Issuer Services Agreement means the issuer services agreement to be entered into by the Company Administrator, the MPT Provider, the Seller, the Swap Counterparty, the Issuer and the Security Trustee on the Closing Date;

Joint Lead Managers means ABN AMRO acting through its London Branch and J.P.Morgan Securities Ltd.;

Junior Class C Noteholders means the several persons who are for the time being holders of any Junior Class C Notes, including the coupons appertaining thereto;

Junior Class C Notes means the euro 31,500,000 Junior Class C Mortgage- Backed Notes 2005 due 2050;

Life Beneficiary Rights means all claims which the Seller or, as the case may be the Issuer or the Security Trustee has or will have on a Life Insurance Company in respect of any Life Insurance Policy under which the Seller or, as the case may be, the Issuer or the Security Trustee has been appointed by the Borrower/insured as first beneficiary (*begunstigde*) in connection with the Life Mortgage Receivables;

Life Insurance Company means any insurance company that has issued a Life Insurance Policy to any Borrower in the Netherlands in connection with any Life Mortgage Loan;

Life Insurance Policy means a Risk Insurance Policy taken by any Borrower with any of the Life Insurance Companies, which pays out upon the death of the insured, combined with a capital insurance policy which pays out on an agreed date (which may not necessarily be the date on which the Mortgage Loan is repayable) any specified amount (which may be less than the Outstanding Principal Amount under the Mortgage Loan).

Life Mortgage Loans means Mortgage Loans which have the benefit of Life Insurance Policies;

Life Mortgage Receivables means any and all rights of the Seller against any Borrower under or in connection with any Life Mortgage Loans;

Liquidity Facility Agreement means the liquidity facility agreement to be entered into by the Issuer and the Liquidity Facility Provider and the Security Trustee at the Closing Date with a term of 364 days;

Liquidity Facility Amount means, on each Quarterly Calculation Date, the higher of (a) an amount equal to 2.0 per cent. of the aggregate Principal Amount Outstanding of the Notes excluding the Subordinated Class E Notes on such date and (b) 0.5 per cent. of the aggregate Principal Amount Outstanding of the Notes excluding the Subordinated Class E Notes on the Closing Date;

Liquidity Facility Provider means JPMorgan Chase Bank, N.A. in its capacity as liquidity facility provider under the Liquidity Facility Agreement;

Liquidity Facility Stand-by Drawing means the drawing of the Issuer of the entirety of the undrawn portion of the Liquidity Facility if (a) the short-term unsecured, unsubordinated and unguaranteed debt obligations of the Liquidity Facility Provider are assigned a rating of less than F1 by Fitch or Prime-1 by Moody's or the long-term unsecured, unsubordinated and unguaranteed debt obligations of the Liquidity Facility Provider are assigned a rating of less than A+ by S&P and/or (b) the Liquidity Facility Provider does not extend the Liquidity Facility notwithstanding the request of the Issuer and no replacement Liquidity Facility Provider is found within 30 days;

Liquidity Facility Stand-by Ledger means the ledger of the Issuer Collection Account to which the Liquidity Facility Stand-by Drawing will be credited;

Liquidity Facility Subordinated Amount means the sum of (a) any additional amounts due to any withholding taxes and increased costs on the provision of the Liquidity Facility and (b) any additional costs incurred by the Liquidity Facility Provider to comply with the requirements of the

Bank of England, the Financial Services Authority and/or the European Central Bank and/or changes to the capital adequacy rules applicable to the Liquidity Facility Provider and the Issuer;

LTFV-ratio means the quotient of the aggregate Outstanding Principal Amount of a Mortgage Loan divided by the Foreclosure Value of the Mortgaged Asset;

Management Agreements means the management agreements entered into by, *inter alia*, (i) Stichting Holding and ATC Management B.V., (ii) the Issuer and ATC Management B.V. and (iii) the Security Trustee and Amsterdamsch Trustee's Kantoor B.V., all at the date hereof;

Managers means the Co-Managers and the Joint Lead Managers, collectively;

Mezzanine Class B Noteholders means the several persons who are for the time being holders of any Mezzanine Class B Notes, including the coupons appertaining thereto;

Mezzanine Class B Notes means the euro 51,000,000 Mezzanine Class B Mortgage-Backed Notes 2005 due 2050;

Moody's means Moody's Investors Service Limited;

Mortgage means a mortgage right (*hypothekrecht*) securing the relevant Mortgage Receivable;

Mortgage Calculation Date means the 6th Business Day of each month;

Mortgage Calculation Period means the period commencing on (and including) the first day of each calendar month and ending on (and including) the last day of such calendar month, except for the first Calculation Period which commences on (and includes) 18th May, 2005 and ends on (and includes) 31st May, 2005;

Mortgage Conditions means, in relation to a Mortgage Loan, the terms and conditions applicable to the Mortgage Loan, as set forth in the relevant mortgage deed and/or in any loan document, offer document or any other document and/or in any applicable general terms and conditions for mortgages of the Seller from time to time in effect;

Mortgage Loans means the loans granted by the Seller to the relevant Borrowers, as evidenced by the relevant loan agreements, which may consist of one or more loan-parts (*leningdelen*) as attached to the Mortgage Receivables Purchase Agreement and to the Deed of Assignment thereto including Substitute Mortgage Loans;

Mortgage Loans Criteria means the criteria relating to the Mortgage Loans, which are set forth in *Mortgage Receivables Purchase Agreement*;

Mortgage Payment Date means the nineteenth (19th) calendar day (or if such day is not a business day, the immediately following business day) or, if the short term, unsecured, unsubordinated, unguaranteed debt obligations of the Seller are assigned a rating of F2 by Fitch or Prime-2 by Moody's or A2 by S&P or is withdrawn, the 7th business day of each month;

Mortgage Receivables means any and all rights of the Seller against any Borrower under or in connection with any Mortgage Loans, including for the avoidance of doubt, upon the purchase and assignment of Substitute Mortgage Receivables, such Substitute Mortgage Receivables;

Mortgage Receivables Purchase Agreement means the mortgage receivables purchase agreement to be entered into by the Seller, the Issuer and the Security Trustee on 17th May, 2005;

Mortgaged Assets means, in respect of a Mortgage, (i) real property (*onroerende zaak*), (ii) an apartment right (*appartementsrecht*) or (iii) a long lease (*erfpachtsrecht*) situated in the Netherlands;

MPT Provider means Bank of Scotland Netherlands in its capacity as MPT Provider providing mortgage payment transactions services under the Issuer Services Agreement and its successor or successors;

MPT Services means the services as set out in Schedule 1 of the Issuer Services Agreement;

Net Proceeds means (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 fire insurance and Insurance Policies, (d) the proceeds of any guarantees or sureties and (e) the proceeds of foreclosure on any other assets of the relevant debtor, after deduction of foreclosure costs in respect of such Mortgage Receivable;

NHG Guarantee means the guarantee given under the "National Mortgage Guarantee" (*Nationale Hypotheek Garantie*);

Noteholders means the several persons who are for the time being holders of any Notes, including any Coupons appertaining thereto;

Notes means the Senior Class A Notes, the Mezzanine Class B Notes, the Junior Class C Notes, the Subordinated Class D Notes and the Subordinated Class E Notes;

Notes Enforcement Payable Amount means amounts corresponding to the sum of any amounts due and payable by the Issuer:

- (a) to the Noteholders under the Notes;
- (b) as fees or other remuneration to the Directors under the Management Agreements;
- (c) as fees and expenses to the Issuer Administrator and the MPT Provider under the Issuer Services Agreement;
- (d) as fees and expenses to the Paying Agent and 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 liquidity Facility provider under the Liquidity Facility Agreement; and
- (h) to the Subordinated Loan Provider under the Subordinated Loan Agreement.

Notes Interest Available Amount has the meaning assigned to it under *Credit Structure – Priority of Payments in respect of interest*;

Notes Purchase Agreement I means a notes purchase agreement dated 17th May, 2005, among the Managers, the Issuer and the Seller to purchase the Senior Class A Notes, the Mezzanine Class B Notes, the Junior Class C Notes and the Subordinated Class D Notes at their respective issue prices;

Notes Purchase Agreement II means a notes purchase agreement dated 17th May, 2005, among Issuer and the Seller, to purchase the Subordinated Class E Notes at their issue prices;

Note Purchase Agreements means the Notes Purchase Agreement I and the Notes Purchase Agreement II;

Notes Redemption Available Amount shall mean, on any Quarterly Calculation Date, the aggregate amount received by the Issuer during the immediately preceding Quarterly Calculation Period as items (i) through (vi):

- (i) repayment and prepayment in full or in part of principal under the Mortgage Receivables, from any person, whether by set-off or otherwise, but, for the avoidance of doubt, excluding Prepayment Penalties, if any;
- (ii) Net Proceeds, to the extent such proceeds relate to principal;
- (iii) amounts received in connection with a repurchase of Mortgage Receivables pursuant to the Mortgage Receivables Purchase Agreement and any other amounts received pursuant to the Mortgage Receivables Purchase Agreement to the extent such amounts relate to principal;
- (iv) amounts received in connection with a sale of Mortgage Receivables to the extent such amounts relate to principal;
- (v) amounts of interest received to be credited to the Principal Deficiency Ledger on the immediately succeeding Quarterly Payment Date; and
- (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;

Notification Events (each a Notification Event) means the Assignment Notification Events and the Trustee I Notification Events;

Notional Amount means, in respect of the Swap Agreement, in respect of a Quarterly Calculation Period, an amount in Euro equal to:

- (a) the aggregate Principal Amount Outstanding of the Senior Class A Notes, the Mezzanine Class B Notes, the Junior Class C Notes and the Subordinated 'Class D Notes on the first day of such Quarterly Calculation Period; less
- (b) the balance of the Principal Deficiency Ledger attributable to the Notes on the first day of such Quarterly Calculation Period; less

(c) the amount of principal receipts in the Issuer Collection Account on the first day of such Quarterly Calculation Period in connection with the Mortgage Loans.

Optional Redemption Date means the First Optional Redemption Date and each subsequent Quarterly Payment Date;

Other Claims means any claims of the Seller vis-à-vis the Borrower, including claims resulting from the acquisition of loans granted to or the granting of loans to such Borrower, which are secured by the Mortgage or Borrower Pledge vested by such Borrower to secure the Mortgage Receivable;

Outstanding Principal Amount means, at any moment in time, the principal balance of a Mortgage Receivable at such time and, after a Realised Loss has occurred in respect of such Mortgage Receivable, zero;

Parallel Debt means an amount equal to the aggregate amount due (*verschuldigd*) by the Issuer to the Secured Parties under or in connection with the respective Relevant Documents;

Parallel Debt Agreement means the parallel debt agreement to be entered into by the Issuer, the Security Trustee and the Secured Parties in the Closing Date;

Paying Agency Agreement means the paying agency agreement to be entered into by the Issuer, the Paying Agent, the Reference Agent and the Security Trustee on the Closing Date;

Paying Agent means ABN AMRO in its capacity as paying agent under the Paying Agency Agreement;

Permanent Global Notes means the permanent global note of each Class of Notes;

Pledge Agreements means the Trustee Pledge Agreement I, the Trustee Pledge Agreement II and the Issuer Pledge Agreement;

Portfolio Accounts means the bank accounts maintained by the Seller with Rabobank Nederland to which the Borrowers pay the amounts due under the Mortgage Loans;

Prepayment Penalties means any prepayment penalties (*boeterente*) to be paid by a Borrower under a Mortgage Loan as a result of the Mortgage Receivable being repaid (in whole or in part) prior to the maturity date of such Mortgage Loan other than (i) on a date whereon the interest rate is reset or (ii) otherwise permitted;

Principal Amount Outstanding means (i) on the Closing Date, the principal amount of any Note upon issue and (ii) on any Quarterly Calculation Date, the principal amount of any Note upon issue less the aggregate amount of all Principal Redemption Amounts (as defined in Condition 6(c)) in respect of that Note that have become due and payable prior to such Quarterly Calculation Date;

Principal Deficiency means the sum of the Class A Principal Deficiency, the Class B Principal Deficiency, the Class C Principal Deficiency and the Class D Principal Deficiency;

Principal Deficiency Ledger means the ledger comprising of four sub ledgers for each Class of Notes to which any Realised Losses are credited;

Principal Shortfall means an amount equal to the quotient of the balance of the relevant sub-ledger of the Principal Deficiency Ledger, divided by the number of Notes of the relevant Class of Notes on such Quarterly Payment Date;

Purchase Deed of Assignment means any deed of assignment entered into between the Seller and the Issuer in respect of the assignment of Substitute Mortgage Receivables on a Mortgage Payment Date;

Quarterly Calculation Date means, in relation to a Quarterly Payment Date, the third business day prior to such Quarterly Payment Date;

Quarterly Calculation Period means, in relation to a Quarterly Calculation Date, the three successive Mortgage Calculation Periods immediately preceding such Quarterly Calculation Date;

Quarterly Payment Date the 20th day of January, April, July and October (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 the Business Day immediately preceding such 20th day) in each year;

Rating Agencies (each a **Rating Agency**) means Fitch, Moody's and S&P;

Realised Losses means, on any Quarterly Calculation Date, the sum of (I) the amount of the difference between (a) the aggregate Outstanding Principal Amount on all Mortgage Loans relating to

Mortgage Receivables on which the Seller or the Issuer or the Security Trustee has foreclosed from the Closing Date up to and including such Quarterly Calculation Date and (b) the sum of (i) the Net Proceeds applied to reduce the Outstanding Principal Amount of such Mortgage Receivables; and (II) with respect to Mortgage Receivables sold by the Issuer, the amount of the difference, if any, between (x) the aggregate Outstanding Principal Amounts and (y) the purchase price received in respect of such Mortgage Receivables to the extent relating to the principal;

Reference Agent means ABN AMRO in its capacity as reference agent under the Paying Agency Agreement and its successor(s);

Relevant Documents means the Mortgage Receivables Purchase Agreement, the Master Definitions Agreement, the Deed of Assignment, any Purchase Deed of Assignment, the Issuer Services Agreement, the Pledge Agreements, the Notes Purchase Agreements, the Notes, the Paying Agency Agreement, the Trust Deed, the Swap Agreement, the GIC, the Liquidity Facility Agreement, the Management Agreements, the Beneficiary Waiver Agreement, the Subordinated Loan Agreement and any further documents relating to the transaction envisaged in the above mentioned documents;

Required Swap Counterparty Rating means a rating of F1 by Fitch, P-1 by Moody's and A-1 by S&P of the short term unsecured, unsubordinated and unguaranteed debt obligations of a Swap Counterparty and A by Fitch and A1 by Moody's of the long term unsecured, unsubordinated and unguaranteed debt obligations of a Swap Counterparty;

Reserve Account means the account maintained with the GIC Provider or such other account approved by the Security Trustee in the name of the Issuer, to which the net proceeds of the Subordinated Class E Notes will be credited;

Reserve Account Target Level means, on any Quarterly Calculation Date, an amount equal to 1.55 per cent. of the Outstanding Principal Amount of the Mortgage Receivables at the Closing Date;

Risk Beneficiary Rights means all claims which the Seller or, after assignment to the Issuer, the Issuer or the Security Trustee has or will have on a Life Insurance Company in respect of any Risk Insurance Policy under which the Seller has been appointed by the Borrower/insured as first beneficiary (*begunstigde*) in connection with Mortgage Receivables;

Risk Insurance Policy means the risk policy (*risicoverzekering*) relating to an insurance which pays out upon the death of the insured, taken out by a Borrower with any of the Life Insurance Companies in connection with a Life Mortgage Loan and in connection with certain Annuity Mortgage Loans and certain Interest-only Mortgage Loans;

S&P means Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc.;

Secured Parties means (a) the Noteholders, (b) the Directors, (c) the Company Administrator, (d) the MPT Provider, (e) the Paying Agent, (f) the Reference Agent, (g) the Swap Counterparty, (h) the Liquidity Facility Provider, (i) the Life Insurance Companies, (j) the Seller and (k) the Subordinated Loan Provider;

Securities Act means the United States Securities Act 1933, as amended;

Security Trustee means Stichting Security Trustee Candide Financing 2005, a foundation (*stichting*) organised under the laws of the Netherlands and established in Amsterdam, the Netherlands;

Seller means Bank of Scotland Netherlands;

Seller Accounts means the Portfolio Accounts and the Seller Central Collection Account collectively;

Seller Central Collection Account means the account of the Seller maintained with Rabobank Nederland to which all amounts of interest, Prepayment Penalties, principal and all other collections received under all mortgage receivables relating to Mortgage Loans are paid by the Borrowers;

Senior Class A Noteholders means the several persons who are for the time being holders of any Senior Class A Notes, including the coupons appertaining thereto;

Senior Class A Notes means the euro 1,395,000,000 Senior Class A Mortgage-Backed Notes 2005 due 2050;

Senior Fees means the sum of all amounts due and payable under items (a), (b) and (c) of the Interest Priority of Payments;

SFB means SFB Levensverzekeringen B.V.;

State means the State of the Netherlands;

STATER means STATER Nederland B.V., a private company with limited liability organised under the laws of the Netherlands and established in Amersfoort, the Netherlands;

Stichting Holding means Stichting Candide Financing Holding, a foundation organised under the laws of the Netherlands, and established in Amsterdam;

Sub MPT Provider means STATER or any subsequent sub contractor of the MPT Provider;

Subordinated Class D Noteholders means the several persons who are for the time being holders of any Subordinated Class D Notes, including the coupons appertaining thereto;

Subordinated Class D Notes means the euro 22,500,000 Subordinated Class D Mortgage-Backed Notes 2005 due 2050;

Subordinated Class E Noteholders means the several persons who are for the time being holders of any Subordinated Class E Notes, including the coupons appertaining thereto;

Subordinated Class E Notes means the euro 4,500,000 Subordinated Class E Notes 2005 due 2050;

Subordinated Loan Agreement means the subordinated loan agreement entered into by the Issuer, the Security Trustee and the Subordinated Loan Provider on the Closing Date;

Subordinated Loan Provider means Bank of Scotland Netherlands;

Substitute Mortgage Receivable means any and all rights of the Seller against any Borrower under or in connection with any mortgage loan between the Seller and that Borrower which meets the Mortgage Loans Criteria and which are, for the avoidance of doubt, purchased by the Issuer after the Closing Date;

Substitution Available Amount means

- (A) until the Mortgage Payment Date immediately preceding 1st May, 2008:
- (a) amounts received as repayments and prepayments of principal under the Mortgage Receivables, from any person (including any Insurance Company), excluding Prepayment Penalties, if any;
 - (b) amounts received as Net Proceeds, to the extent such proceeds relate to principal;
 - (c) as amounts received in connection with repurchase of Mortgage Receivables pursuant to the Mortgage Receivables Purchase Agreement and any other amounts received under the Mortgage Receivables Purchase Agreement to the extent relating to Principal;
 - (d) as amounts relating to a sale of Mortgage Receivables, to the extent relating to principal;
 - (e) as amounts of interest to be credited to the Principal Deficiency Ledger on the immediately succeeding Quarterly Payment Date;
- (B) thereafter on each Mortgage Payment Date until the Mortgage Payment Date immediately preceding the Optional Redemption Date immediately preceding the Final Maturity Date amounts received in connection with a repurchase by the Seller of Mortgage Receivables pursuant to the Mortgage Receivables Purchase Agreement.

Swap Agreement means the interest rate swap transaction entered into pursuant to an ISDA Master Agreement (including Schedule and Confirmation (as defined thereunder) and incorporating the ISDA Definitions) thereunder to be entered into by the Swap Counterparty and the Issuer on the Closing Date in connection with the Mortgage Receivables, excluding the Reset Mortgage Receivables;

Swap Counterparty means Bank of Scotland Netherlands, in its capacity as swap counterparty under the Swap Agreement;

Swap Margin means, in respect of a Mortgage Calculation Period, a percentage equal to the product of (i) the Average Fixed Rate Mortgage Loan Balance for such Mortgage Calculation Period and (ii) the margin on Fixed Rate Mortgage Loans divided by the Average Loan Balance for such Mortgage Calculation Period;

Swap Subordinated Amount means, except to the extent that any premium is received by the Issuer from a Replacement Swap Counterparty;

- (i) any termination payment due from the Issuer under the Swap Agreement following an Event of Default (as defined in the Swap Agreement) where the Swap Counterparty is the Defaulting Party (as defined in the Swap Agreement); and
- (ii) any termination payment due from the Issuer under the Swap Agreement following a Ratings Event (as defined in the Swap Agreement);

TARGET System means the Trans-European Automated Real-Time Gross Settlement Express Transfer System, or any successor thereto;

Temporary Global Notes means the temporary global notes to be issued in respect of each Class of Notes;

Threshold Margin means the sum of: (a) Class A-D Margin; plus (b) Senior Fees; plus (c) 35 basis points;

Transaction Accounts means the Issuer Collection Account and the Reserve Account;

Transaction Accounts Balances means, at any day, the balances standing to the credit of each of the Transaction Accounts at the close of business of such day;

Trust Deed means the trust deed to be entered into by the Security Trustee, Stichting Holding and the Issuer on the Closing Date;

Trustee Indemnification has the meaning ascribed to it in Clause 10.2 of the Mortgage Receivables Purchase Agreement;

Trustee I Notification Event means:

- (a) an Assignment Notification Event occurs; or
- (b) an Enforcement Notice is given; or
- (c) any amount due to the Security Trustee under or in connection with any of the Trustee I Secured Liabilities is not paid when due; or
- (d) the Issuer fails duly to perform or comply with any of its obligations under this Agreement or under any other Relevant Document to which it is a party, or any other party (except the Security Trustee) does not comply with any of the obligations 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 notice thereof has been given by the Security Trustee to the Issuer or any such other party; or
- (e) any representation, warranty or statement made by the Issuer in this Agreement or under any of the other Relevant Documents to which it is a party or in any notice or other document, certificate or statement delivered by it pursuant hereto or thereto proves to have been, and continues to be after the expiration of any applicable grace period provided for in any Relevant Document, untrue or incorrect in any material respect; or
- (f) the Issuer 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*); or
- (g) the Issuer has been declared bankrupt (*faillissement*) or has been granted a suspension of payments (*surséance van betaling*) or has become subject to any analogous insolvency proceedings under any applicable law or the Issuer has applied for a declaration of bankruptcy or suspension of payments or its assets are placed under administration (*onder bewind gesteld*) pursuant to such procedures; or
- (h) the Issuer has taken any corporate action or any steps have been taken or legal proceedings have been initiated or threatened against it for its entering into a suspension of payments or for bankruptcy or for the appointment of a receiver or similar officer of it or of any or all of its assets; or
- (i) there is any change in the shares or shareholders in the Issuer; or
- (j) the Articles of Association of the Issuer are amended after the Closing Date and the nature of the amendment is, in the opinion of the Security Trustee, materially detrimental to the interests of the Secured Parties; or
- (k) at any time it becomes unlawful for the Issuer to perform any or all of its obligations hereunder or under any other Relevant Document to which it is a party; or

- (l) the Issuer has given incorrect information or not given information which was essential for the Security Trustee in connection with entering into this Agreement and/or any of the other Relevant Documents; or
- (m) a creditor of the Issuer attaches, or takes possession of, all or any parts of the undertakings, assets, rights or revenues of the Issuer and the same is not released or discharged within forty five (45) days;

Trustee I Secured Liability means any and all liabilities (whether actual or contingent), whether principal, interest or otherwise, to the extent such liabilities result in a claim for payment (*geldvordering*), including, without limitation, resource claims, which are now or may at any time hereafter be due, owing or payable (i) from or by the Seller to the Security Trustee under or in connection with the Mortgage Receivables Purchase Agreement, including without limitation, the Trustee Penalty and the Trustee Indemnification, (ii) from or by the Issuer to the Security Trustee resulting from or in connection with the Parallel Debt Agreement, (iii) from or by the Issuer to the Security Trustee resulting from or in connection with the Issuer's obligation to pay amounts in accordance with Clause 12.2 of the Trust Deed and (iv) from or by the Seller to the Security Trustee resulting from or in connection with any of the other Relevant Documents;

Trustee Penalty has the meaning ascribed to it in Clause 11.4 of the Mortgage Receivables Purchase Agreement;

Trustee Pledge Agreement I means the pledge agreement to be entered into by the Security Trustee, the Seller and the Issuer on the Closing Date;

Trustee Pledge Agreement II means the pledge agreement to be entered into by the Issuer, the Security Trustee and certain other parties on the Closing Date;

Unit-Linked means the alternative under a Life Insurance Policy 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 insured (unit-linked).

ANNEX B

EXPECTED AMORTISATION PROFILE OF THE NOTES BASED ON ASSUMPTIONS

7% CPR

	<i>Class A</i>	<i>Class B</i>	<i>Class C</i>	<i>Class D</i>	<i>Class E</i>
16/05/2005	100.00%	100%	100%	100%	100%
20/07/2005	100.00%	100%	100%	100%	100%
20/10/2005	100.00%	100%	100%	100%	100%
20/01/2006	100.00%	100%	100%	100%	100%
20/04/2006	100.00%	100%	100%	100%	100%
20/07/2006	100.00%	100%	100%	100%	100%
20/10/2006	100.00%	100%	100%	100%	100%
20/01/2007	100.00%	100%	100%	100%	100%
20/04/2007	100.00%	100%	100%	100%	100%
20/07/2007	100.00%	100%	100%	100%	100%
20/10/2007	100.00%	100%	100%	100%	100%
20/01/2008	100.00%	100%	100%	100%	100%
20/04/2008	100.00%	100%	100%	100%	100%
20/07/2008	98.06%	100%	100%	100%	100%
20/10/2008	96.16%	100%	100%	100%	100%
20/01/2009	94.30%	100%	100%	100%	100%
20/04/2009	92.47%	100%	100%	100%	100%
20/07/2009	90.67%	100%	100%	100%	100%
20/10/2009	88.90%	100%	100%	100%	100%
20/01/2010	87.16%	100%	100%	100%	100%
20/04/2010	85.46%	100%	100%	100%	100%
20/07/2010	83.78%	100%	100%	100%	100%
20/10/2010	82.14%	100%	100%	100%	100%
20/01/2011	80.52%	100%	100%	100%	100%
20/04/2011	78.93%	100%	100%	100%	100%
20/07/2011	77.37%	100%	100%	100%	100%
20/10/2011	75.84%	100%	100%	100%	100%
20/01/2012	74.34%	100%	100%	100%	100%
20/04/2012	72.87%	100%	100%	100%	100%

REGISTERED OFFICES

ISSUER

Candide Financing 2005 B.V.
Frederik Roeskestraat 123
1076 EE Amsterdam
The Netherlands

SELLER

The Governor and Company of the Bank of
Scotland, Amsterdam Branch
De Entrée 254
1101 EE Amsterdam
The Netherlands

MPT PROVIDER

The Governor and Company of the Bank of
Scotland, Amsterdam Branch
De Entrée 254
1101 EE Amsterdam
The Netherlands

COMPANY ADMINISTRATOR

ATC Financial Services B.V.
Frederik Roeskestraat 123
1076 EE Amsterdam
The Netherlands

SECURITY TRUSTEE

Stichting Security Trustee Candide Financing 2005
Frederik Roeskestraat 123
1076 EE Amsterdam
The Netherlands

**LEGAL ADVISERS TO THE ARRANGER AND
THE ISSUER**

Allen & Overy LLP
Apollolaan 15
1077 AB Amsterdam
The Netherlands

LEGAL ADVISERS TO THE MANAGERS

NautaDutilh N.V.
Strawinskylaan 1999
1077 XV Amsterdam
The Netherlands

PAYING AGENT AND REFERENCE AGENT

ABN AMRO Bank N.V.
Kemelstede 2
4817 ST Breda
The Netherlands

LISTING AGENT

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

AUDITORS OF THE ISSUER

KPMG Accountants N.V.
Burgemeester Rijnderslaan 10-20
1185 MC Amstelveen
The Netherlands