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Under no circumstances shall this prospectus 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 prospectus 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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CANDIDE FINANCING 2006 B.V.

(incorporated with limited liability in the Netherlands)

- Euro [400,000,000] Senior Class A1 Mortgage-Backed Notes 2006 due [2051], issue price [100] per cent.
- Euro [350,000,000] Senior Class A2 Mortgage-Backed Notes 2006 due [2051], issue price [100] per cent.
- Euro [1,125,000,000] Senior Class A3 Mortgage-Backed Notes 2006 due [2051], issue price [100] per cent.
- Euro [47,000,000] Mezzanine Class B Mortgage-Backed Notes 2006 due [2051], issue price [100] per cent.
- Euro [40,000,000] Junior Class C Mortgage-Backed Notes 2006 due [2051], issue price [100] per cent.
- Euro [38,000,000] Subordinated Class D Mortgage-Backed Notes 2006 due [2051], issue price [100] per cent.
- Euro [5,000,000] Subordinated Class E Notes 2006 due [2051], issue price [100] per cent.
- Euro [11,000,000] Subordinated Class F Notes 2006 due [2051], 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 Euronext Amsterdam ("Euronext Amsterdam") the EURO [400,000,000] Senior Class A1 Mortgage-Backed Notes 2006 due [2051] (the "Senior Class A1 Notes"), the EURO [350,000,000] Senior Class A2 Mortgage-Backed Notes 2006 due [2051] (the "Senior Class A2 Notes"), the EURO [1,125,000,000] Senior Class A3 Mortgage-Backed Notes 2006 due [2051] (the "Senior Class A3 Notes" and together with the Senior Class A1 Notes and the Senior Class A2 Notes, the "Senior Class A Notes"), the EURO [47,000,000] Mezzanine Class B Mortgage-Backed Notes 2006 due [2051] (the "Mezzanine Class B Notes"), the EURO [40,000,000] Junior Class C Mortgage-Backed Notes 2006 due [2051] (the "Junior Class C Notes"), the EURO [38,000,000] Subordinated Class D Mortgage-Backed Notes 2006 due [2051] (the "Subordinated Class D Notes"), the EURO [5,000,000] Subordinated Class E Notes 2006 due [2051] (the "Subordinated Class E Notes") and the EURO [11,000,000] Subordinated Class F Notes 2006 due [2051] (the "Subordinated Class F Notes" and together with 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, the "Notes").

The Notes are expected to be issued on [15] November 2006. This Prospectus constitutes a prospectus for the purposes of Directive 2003/71/EC (the "Prospectus Directive"). Capitalised terms used in this Prospectus, unless otherwise indicated, have the meanings as set out in Annex A to this Prospectus.

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 [February 2007], in which the interest rate will be referenced to the linear interpolation of 3 and 4 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 A1 Notes 0.05 per cent. per annum, for the Senior Class A2 Notes 0.08 per cent. per annum, for the Senior Class A3 Notes 0.12 per cent. per annum, for the Mezzanine Class B Notes 0.17 per cent. per annum, for the Junior Class C Notes 0.22 per cent. per annum, for the Subordinated Class D Notes 0.48 per cent. per annum and, up to the Final Maturity Date, for the Subordinated Class E Notes 1.70 per cent. per annum and for the Subordinated Class F Notes a margin of 2.50 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 and the Subordinated Class F Notes) will be reset. The interest on the relevant Classes of Notes (other than the Subordinated Class E Notes and the Subordinated Class F Notes) from the First Optional Redemption Date will be equal to three months Euribor, plus a margin per annum which will be 0.10 per cent. for the Senior Class A1 Notes, 0.16 per cent. for the Senior Class A2 Notes, 0.24 per cent. for the Senior Class A3 Notes, 0.34 per cent. for the Mezzanine Class B Notes, 0.44 per cent. for the Junior Class C Notes and 0.96 per cent. for the Subordinated Class D Notes.

The Notes will mature on the Quarterly Payment Date falling in November 2051 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 May 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 and the Subordinated Class F Notes will not be redeemed until the Senior Class A1 Notes, the Senior Class A2 Notes, the Senior Class A3 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 and the Subordinated Class F Notes) is not more than 10 per cent. of the Principal Amount Outstanding of the Notes (other than the Subordinated Class E Notes and the Subordinated Class F 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 an "AAA" rating by Fitch, an "Aaa" rating by Moody's and an "AAA" rating by S&P, the Mezzanine Class B Notes, on issue, be assigned an "AA" rating by Fitch, an "Aa2" rating by Moody's and an "AA" rating by S&P, the Junior Class C Notes, on issue, be assigned an "A" rating by Fitch, an "A1" rating by Moody's and an "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 "Ba3" rating by Moody's. The Subordinated Class F Notes will not be rated. 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 the risks associated with an investment in the Notes, see "Risk Factors" 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 principal prior to the Enforcement Date on the Senior Class A2 Notes and the Senior A3 Notes and the right to payment of interest and principal on the Mezzanine Class B Notes, the Junior Class C Notes, the Subordinated Class D Notes, the Subordinated Class E Notes and the Subordinated Class F Notes will be subordinated and be limited as further described herein.

The Notes of each Class will be issued in new global note ("NGN") form and will be initially represented by Temporary Global Notes in bearer form, without coupons, which are expected to be deposited with a common safekeeper 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.

The date of this prospectus is 14 November 2006.

Arranger



Joint Lead Managers

ABN AMRO

JPMorgan

Co Managers

Morgan Stanley

UBS Investment Bank

RESPONSIBILITY STATEMENTS

Only the Issuer is responsible for the information contained in this Prospectus. With respect to the information referred to in the following two paragraphs Bank of Scotland Netherlands and Stater are responsible as well, as set out therein. To the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case) the information, contained in this Prospectus is in accordance with the facts and 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. Any information from third parties contained in this Prospectus has been accurately reproduced and, as far as the Issuer is aware and able to ascertain from the information published by such parties, does not omit anything likely to render the reproduced information inaccurate or misleading. The Issuer accepts responsibility accordingly.

The Seller is responsible solely for the information contained in the following sections of this Prospectus: *Overview of the Dutch Residential Mortgage Market, Bank of Scotland Group, Description of the Mortgage Loans, Mortgage Loan Underwriting and Origination and Administration of the Mortgage Loans* 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.* 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. Stater accepts responsibility accordingly. The Issuer is also responsible for this section.

This Prospectus 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 Prospectus will be read and construed on the basis that such document is incorporated in, and forms part of, this Prospectus.

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

Neither this Prospectus 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 Prospectus (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 Prospectus is set out in the section *Subscription 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 Prospectus in accordance with applicable laws and regulations.

Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs of the Issuer and its own appraisal of the creditworthiness of the Issuer. Neither this Prospectus 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 Prospectus at any time nor any sale made in connection with the offering of the Notes shall imply that the information contained herein is correct at any time subsequent to the date of this Prospectus. The Issuer and the Seller have no obligation to update this Prospectus, except when required by the listing 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 nor 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 nor endorsed the merits of this offering or the accuracy or adequacy of this Prospectus. 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 nor delivered within the United States or to US persons (see *Subscription and Sale*).

In connection with the issue of the Notes, ABN AMRO (the “**Stabilising Manager**”) or any duly appointed person acting for the Stabilising Manager, may over-allot Notes (provided that the aggregate principal amount of Notes allotted does not exceed 105 per cent. of the aggregate principal amount of the Notes) or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Stabilisation transactions shall be conducted in accordance with all applicable laws and regulations as amended from time to time.

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TRANSACTION SUMMARY

The following is an overview of the principal features of the transaction described in this Prospectus, including the issue of the Notes. The information in this section does not purport to be complete. This overview should be read as an introduction to, and in conjunction with, and is qualified in its entirety by reference to, the detailed information appearing elsewhere in this Prospectus. Prospective Noteholders are advised to read carefully, and to rely solely on, the detailed information appearing elsewhere in this Prospectus, and the Terms and Conditions of the Notes and Relevant Documents referred to therein, in making any decision whether or not to invest in any Notes. If a claim relating to the information contained in this Prospectus is brought before a competent court, the plaintiff investor will, subject to the legal requirement of the relevant member state of the European Economic Area, have to bear the costs of translating this Prospectus before the legal proceedings are initiated. Civil liability with respect to this summary will only attach to the Issuer if this summary is misleading, incorrect or inconsistent when read in such manner as indicated above.

Capitalised terms used but not defined in this section have the meaning given thereto elsewhere in this Prospectus.

Risk Factors

There are certain risk factors which prospective Noteholders should take into account. These risk factors relate to, *inter alia*, the fact that the liabilities of the Issuer under the Notes are limited recourse obligations, whereby the ability of the Issuer to meet such obligations will be dependent on the receipt by it of funds under the Mortgage Receivables, the proceeds of the sale of any Mortgage Receivables and the receipt by it of certain other funds. Despite certain facilities, there remains a credit risk, liquidity risk, prepayment risk, maturity risk and interest-rate risk relating to the Notes. Moreover, there are structural and legal risks relating to the Mortgage Receivables (see under ‘*Risk Factors*’ on page [8-17] of the Prospectus below).

Transaction Overview

The following is an overview of the transaction as illustrated by the Transaction Structure Diagram on page [19] below. The numbers in the diagram (see ‘*Transaction Structure Diagram*’) refer to the numbered paragraphs in this section.

1. On or about [15] November 2006 the Issuer will enter into a mortgage receivables purchase agreement (the “**Mortgage Receivables Purchase Agreement**”) with the Seller and the Security Trustee. Pursuant to the Mortgage Receivables Purchase Agreement the Seller will sell and assign to the Issuer legal title to the Mortgage Receivables and the Beneficiary Rights relating thereto. The Mortgage Receivables consist of any and all rights of the Seller against certain borrowers (the “**Borrowers**”) under loans originated by the Seller which loans are secured by first-ranking, or first and sequentially lower-ranking, mortgage rights over residential properties in the Netherlands. The initial purchase price payable to the Seller for the Mortgage Receivables amounts to EURO [2,000,000,000] (the “**Initial Purchase Price**”). The total purchase price for the Mortgage Receivables consist of the Initial Purchase Price and the Deferred Purchase Price. The transfer of legal title to the Mortgage Receivables will take place on or about [15] November 2006 (the “**Closing Date**”). Subject to certain conditions being met, a Mortgage Receivable sold to the Issuer may be repurchased by the Seller and substituted by another Mortgage Receivable (see further ‘*Mortgage Receivable Purchase Agreement*’).

The Issuer will use the proceeds of the issue of the Notes (other than the Subordinated Class E Notes and the Subordinated Class F Notes) to fund the Initial Purchase Price on the Closing Date. The Notes will be issued under a trust deed (the “**Trust Deed**”). On each Quarterly Payment Date the Issuer will pay the Noteholders interest and, to the extent applicable, principal in accordance with and subject to the relevant Priority of Payments prior to Enforcement Date (see ‘*Credit Structure*’).

2. The rates of interest on the Mortgage Receivables will not necessarily match the floating rates applicable to the Notes. In order to provide a hedge against the possible variance between the amounts received by the Issuer in respect of the Mortgage Receivables and the interest payable in respect of the Notes, the Issuer will enter into an interest rate swap transaction (the “**Swap Agreement**”) with Bank of Scotland Netherlands (as the Swap Counterparty).

3. The ability of the Issuer to meet its obligations under the Notes will depend primarily upon the receipt by it of principal and interest from the Borrowers under the Mortgage Loans, the receipt of funds under the Liquidity Facility Agreement and the receipt of funds under the Swap Agreement. The Issuer will secure its obligations under the Notes. Pursuant to a parallel debt agreement (the “**Parallel Debt Agreement**”) the Issuer will undertake to pay to the Security Trustee, on the same terms and conditions, an amount equal to the aggregate of all amounts from time to time due and payable by the Issuer to the Noteholders and certain other transaction parties (including, but not limited to, the Noteholders) (such payment undertaking and the obligations and liabilities resulting from it being referred to as the “**Parallel Debt**”). The Parallel Debt is secured by a first-ranking right of pledge over the Mortgage Receivables and the Beneficiary Rights relating thereto and a first ranking right of pledge over certain other assets, including its account balances, pursuant to two pledge agreements (the “**Pledge Agreements**”). Upon the occurrence of an event of default under the Notes, the Security Trustee may give notice to the Issuer that the amounts outstanding under the Notes (and under the Parallel Debt) are immediately due and payable and that it will enforce the Pledge Agreements. The Security Trustee will apply the amounts recovered upon enforcement of the Pledge Agreements in accordance with the Post-Enforcement Priority of Payments towards satisfaction of the amounts owed by the Issuer to the Noteholders and such other transaction parties (see ‘*Credit Structure*’).
4. The Issuer will enter into a liquidity facility agreement (the “**Liquidity Facility Agreement**”) with ABN AMRO Bank N.V. (“**ABN AMRO**”) (as the Liquidity Facility Provider) and the Security Trustee on the Closing Date pursuant to which the Liquidity Facility Provider will agree to make available a 364-day committed facility under which the Issuer may, in certain circumstances and subject to the satisfaction of specified conditions, make drawings in case of (temporary) interest revenue shortfalls.
5. The Issuer will enter into a guaranteed investment contract (the “**GIC Agreement**”) with ABN AMRO (as the GIC Provider) and the Security Trustee on the Closing Date, pursuant to which the GIC Provider guarantees a certain interest rate determined by reference to one-month Euribor with respect to the balance standing from time to time to the credit of all bank accounts maintained by the Issuer with the GIC Provider.
6. The Issuer will enter into an issuer services agreement (the “**Issuer Services Agreement**”) with Bank of Scotland Netherlands (as the MPT Provider) on the Closing Date, pursuant to which the MPT Provider will agree to provide administration and management services in relation to the Mortgage Loans on a day-to-day basis, including the collection of payments of principal and interest with respect to the Mortgage Loans and the implementation of the arrears procedure. The MPT Provider will initially appoint Stater as its Sub MPT Provider to take on some of the responsibilities of Bank of Scotland Netherlands, such as the collection of interest on the Mortgage Loans and administration of the Mortgage Loans, under the Issuer Services Agreement.
7. The Seller will provide the Issuer with a Subordinated Loan under a subordinated loan agreement (the “**Subordinated Loan Agreement**”).

RISK FACTORS

The following is an overview of all material risks specific to the issue of the Notes of which prospective Noteholders should be aware. Prospective Noteholders should read the detailed information set out elsewhere in this Prospectus.

Capitalised terms used but not defined in this section have the meanings given thereto elsewhere in this Prospectus.

Liabilities under the Notes and Limited Recourse

The Notes will be obligations of the Issuer only. The Notes will not be obligations of, nor the responsibility of, nor 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, including 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 (re-)sale to the Seller or any third party 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 net 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 and the provisions of the Trust Deed. 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, the Subordinated Class E Notes and the Subordinated Class F Notes; (c) in respect of the Junior Class C Notes, by the subordinated ranking of the Subordinated Class D Notes, the Subordinated Class E Notes and the Subordinated Class F Notes; (d) in respect of the Subordinated Class D Notes, by the subordinated ranking of the Class E Notes and the Class F Notes; and (e) in respect of the Subordinated Class E Notes, by the subordinated ranking of the Class F Notes. In addition, this risk is, in respect of all Notes, other than the Subordinated Class E Notes and the Subordinated Class F 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. The initial Liquidity Facility will expire 364 days from and including the Closing Date. It is extendable for successive periods of up to 364 days. If the Liquidity Facility Provider does not agree to an extension or renewal of the Liquidity Facility, then the Issuer will, subject to certain terms, be required to make a Liquidity Standby Drawing. The Liquidity Facility and/or the balance of the Reserve Account may not be sufficient to cover the entire shortfall of interest, in which case the Issuer may not have sufficient funds available to pay interest on all or some Classes of the Notes. Failure to pay interest on the Notes, other than the Senior Class A Notes does not constitute an Event of Default. See Condition 9(b).

(iv) Maturity Risk

There is a risk that the Issuer will not have received sufficient principal to fully redeem the Notes on the relevant date(s) of redemption thereof. 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 a potential mismatch between the rates of interest on the Mortgage Loans and the floating rates applicable to the Notes, 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 *Risk Factors – 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 *Risk Factors – Swap Agreement*. The Noteholders are exposed to this risk if for whatever reason, the Swap Counterparty defaults in respect of its obligations under the Swap Agreement or if the Swap Agreement is terminated prior to its scheduled termination date and not (timely) replaced, up to the difference between the interest received and the interest payable on the Notes.

(vii) 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 it intends to establish a secondary market in the Notes. A lack of liquidity may adversely affect the Noteholders ability to sell the Notes.

(viii) Structured legal risks relating to underlying assets

There is a risk that the Issuer will not have the (full) benefit of the security over the Mortgaged Assets, the Borrower Insurance Pledges and/or as assignee of the Beneficiary Rights. There is a risk a Borrower sets off amounts due to it by the Seller against its payment obligation under the Mortgage Loan. If a Borrower successfully invokes a right of set-off, the Seller is obliged to make good the shortfall. There is a risk that the Seller does not do so. In case of a default by an Insurance Company under an Insurance Policy, there is a risk that the Issuer does not benefit from the Insurance Policy and/or that the Issuer may not be able to collect the Mortgage Receivables, whether in part or in full, as a result of set-off or other defences invoked by the Borrower. Should these risks materialise, the ability of the Issuer to perform its obligations under the Notes could be adversely affected. For a general discussion of these legal considerations see further the paragraphs *Security Rights, Set-off* and *Insurance Policies*.

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 an 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 Standard Mortgage Loan exceeding 90 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*).

Reliance on Third Parties

There is a risk that counterparties to the Issuer will 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 will not meet its obligations, (in connection with, for example, the repurchase obligation) and 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, Liquidity Facility Provider and GIC Provider will not perform its respective obligations under the Relevant Documents to which it is a party; and (d) ATC Financial Services B.V. will not perform its

obligations as Issuer Administrator under the Issuer Services Agreement, ATC Management B.V. will not perform its obligations as 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.

Risks of Losses Associated with Declining Property Values

The security for the Notes created under the 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 at 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. In addition, the risk remains that the net foreclosure proceeds with respect to a Mortgage Receivable are less than the outstanding amount of that Mortgage Receivable, which would adversely affect the ability of the Issuer to pay principal and/or interest on the Notes.

Payments made to the Seller prior to notification of the transfer of legal title to Mortgage Receivable

Under Dutch law, assignment of the legal title of claims, such as the Mortgage Receivables, can be effectuated by means of a notarial deed or a registered deed of assignment, without notification of the assignment to the debtors being required. The legal ownership of the Mortgage Receivables will be transferred by the Seller to the Issuer through a registered deed of assignment at the Closing Date. The Mortgage Receivables Purchase Agreement will provide that such transfer of legal title will not be notified by the Seller or, as the case may be, the Issuer to the Borrowers except if any of the Notification Events occurs.

As a matter of Dutch law, until notification of the transfer of legal title has been made to the Borrowers, the Borrowers under the Mortgage Receivables can validly pay (*bevrijdend betalen*) the Seller. The Seller has undertaken in the Mortgage Receivables Purchase Agreement to pay the Issuer any amounts received from the Borrowers in respect of the Mortgage Receivables. However, receipt of such amounts by the Issuer is subject to the Seller actually making such payments. After notification of the assignment, a Borrower can only validly pay the Issuer.

Notification of the assignment can validly be made after insolvency of the Seller. See for a discussion of the consequences of an insolvency of the Seller under Scottish law the section below on '*Insolvency analysis – Winding-up Directive*'.

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 Pledge Agreement I and the 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.

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. 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 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**”). Given that the Seller has its headquarters in Scotland, any such winding-up or reorganisation proceedings should be governed by Scottish law.

Subject to what is stated below, 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) 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 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;
- (iii) (for the avoidance of doubt) 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 created by the Issuer in favour of the Security Trustee; and
- (iv) 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 *Risk Factors – Set-off*.

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). As stated above, according to Dutch law the Borrower can continue to pay (*bevrijdend betalen*) the Seller after its insolvency until the Borrower has been notified of the transfer of legal title to the Mortgage Receivables to the Issuer.

As to (iv) above, regulation 28 of the UK Winding-up Regulations (implementing section 23 of the Winding-up Directive) states that a 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, pursuant to the Winding-up Directive 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 Dutch Civil Code (“**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, so there is a risk that the right to reset cannot be regarded as an ancillary right. 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*). As the transfer of legal title to the Mortgage Receivables will be effected on the Closing Date, it will do so as agent of the Issuer assuming such right to reset interest rates is an ancillary right. The Issuer, the Swap Counterparty, the Seller and the Security Trustee have agreed that the Security Trustee will be appointed 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 Euribor plus 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 Bank 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.

Set-off

The Mortgage Conditions provide for a contractual waiver by the Borrowers of their set-off rights. It is, however, uncertain whether such waiver is effective. If the waiver is not effective under Dutch law, the Borrowers will need to comply with the applicable legal statutory requirements in order to invoke a right of set-off. Under Dutch law a debtor has a right of set-off if it has a claim which corresponds to its debt to the same counterparty and it is entitled to pay his debt as well as to enforce payment of his claim.

Should the contractual waiver be invalid, the following applies. Under Dutch law each Borrower will, subject to the legal requirements for set-off being met and until notification of the assignment of the Mortgage Receivables to the Issuer be entitled to set off amounts due by the Seller to it (if any) against amounts it owes in respect of the Mortgage Receivables. After notification to the Borrower of the assignment of the Mortgage Receivables to the Issuer, the Borrower will have 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 has been originated and has become due prior to the assignment of the Mortgage Receivables and notification thereof to the relevant Borrower, such counterclaims could result from a current account relationship and, depending on the circumstances, such counterclaims could result from a deposit made by the Borrower, with the Seller.

Given that the Seller's business comprises solely of the origination of Mortgage Loans, and assuming that 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.

The Mortgage Receivables Purchase Agreement provides that if a Borrower sets off amounts due to it by the Seller against the relevant Mortgage Receivable and, as a consequence thereof, the Issuer does not receive the amount which it is entitled to receive in respect of such Mortgage Receivable, the Seller will pay to the Issuer an amount equal to the difference between the amount which the Issuer would have received in respect of the relevant Mortgage Receivable if no set-off had taken place and the amount actually received by the Issuer in respect of such Mortgage Receivable. Receipt of such amount by the Issuer is subject to the ability of the Seller to actually make such payments. Non-payment by the Seller could adversely affect the ability of the Issuer to pay principal and/or interest on the Notes.

For the avoidance of doubt, upon transfer of legal title to the Mortgage Receivables to the Issuer, the Seller will no longer have the right to set off any amounts owed to a Borrower against such transferred Mortgage Receivable in respect of such Borrower.

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, which could lead to losses under the Notes. In such case, the rights of the Security Trustee as pledgee will be similarly affected.

Pledge

Under the Borrower Insurance Pledges, the Borrowers pledge their rights under the Insurance Policies to the Seller. 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, as applicable. 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 whether the Beneficiary Rights can be assigned under Dutch law. If the Beneficiary Rights cannot be assigned, the assignment to the Issuer (and subsequently the pledge by the Issuer to the Security Trustee) will not be effective.

The Seller will undertake to use its best efforts, following an Assignment 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 Pledge Notification Event relating to the Issuer and (ii) the Security Trustee under the condition precedent of the occurrence of a Pledge Notification Event relating to the Issuer as first beneficiary under the Insurance Policies. For the situation where a Borrower Insurance Proceeds Instruction exists, the Seller will in the Beneficiary Waiver Agreement undertake to use its best efforts, following a Pledge 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 Pledge Notification Event relating to the Issuer, and (ii) the Security Trustee, under the condition precedent of the occurrence of a Pledge Notification Event relating to the Issuer. It is uncertain whether such cooperation will be forthcoming.

If the Issuer or the Security Trustee, as the case may be, has 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.

The Mortgage Conditions provide for a contractual waiver by the Borrowers of their set-off rights. It is, however, uncertain whether such waiver is effective. If the waiver is not effective under Dutch law, the Borrowers will need to comply with the applicable legal statutory 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.

Second, 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.

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. After such notification, the Borrower can only involve its right of set-off in the event its claim arises from the same legal relationship as the Mortgage Receivable or if its claim has arisen and has become due and payable before the transfer of the Mortgage Receivable.

Even if the Borrowers cannot invoke a right of set-off of the Mortgage Receivables against amounts due to it under the Insurance Policy, 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.

In respect of Life Mortgage Loans with Life Insurance Policies between the Borrowers and any of the Life Insurance Companies other than Allianz, Goudse, SFB and DBV, 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, SFB or DBV, 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 leasehold.

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.

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 [87] 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 payable 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).

European Union Directive on the taxation of savings

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required, from 1 July 2005, to provide to the tax authorities of another Member State details of payment of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments.

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

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 implementing the substantive provisions of the Directive. These provisions came into force on 1 July 2005. As of this date, 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 Prospectus. 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 Prospectus.

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 1998 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 29 April 2003, with the consultation period ending on 31 July 2003. The Committee announced on 11 May 2004 that it had achieved consensus on the remaining issues and published the text of the new framework on 26 June 2004 under the title Basel II: International Convergence of Capital Measurement and Capital Standards: a Revised Framework. This framework will serve as the basis for national rule-making and approval processes to continue and for banking organizations to complete their preparations for implementation of the new framework. The Committee confirmed that it is currently intended that the various approaches under the framework will be implemented in stages, some from year-end 2006, the most advanced at year-end 2007. As and when implemented, the

new framework could affect the risk weighting of the Notes in respect of certain investors if those investors are regulated in a manner which will be affected by the new framework. Consequently, prospective investors should consult their own advisers as to the consequences to and effect on them of the potential application of the New Basel Capital Accord. The precise effects of implementation of the new framework cannot be predicted.

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).

Financial Services Act

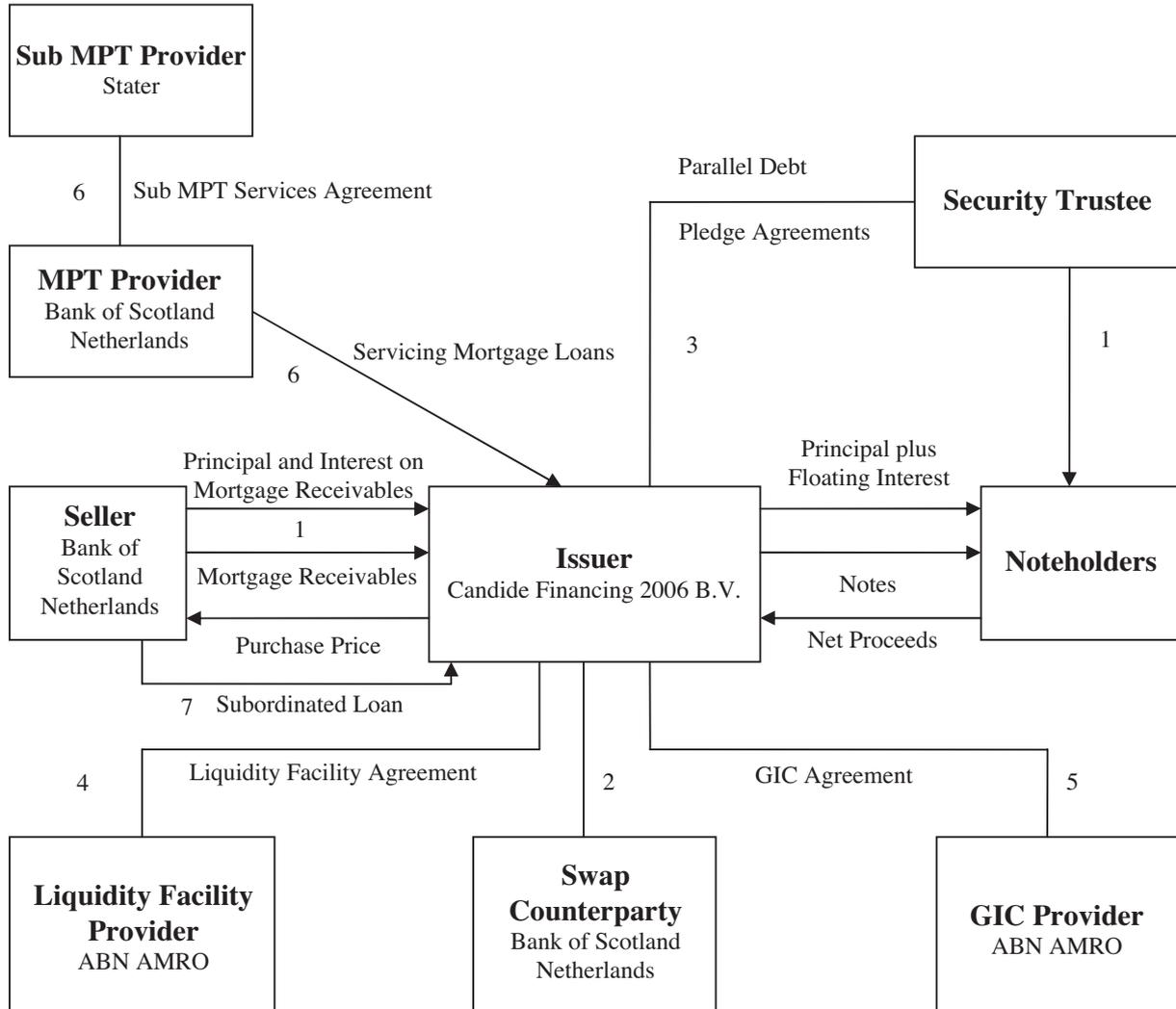
Under the Financial Services Act (*Wet financiële dienstverlening*), which entered into force on 1 January 2006, a special purpose vehicle which acquired legal title to the loans granted to consumers and which services (*beheert*) and administers (*uitvoert*) such loans, such as the Issuer, must have a licence under that Act. An exemption from the licence requirement is available, if the special purpose vehicle outsources the servicing of the loans and the administration thereof to an entity holding a licence under the Financial Services Act. The Issuer has outsourced the servicing and administration of the Mortgage Loans to the MPT Provider. The MPT Provider is authorised under the Financial Services Act. If the Issuer Services Agreement is terminated, the Issuer will need to outsource the servicing and administration of the Mortgage Loans to another entity, which must have a licence under the Financial Services Act.

OVERVIEW OF THE NOTES

Certain features of the Notes are summarised below (see further ‘*Key Features of the Notes*’ below):

| | Class A1 | Class A2 | Class A3 | Class B | Class C | Class D | Class E | Class F |
|--|---|---|---|--|---|--|--------------------------------|--------------------------------|
| Principal Amount | €[400,000,000] | €[350,000,000] | €[1,125,000,000] | €[47,000,000] | €[40,000,000] | €[38,000,000] | €[5,000,000] | €[11,000,000] |
| Credit Enhancement | Subordination of Class F Notes, Class E Notes, Class D Notes, Class C Notes and Class B Notes | Subordination of Class F Notes, Class E Notes, Class D Notes, Class C Notes and Class B Notes | Subordination of Class F Notes, Class E Notes, Class D Notes, Class C Notes and Class B Notes | Subordination of Class F Notes, Class E Notes, Class D Notes and Class C Notes | Subordination of Class F Notes, Class E Notes and Class D Notes | Subordination of Class F Notes and Class E Notes | Subordination of Class F Notes | Subordination of Class F Notes |
| Margin up to but excluding Quarterly Payment Date falling in [November 2012] | 0.05 per cent. p.a. | 0.08 per cent. p.a. | 0.12 per cent. p.a. | 0.17 per cent. p.a. | 0.22 per cent. p.a. | 0.48 per cent. p.a. | 1.70 per cent. p.a. | 2.50 per cent. p.a. |
| Margin from and including Quarterly Payment Date in [November 2012] (First Optional Redemption Date) | 0.10 per cent. p.a. | 0.16 per cent. p.a. | 0.24 per cent. p.a. | 0.34 per cent. p.a. | 0.44 per cent. p.a. | 0.96 per cent. p.a. | 1.70 per cent. p.a. | 2.50 per cent. p.a. |
| Interest Accrual | [Act/360] | [Act/360] | [Act/360] | [Act/360] | [Act/360] | [Act/360] | [Act/360] | [Act/360] |
| Quarterly Notes Payment Dates | Interest and principal will be payable quarterly in arrear on February 20th, May 20th, August 20th and November 20th, subject to adjustment for non-business days | | | | | | | |
| Final Maturity Date | [November 2051] | [November 2051] | [November 2051] | [November 2051] | [November 2051] | [November 2051] | [November 2051] | [November 2051] |
| Denomination | €100,000 | €100,000 | €100,000 | €100,000 | €100,000 | €100,000 | €100,000 | €100,000 |
| Form | The Notes will be in bearer form | | | | | | | |
| Listing | Euronext Amsterdam | Euronext Amsterdam | Euronext Amsterdam | Euronext Amsterdam | Euronext Amsterdam | Euronext Amsterdam | Euronext Amsterdam | Euronext Amsterdam |
| Rating | AAA by Fitch Aaa by Moody's AAA by S&P | AAA by Fitch Aaa by Moody's AAA by S&P | AAA by Fitch Aaa by Moody's AAA by S&P | AA by Fitch Aa2 by Moody's AA by S&P | A by Fitch A1 by Moody's A+ by S&P | BBB by Fitch Baa2 by Moody's BBB by S&P | [Ba3] by Moody's | |

TRANSACTION STRUCTURE DIAGRAM



(Numbers refer to the paragraphs in the section 'Transaction Summary'.)

KEY PARTIES AND OVERVIEW OF PRINCIPAL FEATURES

The following is an overview of the principal features of the issue of the Notes and should be read in conjunction with, and is qualified in its entirety by reference to, the detailed information presented elsewhere in this Prospectus. Capitalised terms used but not defined herein have the same meaning given thereto elsewhere in this Prospectus.

Parties:

Issuer: Candide Financing 2006 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 Entrée 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*.

Issuer Administrator: ATC Financial Services B.V.

MPT Provider: Bank of Scotland Netherlands. The MPT Provider will appoint Stater Nederland B.V. (“**Stater**”), 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*).

Sub MPT Provider Stater.

Security Trustee: Stichting Security Trustee Candide Financing 2006, 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: ABN AMRO Bank N.V. (“**ABN AMRO**”), incorporated in the Netherlands as a public company with limited liability (*naamloze vennootschap*).

Swap Counterparty: [Bank of Scotland Netherlands].

Subordinated Loan Provider: [Bank of Scotland Netherlands].

GIC Provider: 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 A1 Notes, [100] per cent.;
- (ii) the Senior Class A2 Notes, [100] per cent.;
- (iii) the Senior Class A3 Notes, [100] per cent.;

- (iv) the Mezzanine Class B Notes, [100] per cent.;
- (v) the Junior Class C Notes, [100] per cent.;
- (vi) the Subordinated Class D Notes, [100] per cent.;
- (vii) the Subordinated Class E Notes, [100] per cent.; and
- (viii) the Subordinated Class F Notes, [100] per cent.

Denomination:

The Notes will be issued in denominations of EURO 100,000 each.

Form:

The Notes of each Class (including, *inter alia*, the Senior Class A1 Notes, the Senior Class A2 Notes and the Senior Class A3 Notes) will be issued in NGN form and will be initially represented by Temporary Global Notes in bearer form, without coupons, which are expected to be deposited with a common safekeeper 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.

Euroclear and Clearstream, Luxembourg have announced that from 1 January 2007, the central banking system for the EURO (the “**Eurosystem**”) may cease to accept bearer debt securities which are not in NGN form as eligible collateral for the Eurosystem’s monetary policy and intra-day credit operations by the Eurosystem. The NGN form has been introduced so that, should this happen, Notes may continue to be issued and held in a manner which will permit them to be recognised as eligible collateral for monetary policy of the Eurosystem and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. However, in any particular case such recognition will depend upon satisfaction of the Eurosystem eligibility criteria at the relevant time.

Status and Ranking:

The Notes of each Class rank *pari passu* without any preference or priority among Notes of the same Class (in respect of the Senior Class A Notes, subject to what is stated below). In accordance with the Conditions of the Notes and the Trust Deed, payments of principal on the Senior Class A2 Notes are, prior to an Enforcement Date, subordinated to payments of principal on the Senior Class A1 Notes. In accordance with the Conditions of the Notes and the Trust Deed, payments of principal on the Senior Class A3 Notes are, prior to an Enforcement Date, subordinated to payments of principal on the Senior Class A1 Notes and the Senior Class A2 Notes. In addition (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; (iv) payments of principal and interest on the Subordinated Class E Notes are subordinated to, *inter alia*, 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; and (v) payments of principal and interest on the Subordinated Class F Notes are subordinated to,

inter alia, payment of principal and interest on 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. See further *Terms and Conditions of the Notes*.

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 *European Union Directive on the taxation of savings*.

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 3 and 4 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 A1 Notes, the Senior Class A2 Notes, the Senior Class A3 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 [●] per cent. per annum and in respect of the Subordinated Class F Notes, up to the Final Maturity Date, a margin of [●] per cent. per annum.

Interest Step up:

If on the First Optional Redemption Date the Notes of any Class have not been redeemed in full, the margin for each Class of Notes, other than the Subordinated Class E Notes and the Subordinated Class F 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 0.10 per cent. for the Senior Class A1 Notes, 0.16 per cent. for the Senior Class A2 Notes, 0.24 per cent. for the Senior Class A3 Notes, 0.34 per cent. for the Mezzanine Class B Notes, 0.44 per cent. for the Junior Class C Notes and 0.96 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 [November 2051] at their respective Principal Amount Outstanding on such date, subject to and in accordance with the Conditions.

Estimated Average Life:

The estimated average life (on an actual/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 [15] November 2006;
- b. a conditional prepayment rate (“CPR”) of 12 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 May 2007;

will be as follows:

- (i) the Senior Class A1 Notes, 1.49 years;
- (ii) the Senior Class A2 Notes 3.32 years;
- (iii) the Senior Class A3 Notes, 5.89 years;
- (iv) the Mezzanine Class B Notes, 6.10 years;
- (v) the Junior Class C Notes, 6.10 years;
- (vi) the Subordinated Class D Notes, 6.10 years;
- (vii) the Subordinated Class E Notes, 6.10 years; and
- (viii) the Subordinated Class F Notes, 6.10 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 [February 2007] 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 A1 Notes, until fully redeemed;
- b) second, the Senior Class A2 Notes, until fully redeemed;
- c) third, the Senior Class A3 Notes, until fully redeemed;
- d) fourth, the Mezzanine Class B Notes, until fully redeemed;
- e) fifth, the Junior Class C Notes until fully redeemed;
- f) sixth, the Subordinated Class D Notes, until fully redeemed.

The Subordinated Class E Notes and the Subordinated Class F 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). The FSA has approved the exercise of the purchase option or redemption option, as the case may be, if such approval is required by rule of law, recommendation of best practices or by any other regulation.

Optional Redemption of the Notes:

The Issuer will have the option to redeem, subject to Condition 9(b), all (but not some only) of the Notes on the Quarterly Payment Date falling in [November 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 and the Subordinated Class F 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 and the Subordinated Class F Notes) on the Closing Date, the Issuer may (but is not obliged to) exercise its Clean-Up Call Option and redeem the Notes (other than the Subordinated Class E Notes and the Subordinated Class F Notes) in accordance with Condition 6(g) at their Principal Amount Outstanding less any Principal Shortfall 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 and the Subordinated Class F Notes) to pay to the Seller part of 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 and the Subordinated Class F 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 Issuer 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*).

For a more detailed discussion see *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 [31 August 2006], 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 [May 2007]. 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 May 2007 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 meet the Eligibility Criteria.

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 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 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;
- (iii) on the Mortgage Payment Date immediately following the date on which the Seller has obtained an Other Claim vis-à-vis the relevant Borrower; or
- (iv) on 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 Outstanding Principal Amount due on the Mortgage Receivables then outstanding is less than 10 per cent. of the Outstanding 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 all but not some of 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 and the Subordinated Class F 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 *Risk Factors – Insurance Policies*.

Interest under the Mortgage Loans: Approximately [87] 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 19) bank accounts maintained by the Seller with Rabobank Nederland, whereby each such account is linked to a particular mortgage distribution channel 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 Rabobank Nederland'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 and the Subordinated Class F Notes will be credited to the Reserve Account. The purpose of the Reserve Account will be to enable the Issuer to meet 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. The Reserve Account will be diluted in an amount equal to the redemption of the Subordinated Class E Notes and the Subordinated Class F Notes. (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 [0.8] 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 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, 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 Euribor plus the Threshold Margin (see *Mortgage Receivables Purchase Agreement*).

The Issuer will enter into a swap agreement with the Swap Counterparty to hedge against the potential variance between the amounts received by the Issuer in respect of the Mortgage Receivables and the interest payable in respect of the Notes. 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 Issuer 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 Issuer 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 an “AAA” rating by Fitch, an “Aaa” rating by Moody’s and an “AAA” rating by S&P, (ii) the Mezzanine Class B Notes, on issue, will be assigned an “AA” rating by Fitch, an “Aa2” rating by Moody’s and an “AA” rating by S&P, (iii) the Junior Class C Notes, on issue, will be assigned an “A” rating by Fitch, an “A1” rating by Moody’s and an “A+” rating by S&P, (iv) the Subordinated Class D Notes, on issue, will be assigned an “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 “[Ba3]” rating by Moody’s. The Subordinated Class F Notes will not be rated.

Clearing:

Euroclear and Clearstream, Luxembourg.

Governing Law:

The Notes and the transaction documents (other than the Swap Agreement) will be governed by and construed in accordance with the laws of the Netherlands. The Swap Agreement will be governed by the laws of England and Wales.

DOCUMENTS INCORPORATED BY REFERENCE

The following document, which has previously been published and has been filed with the Authority for the Financial Markets (*Autoriteit Financiële Markten* or 'AFM') in its capacity as competent authority under the Securities Trade Supervision Act 1995 (*Wet toezicht effectenverkeer 1995* or the 'Wte'), shall be incorporated in, and form part of, this Prospectus:

- the articles of association (*statuten*) of the Issuer.

Following the publication of this Prospectus, a supplement may be prepared by the Issuer and approved by the AFM in accordance with Article 16 of the Prospectus Directive. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Prospectus or in a document which is incorporated by reference in this Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus.

Copies of documents incorporated by reference in this Prospectus can be obtained from the registered office of the Issuer and from the specified office of the Paying Agent.

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 31 August 2006 (the “**Cut-off Date**”) the weighted average interest rate of the Mortgage Loans was [4.03] 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 unsecured, unsubordinated, unguaranteed debt obligations of the Seller are assigned a rating of 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 30 calendar days of the short-term unsecured, unsubordinated, unguaranteed debt obligations of the Seller being assigned a rating of F2 by Fitch or A-2 by S&P, or a rating other than P-1 by Moody’s, the maximum holding period must be reduced to no later than the 5th business day of each month. If the short-term unsecured, unsubordinated, unguaranteed debt obligations of the Seller are assigned a rating of F3 by Fitch or lower, the Seller shall, in addition to the above mentioned reduced holding period to 5 business days, put credit support in place in respect of the amounts relating to the Mortgage Loans standing on the Seller Central Collection Account in a manner satisfactory to Fitch.

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 F1 by Fitch (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 or F1 by Fitch), provided that such Eligible Investments may not have a maturity beyond the immediately succeeding Mortgage Payment Date and is limited to the investment of monthly principal and interest payments and does not represent more than 20 per cent. of the rated issue’s outstanding principal amount.

If at any time the short-term unsecured, unsubordinated and unguaranteed debt obligations of the bank with which the Seller Central Collection Account is maintained are assigned a rating of less than F1 by Fitch or P-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 (other than the Subordinated Class F Notes), then the Seller will within 30 days of reduction or withdrawal of such rating use its best endeavours to (i) find an alternative bank acceptable to Fitch, Moody’s, S&P and the Security Trustee or (ii) find either any other solution acceptable to Moody’s and S&P to maintain the then current ratings assigned to the Notes; or if the short-term unsecured,

unsubordinated and unguaranteed debt obligations of the bank with which the Seller Central Collection Account is maintained are assigned a rating of F2 by Fitch, the maximum holding period must be reduced to no later than the 5th business day of each month or if before mentioned obligations are assigned a rating of F3 by Fitch or lower, the Seller shall in addition put credit enhancement in place in respect of the amounts relating to the Mortgage Loans standing on the Seller Central Collection Account in a manner satisfactory to the Rating Agency.

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 Issuer Administrator will identify all amounts paid into the Issuer Collection Account by crediting such amounts to ledgers established for such purpose. Payments received on each Mortgage Payment Date in respect of the Mortgage Loans will be identified as principal or revenue receipts and credited to 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 and the Subordinated Class F Notes will be deposited into the Reserve Account on the Closing Date. 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 P-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 (other than the Subordinated Class F 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* [on the first Quarterly Payment Date of each calendar year] 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 Issuer 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 Facility 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 and Tax Credit;
- (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 interest due or interest accrued but unpaid on the Subordinated Class F Notes;
- (p) *sixteenth*, in or towards satisfaction of a Liquidity Facility Subordinated Amount due, if any, to the Liquidity Facility Provider pursuant to the Liquidity Facility Agreement;
- (q) *seventeenth*, in or towards satisfaction to the Swap Counterparty of any Swap Subordinated Amount due under the Swap Agreement;
- (r) *eighteenth*, in or towards satisfaction of principal amounts due under the Subordinated Class E Notes but only if all principal amounts due under 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;
- (s) *nineteenth*, in or towards satisfaction of principal amounts due under the Subordinated Class F Notes but only if 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;
- (t) *twentieth*, in or towards interest due or interest accrued but unpaid on the Subordinated Loan;
- (u) *twenty-first*, 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, the Subordinated Class E Notes and the Subordinated Class F Notes have been fully redeemed, in or towards principal due and payable but unpaid on the Subordinated Loan; and
- (v) *twenty-second*, 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 or the Substitute Mortgage Receivables 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 A1 Notes, until fully redeemed minus the *pro rata* share of the Principal Shortfall allocated to the Senior Class A1 Notes on such date pursuant to Condition 9(b), and, thereafter
- (b) *second*, the Senior Class A2 Notes, until fully redeemed minus the *pro rata* share of the Principal Shortfall allocated to the Senior Class A2 Notes on such date pursuant to Condition 9(b), and, thereafter
- (c) *third*, the Senior Class A3 Notes, until fully redeemed, and, thereafter
- (d) *fourth*, the Mezzanine Class B Notes, until fully redeemed, and, thereafter
- (e) *fifth*, the Junior Class C Notes, until fully redeemed, and, thereafter
- (f) *sixth*, 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 or Tax Credits, 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 Issuer 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 (n) 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 or Tax Credits;
- (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, *pro rata*, according to the respective amounts thereof, of all amounts of principal and any other amount due but unpaid in respect of the Senior Class A1 Notes, the Senior Class A2 Notes and the Senior Class A3 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 all amounts of interest due or interest accrued but unpaid in respect of the Subordinated Class F Notes
- (n) *fourteenth*, in or towards satisfaction of a Liquidity Facility Subordinated Amount due, if any, to the Liquidity Facility Provider pursuant to the Liquidity Facility Agreement;
- (o) *fifteenth*, in or towards satisfaction of all Swap Subordinated Amounts due under the Swap Agreement to the Swap Counterparty;
- (p) *sixteenth*, in or towards satisfaction of all amounts of principal and any other amount due but unpaid in respect of the Subordinated Class E Notes;
- (q) *seventeenth*, in or towards satisfaction of all amounts of principal and any other amount due but unpaid in respect of the Subordinated Class F Notes;
- (r) *eighteenth*, in or towards satisfaction of interest due or accrued but unpaid on the Subordinated Loan;
- (s) *nineteenth*, in or towards satisfaction of principal due but unpaid on the Subordinated Loan; and
- (t) *twentieth*, 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 [2,960,000] 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, the Subordinated Class E Notes and the Subordinated Class F 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 maximum term of 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 P-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 (other than the Subordinated Class F 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 until fully redeemed, and thereafter the Subordinated Class F 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 and the Subordinated Class F 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 transferred to the Issuer Collection Account and used as part of the Notes Interest Available Amount towards satisfaction of items (n) up to and including (v) but not items (r), (s) and (u).

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 (q) have been met) will be transferred to the Issuer Collection Account and will, together with any other Notes 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 redeem the Subordinated Class F Notes. If the Subordinated Class F Notes have been fully redeemed, any remaining balance of the Reserve Account will be used to pay items (t), (u) and (v) 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).

For the avoidance of doubt, any Principal Deficiencies in respect of the Class A Notes are allocated on the relevant Quarterly Payment Date *pro rata* (by reference to the aggregate Principal Amount Outstanding of the relevant Class of Senior Class A Notes divided by the aggregate Principal Amount Outstanding of all Senior class A Notes on such Quarterly Payment Date) between the Senior Class A1 Notes the Senior Class A2 Notes and the Senior Class A3 Notes outstanding.

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.

The Dutch Residential Mortgage Market

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

Market characteristics

Low level of owner-occupancy

The Netherlands has a relatively low, but increasing, owner-occupancy ratio. Approximately 54 per cent. of all houses are owner-occupied, compared to 42 per cent. in 1982 and 29 percent in 1957. The average level of home ownership for all EU countries is above 60 per cent. The efforts to increase the home ownership ratio include grants under the Home Ownership Promotion Act and guarantees through the Home Ownership Guarantee Fund.

Tax system gives home owners incentive to maximise mortgage indebtedness

Compared to other European countries, the Dutch market has a relatively high degree of mortgage indebtedness. The Dutch tax system gives an incentive to home owners to maximise their mortgage loans through tax deductibility of mortgage interest payments. Because borrowers tend to take full advantage of the tax system, this leads to a relatively high loan-to-income in the Netherlands. Due to rising home ownership, rising house prices and falling mortgage rates, total mortgage debt accumulation increased strongly in the last 10 years. According to the Dutch Central Bank (“DNB”) the level of outstanding mortgage debt reached EURO 510 billion at the end of the first quarter of 2006.

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

The National Mortgage Guarantee (“NHG”) is a government-related entity that guarantees mortgages complying with certain criteria. This entity has had an additional upward effect on mortgage borrowing. Typically lenders in the Netherlands offer mortgage loans for existing property up to 125 percent of foreclosure value. For new construction, financial institutions are prepared to finance up to 110 percent of the total costs of the house. Foreclosure value is approximately 85-90 percent of the market value. By the end of 2005, the average new mortgage amounted to EURO 255,803, while the average house price was EURO 226,399, according to Kadaster.

The borrowing capacity of households increased

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

Default losses have always been relatively low

Despite relatively high LTV ratios, default losses have always been relatively low but slightly increasing over the last years. The relatively prolonged economic downturn of 2001 to 2005 led to a significant rise in the amount of mortgage payment arrears and correspondingly forced house sales. After an increase from 743 in 2002 to 967 in 2003 and 1,504 in 2004, the number of foreclosures in the Netherlands increased in 2005 to 1,911 (*Source: Kadaster*). Although in a relative sense the increase is substantial (27 per cent. year on year), the absolute number of forced sales is obviously still extremely small compared to the total number of residential mortgage loans outstanding. There are no precise data on the number of residential mortgage loans outstanding in the Netherlands. However, based on the published total amount of residential mortgage debt outstanding and the current average mortgage loan amount it is estimated that the total number of residential mortgage loans outstanding in the Netherlands exceeds 3 million. A total of around 1,911 foreclosures per year therefore corresponds with approximately 0.06 per cent. of the total number of residential mortgage loans outstanding.

The National Credit Register (“**BKR**”) registers positive and negative credit events on all types of credits. BKR registers mortgage loans only if they are at least 120 days in arrears. Data is retained for five years.

The tax system operates as a strong disincentive for prepayment

Prepayments in the Netherlands have always been relatively low. In general, interest rates decreased between 1991-2005. As a result many borrowers refinanced their mortgage with a longer, fixed interest term in the last couple of years. The most important explanation for low prepayments is the deductibility of mortgage interest payments. Prepayment will lead to a loss of the tax advantage offered to borrowers. Moreover, when current interest rates are lower than at the time of origination prepayment can be severe, although the penalty is tax-deductible for the borrower. Lending legislation in the Netherlands allows a borrower to prepay up to 10-15 per cent. a year of the original amount that has been borrowed without incurring a prepayment penalty. Full prepayment without penalty is possible when interest rates are higher than at the time of origination, in case of moving home and in cases of death. A borrower can also prepay his mortgage on an interest-reset date without incurring a penalty.

Market players

Banks are the most dominant players on the Dutch mortgage market

The traditional mortgage lenders are either commercial banks or specialised mortgage banks. Mortgage lenders can also be found among building societies, insurance companies and pension funds. Research by DNB shows the Dutch mortgage market to be highly competitive. In the 1980s, commercial banks lost market share to other financial institutions, most notably to insurance companies. Since the early 1990s, however, the market share of the commercial banks is increasing again. Competition among issuers is based on product innovation, extension of distribution channels, cross-selling and price competition.

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

Most mortgage lenders have moved towards intermediaries (mortgage brokers, insurance brokers and real estate agents) for product distribution, which by most estimates now sell over half of all new mortgages in the Netherlands. Mortgage brokers are essentially intermediaries whose primary business is to offer products from a number of mortgage lenders. The change over time towards a market in which intermediaries sell most mortgages can be largely explained by the borrower’s search for independent advice and the degree of flexibility offered by intermediaries.

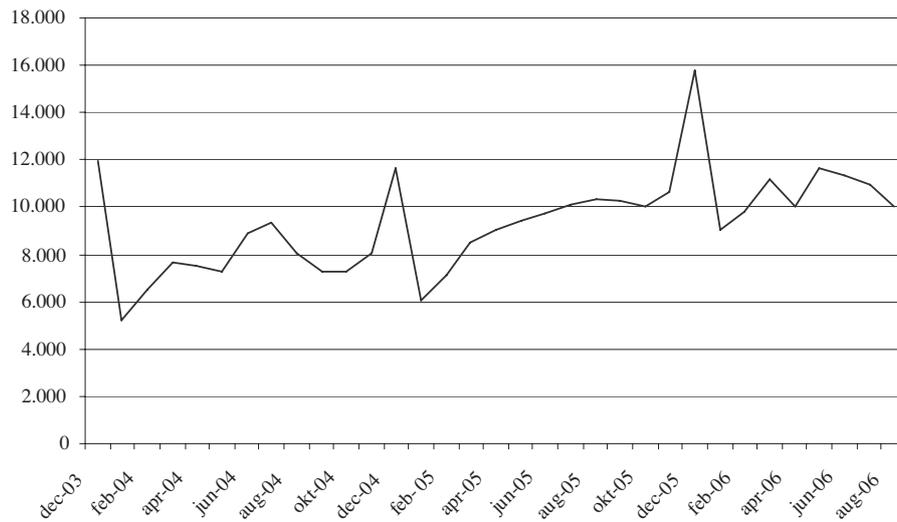
Government policy and restrictions

Mortgage interest payments are tax-deductible

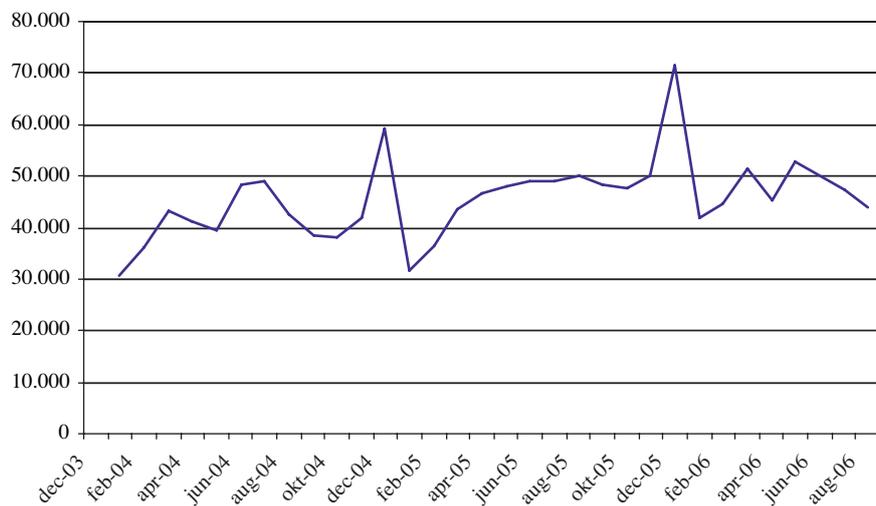
In the Netherlands it used to be possible to deduct all mortgage interest payments from taxable income. However, the new Dutch tax system introduced in January 2001, limits tax deductibility for mortgage interest payments solely to houses that are being used as primary residences. Moreover, it limits the period for interest payments which can be deducted to 30 years. In 2004, the ‘*Bijleenregeling*’, or additional loan regulation, was introduced. This new regulation is relevant in cases where a borrower moves house and only grants additional tax deductibility of mortgage interest payments in respect of a mortgage amount equal to the additional expenditure on the new property. The Dutch government also levies a property tax, the so-called ‘*Huurwaardeforfait*’, on home owners. This only partly offsets the tax advantage of the interest payment deduction.

Due to tax deductibility, a large portion of the mortgage loan does not amortise during the legal lifetime. In most cases, the bullet redemption is made by a life insurance policy, an investment policy or a savings insurance policy. The most common term of legal life is 30 years, which coincides with the maximum allowable for tax deductibility. The government encourages this method of redemption by exempting from tax the capital sum received under the policy, up to a certain amount, including annual indexing, provided the term of insurance is at least 15 years.

Monthly values new production Dutch mortgages (in EURO mio), source Kadaster



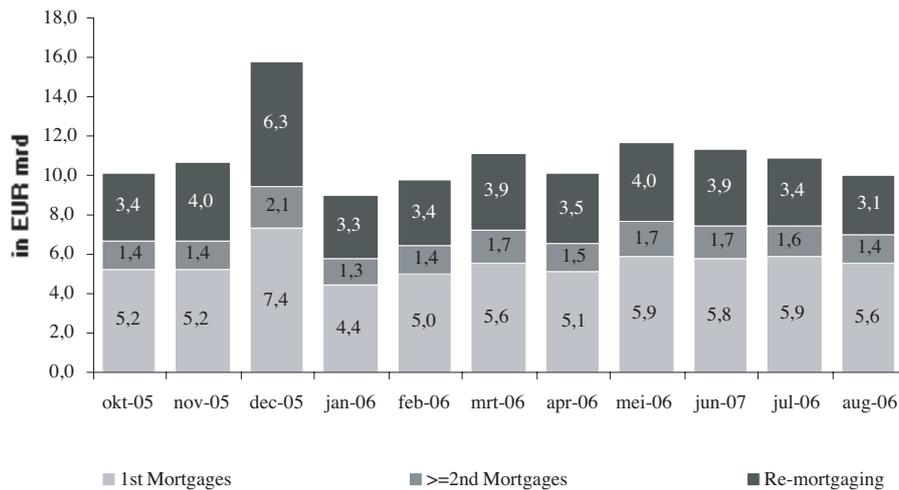
Monthly numbers new production Dutch mortgages, source Kadaster



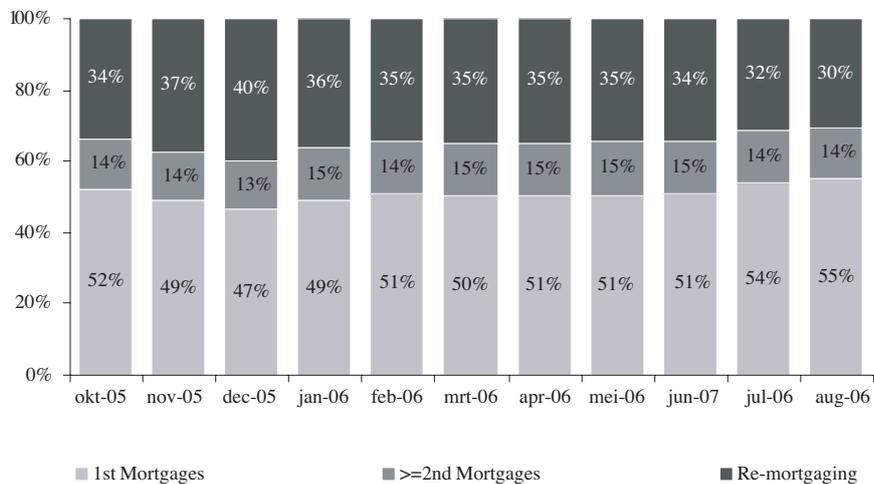
Average amount new production Dutch mortgages (in EURO mio), source Kadaster



Share of mortgage types in new production in the Dutch market (in EURO mio), source Kadaster



Relative share of mortgage types in new production in the Dutch market, source Kadaster



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 30 November 2001. The Bank of Scotland is now authorised as required under the FSMA.

On 10 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, 2005 of £541 billion. HBOS’s consolidated profit on ordinary activities before tax for the year ended 31st December, 2005 was £4.84 million.

Bank of Scotland Netherlands

Bank of Scotland Netherlands is a branch office of the Bank of Scotland, operating as a part of HBOS Europe & North America Division. 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 1 October 1999. The corporate seat of Bank of Scotland Netherlands is in Amsterdam, the Netherlands and its registered office is at De Entree 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 6.5 billion in September 2006. At present most sales are originated via packagers and intermediaries (85 per cent.) approximately 15 per cent. 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 Prospectus 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.

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 90 per cent. of the Foreclosure Value of a Bank of Scotland Standard 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 relevant property.

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 100 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 90 per cent. 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 Borrower 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 carries 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 Loan. 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 Loan carries 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:

1. a savings, life, interest-only or annuity mortgage loan;
2. 10 per cent. early redemption annually is allowed without penalty;
3. a floating interest rate or an interest rate which may be fixed for 1, 5, 6, 10, 15, 20, 25 or 30 years;
4. an offer period of 3 months, without the possibility for extension;
5. a maximum LTFV-ratio of 100 per cent.;
6. a maximum loan-to-income ratio of 6.5 where the Borrower’s income is greater than EURO 50,000 per year, 6 where the Borrower’s income is between EURO 35,000 and EURO 50,000 per year and 5.5 where the Borrower’s income is less than EURO 35,000 per year;
7. an “affordability” ratio of mortgage and related insurance payments to total monthly income of no less than 35 per cent. for Borrowers with income greater than EURO 35,000 per year and 30 per cent. for Borrowers with income less than EURO 35,000 per year; and
8. no NHG Guarantee is possible.

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

- (a) a savings, life, interest-only or annuity mortgage loan;
- (b) 15 per cent. early redemption annually is allowed without penalty and 10 per cent. early redemption is allowed for loans originated after 1 February 2006;
- (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 110 per cent. and 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 6.5 where the Borrower’s income is greater than EURO 50,000 per year, 6 where the Borrower’s income is between EURO 35,000 and EURO 50,000 per year and 5.5 where the Borrower’s income is less than EURO 35,000 per year;
- (g) an “affordability” ratio of mortgage and related insurance payments to total monthly income of no less than 35 per cent. for Borrowers with income greater than EURO 35,000 per year and 30 per cent. for Borrowers with income less than EURO 35,000 per year; and
- (h) an NHG Guarantee is possible.

For the avoidance of doubt, no savings 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.

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 internationaal Stater Hypotheken Systeem ("iSHS").

Mortgage Loans to the self-employed cannot exceed 110 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 of 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

For Bank of Scotland Economy Mortgage Loans and Bank of Scotland Standard Mortgage Loans applies a maximum loan-to-income ratio of 6.5 where the Borrower's income is greater than EURO 50,000 per year, 6 where the Borrower's income is between EURO 35,000 and EURO 50,000 per year and 5.5 where the Borrower's income is less than EURO 35,000 per year. The actual monthly mortgage and related insurance payments calculated do not exceed 35 per cent. of the total monthly income of the applicant(s) with an income greater than EURO 35,000 per year and 30 per cent. of the total monthly income of the applicant(s) with income less than EURO 35,000 per year.

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.

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 liability 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 January 2001 and August 2006. 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 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.

Based on the numerical information set out below, but subject to the information set out in “Risk Factors”, the securitised assets backing the issue of the Notes have characteristics that demonstrate capacity to produce funds to service payments due and payable on the Notes.

KEY FIGURES

| | |
|---|--------------------|
| Number of Loan parts..... | 20,996 |
| Number of Loans | 10,609 |
| Min Coupon (%) | 2.85 |
| Max Coupon (%)..... | 6.35 |
| Weighted Average Coupon (%)..... | 4.03 |
| Weighted Average Seasoning (Months) | 18.46 |
| Weighted Average Maturity (Months)..... | 55.57 |
| Original Balance (EURO) | € 2,302,389,992.01 |
| Outstanding Principal Balance (EURO) | € 2,298,421,852,11 |
| Average Balance by Borrower (EURO)..... | € 216,648.30 |
| Maximum Loan Value (EURO)..... | € 500,000.00 |
| Current Loan-to-Value (Recorded Foreclosure Value)..... | 107.42% |
| Current Loan-to-Value (Indexed Recorded Foreclosure Value)..... | 101.82% |
| Current Loan-to-Value (Estimated Fair Market Value)..... | 95.89% |
| Current Loan-to-Value (Indexed Estimated Fair Market Value) | 90.90% |

TABLE A**Origination date of the mortgage loan parts in the Provisional Pool**

| Year of origination | Aggregate Outstanding Principal Amount (EURO) | Proportion of pool (%) | Number of Loan parts | Proportion of pool (%) | WAM (Months) | WAC (%) |
|---------------------|---|---------------------------|-------------------------|---------------------------|--------------|---------|
| 2003 Q1 | € 105,811,491.73 | 4.60 | 1081 | 5.15 | 34.29 | 4.46 |
| 2003 Q2 | € 145,868,841.39 | 6.35 | 1574 | 7.50 | 37.77 | 4.32 |
| 2003 Q3 | € 145,682,932.38 | 6.34 | 1533 | 7.30 | 39.75 | 4.29 |
| 2003 Q4 | € 88,793,870.82 | 3.86 | 922 | 4.39 | 34.92 | 4.21 |
| 2004 Q1 | € 63,541,257.89 | 2.76 | 678 | 3.23 | 33.15 | 4.14 |
| 2004 Q2 | € 82,206,405.02 | 3.58 | 819 | 3.90 | 35.15 | 4.06 |
| 2004 Q3 | € 76,978,327.18 | 3.35 | 765 | 3.64 | 30.65 | 4.08 |
| 2004 Q4 | € 128,089,098.22 | 5.57 | 1190 | 5.67 | 38.76 | 3.84 |
| 2005 Q1 | € 228,720,435.33 | 9.95 | 2111 | 10.05 | 48.49 | 3.93 |
| 2005 Q2 | € 276,862,994.81 | 12.05 | 2545 | 12.12 | 49.20 | 3.94 |
| 2005 Q3 | € 197,960,992.10 | 8.61 | 1772 | 8.44 | 52.44 | 3.78 |
| 2005 Q4 | € 243,431,725.56 | 10.59 | 1981 | 9.44 | 64.65 | 3.64 |
| 2006 Q1 | € 239,504,145.11 | 10.42 | 1777 | 8.46 | 86.51 | 3.96 |
| 2006 Q2 | € 182,175,414.37 | 7.93 | 1450 | 6.91 | 94.96 | 4.20 |
| 2006 Q3 | € 92,793,920.20 | 4.04 | 798 | 3.80 | 91.92 | 4.51 |
| | € 2,298,421,852.11 | 100.00 | 20,996 | 100.00 | 55.57 | 4.03 |

TABLE B**Type of mortgage loan parts in the Provisional Pool**

| Type of mortgage | Aggregate Outstanding Principal Amount (EURO) | Proportion of pool (%) | Number of Loan parts | Proportion of pool (%) | WAM (Months) | WAC (%) |
|---------------------|---|---------------------------|-------------------------|---------------------------|--------------|---------|
| Annuity | € 10,212,995.58 | 0.44 | 207 | 0.99 | 59.08 | 4.08 |
| Interest only | € 1,412,802,667.95 | 61.47 | 12185 | 58.03 | 58.77 | 4.00 |
| Unit Linked | € 875,406,188.58 | 38.09 | 8604 | 40.98 | 50.37 | 4.08 |
| | € 2,298,421,852.11 | 100.00 | 20,996 | 100.00 | 55.57 | 4.03 |

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

| Range of interest rates | Aggregate Outstanding Principal Amount (EURO) | Proportion of pool (%) | Number of Loan parts | Proportion of pool (%) | WAM (Months) | WAC (%) |
|-------------------------|---|---------------------------|-------------------------|---------------------------|--------------|---------|
| 2.5% <= r < 3.5%..... | € 211,302,944.14 | 9.19 | 1852 | 8.82 | 22.09 | 3.20 |
| 3.5% <= r < 4.5%..... | € 1,742,651,881.66 | 75.82 | 15829 | 75.39 | 51.18 | 3.98 |
| 4.5% <= r < 5.5%..... | € 338,117,156.31 | 14.71 | 3255 | 15.50 | 97.53 | 4.77 |
| 5.5% <= r < 6.5%..... | € 6,349,870.00 | 0.28 | 60 | 0.29 | 141.91 | 5.63 |
| | € 2,298,421,852.11 | 100.00 | 20,996 | 100.00 | 55.57 | 4.03 |

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

| Range of Years | Aggregate Outstanding Principal Amount (EURO) | Proportion of pool (%) | Number of Loan parts | Proportion of pool (%) | WAM (Months) | WAC (%) |
|---|---|---------------------------|-------------------------|---------------------------|--------------|-------------|
| 2006 | € 409,779,953.89 | 17.83 | 3849 | 18.33 | 1.38 | 3.67 |
| 2007 | € 214,156,043.49 | 9.32 | 1981 | 9.44 | 8.48 | 3.74 |
| 2008 | € 253,876,864.35 | 11.05 | 2646 | 12.60 | 22.25 | 4.28 |
| 2009 | € 94,654,498.15 | 4.12 | 962 | 4.58 | 34.83 | 4.22 |
| 2010 | € 311,547,598.33 | 13.55 | 2861 | 13.63 | 46.94 | 3.67 |
| 2011 | € 236,312,515.86 | 10.28 | 2177 | 10.37 | 56.83 | 3.93 |
| 2012 | € 80,153,344.29 | 3.49 | 754 | 3.59 | 68.77 | 4.24 |
| 2013 | € 87,082,355.60 | 3.79 | 842 | 4.01 | 82.3 | 5.01 |
| 2014 | € 19,924,221.70 | 0.87 | 176 | 0.84 | 94.54 | 4.90 |
| 2015 < = interest reset date < 2020..... | € 516,471,106.98 | 22.47 | 4149 | 19.76 | 112.66 | 4.21 |
| 2020 < = interest reset date < 2025..... | € 46,636,153.65 | 2.03 | 375 | 1.79 | 175.81 | 4.57 |
| 2025 < = interest reset date < 2030..... | € 20,319,180.49 | 0.88 | 163 | 0.78 | 235.84 | 4.72 |
| 2030 < = interest reset date < 2035..... | € 145,000.00 | 0.01 | 2 | 0.01 | 319.62 | 6.28 |
| 2035 < = interest reset date < 2040..... | € 7,363,015.33 | 0.32 | 59 | 0.28 | 347.25 | 5.00 |
| | <u>€ 2,298,421,852.11</u> | <u>100.00</u> | <u>20,996</u> | <u>100.00</u> | <u>55.57</u> | <u>4.03</u> |

TABLE E***Maturity of the mortgage loan parts in the Provisional Pool***

| Range of Years | Aggregate Outstanding Principal Amount (EURO) | Proportion of pool (%) | Number of Loan parts | Proportion of pool (%) | WAM (Months) | WAC (%) |
|-----------------------------------|---|---------------------------|-------------------------|---------------------------|--------------|-------------|
| 2004 < = maturity < 2010 | € 362,941.59 | 0.02 | 7 | 0.03 | 22.92 | 4.16 |
| 2010 < = maturity < 2015 | € 2,485,552.48 | 0.11 | 56 | 0.27 | 51.73 | 4.01 |
| 2015 < = maturity < 2020 | € 8,085,229.57 | 0.35 | 121 | 0.58 | 69.16 | 4.05 |
| 2020 < = maturity < 2025 | € 24,987,156.13 | 1.09 | 328 | 1.56 | 47.74 | 3.96 |
| 2025 < = maturity < 2030 | € 100,627,732.16 | 4.38 | 1113 | 5.30 | 52.56 | 3.98 |
| 2030 < = maturity < 2035 | € 926,533,473.85 | 40.31 | 8956 | 42.66 | 41.77 | 4.15 |
| 2035 < = maturity < 2040 | € 1,235,339,766.33 | 53.75 | 10415 | 49.60 | 66.26 | 3.94 |
| | <u>€ 2,298,421,852.11</u> | <u>100.00</u> | <u>20,996</u> | <u>100.00</u> | <u>55.57</u> | <u>4.03</u> |

TABLE F
Size of outstanding mortgage loans in the Provisional Pool

| Range of loan sizes | Aggregate Outstanding Principal Amount (EURO) | Proportion of pool (%) | Number of Loans | Proportion of pool (%) | WAM (Months) | WAC (%) |
|---|---|---------------------------|--------------------|---------------------------|--------------|---------|
| loan size < 50,000 ... | € 136,565.42 | 0.01 | 5 | 0.05 | 84.08 | 4.20 |
| 50,000 < = loan size < 100,000 | € 15,970,023.76 | 0.69 | 185 | 1.74 | 48.93 | 4.06 |
| 100,000 < = loan size < 150,000..... | € 216,414,866.30 | 9.42 | 1685 | 15.88 | 45.92 | 4.09 |
| 150,000 < = loan size < 200,000..... | € 373,683,186.22 | 16.26 | 2162 | 20.38 | 47.86 | 4.04 |
| 200,000 < = loan size < 250,000..... | € 807,724,818.70 | 35.14 | 3635 | 34.26 | 54.28 | 4.03 |
| 250,000 < = loan size < 300,000..... | € 491,799,714.20 | 21.40 | 1826 | 17.21 | 61.7 | 4.02 |
| 300,000 < = loan size < 350,000..... | € 202,538,115.48 | 8.81 | 633 | 5.97 | 61.66 | 3.99 |
| 350,000 < = loan size < 400,000..... | € 107,479,246.02 | 4.68 | 291 | 2.74 | 62.57 | 3.98 |
| 400,000 < = loan size < 450,000..... | € 44,953,792.16 | 1.96 | 107 | 1.01 | 69.21 | 4.01 |
| 450,000 < = loan size < 500,000..... | € 37,721,523.85 | 1.64 | 80 | 0.75 | 69.06 | 3.92 |
| | € 2,298,421,852.11 | 100.00 | 10,609 | 100.00 | 55.57 | 4.03 |

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

| Geographical distribution | Aggregate Outstanding Principal Amount (EURO) | Proportion of pool (%) | Number of Loans | Proportion of pool (%) | WAM (Months) | WAC (%) |
|---------------------------|---|---------------------------|--------------------|---------------------------|--------------|---------|
| Drenthe | € 65,157,182.30 | 2.83 | 320 | 3.02 | 49.45 | 3.96 |
| Flevoland..... | € 102,860,561.68 | 4.48 | 485 | 4.57 | 49.65 | 3.97 |
| Friesland..... | € 76,772,851.95 | 3.34 | 421 | 3.97 | 48.66 | 3.97 |
| Gelderland..... | € 270,960,022.13 | 11.79 | 1226 | 11.56 | 55.14 | 4.01 |
| Groningen | € 60,440,104.20 | 2.63 | 324 | 3.05 | 54.02 | 3.99 |
| Limburg..... | € 97,724,601.93 | 4.25 | 482 | 4.54 | 54.82 | 4.02 |
| Noord-Brabant..... | € 400,234,869.48 | 17.41 | 1796 | 16.93 | 56.23 | 4.02 |
| Noord-Holland..... | € 334,359,945.64 | 14.55 | 1461 | 13.77 | 56.55 | 4.04 |
| Overijssel | € 158,367,643.16 | 6.89 | 796 | 7.50 | 49.21 | 4.01 |
| Utrecht | € 221,304,332.86 | 9.63 | 945 | 8.91 | 62.57 | 4.06 |
| Zeeland | € 29,455,740.57 | 1.28 | 150 | 1.41 | 64.77 | 4.08 |
| Zuid-Holland..... | € 480,783,996.21 | 20.92 | 2203 | 20.77 | 56.44 | 4.06 |
| | € 2,298,421,852.11 | 100.00 | 10,609 | 100.00 | 55.57 | 4.03 |

TABLE H
Income data of borrowers in the Provisional Pool

| Region of income (EURO) | Aggregate Outstanding Principal Amount (EURO) | Proportion of pool (%) | Number of Loans | Proportion of pool (%) | WAM (Months) | WAC (%) |
|---------------------------------------|---|---------------------------|--------------------|---------------------------|--------------|---------|
| income < 10,000..... | € 134,940.59 | 0.01 | 2 | 0.02 | 92.35 | 4.77 |
| 10,000 < = income < 20,000 | € 11,302,015.46 | 0.49 | 121 | 1.14 | 34.69 | 4.13 |
| 20,000 < = income < 30,000 | € 177,556,913.35 | 7.73 | 1360 | 12.82 | 43.19 | 4.15 |
| 30,000 < = income < 40,000 | € 445,786,681.23 | 19.40 | 2522 | 23.77 | 48.84 | 4.03 |
| 40,000 < = income < 50,000 | € 668,845,976.56 | 29.10 | 3039 | 28.65 | 53.65 | 4.04 |
| 50,000 < = income < 60,000 | € 463,834,655.54 | 20.18 | 1824 | 17.19 | 59.65 | 4.00 |
| 60,000 < = income < 70,000 | € 254,943,594.39 | 11.09 | 906 | 8.54 | 59.69 | 3.98 |
| 70,000 < = income < 80,000 | € 133,944,004.21 | 5.83 | 429 | 4.04 | 68.7 | 3.99 |
| 80,000 < = income < 100,000 | € 111,782,232.04 | 4.86 | 323 | 3.04 | 69.29 | 4.01 |
| 100,000 < = income < 150,000 | € 27,263,464.74 | 1.19 | 73 | 0.69 | 72.53 | 3.98 |
| 150,000 < = income < 200,000 | € 2,179,500.00 | 0.09 | 6 | 0.06 | 47.46 | 3.81 |
| 200,000 < = income < 350,000 | € 170,000.00 | 0.01 | 1 | 0.01 | 81 | 5.00 |
| income > = 350,000 | € 677,874.00 | 0.03 | 3 | 0.03 | 101.31 | 4.11 |
| | € 2,298,421,852.11 | 100.00 | 10,609 | 100.00 | 55.57 | 4.03 |

TABLE I
Employment of borrowers in the Provisional Pool

| Employment type | Aggregate Outstanding Principal Amount (EURO) | Proportion of pool (%) | Number of Loans | Proportion of pool (%) | WAM (Months) | WAC (%) |
|--|---|---------------------------|--------------------|---------------------------|--------------|---------|
| (early) retirement..... | € 43,465,666.05 | 1.89 | 253 | 2.38 | 66.46 | 3.91 |
| Full time permanent employment | € 1,983,996,453.05 | 86.32 | 9084 | 85.63 | 54.97 | 4.03 |
| Full time permanent employment foreign country | € 215,000.00 | 0.01 | 1 | 0.01 | 1 | 3.80 |
| Full time temporary employment | € 139,282,452.15 | 6.06 | 674 | 6.35 | 51.74 | 4.09 |
| Part time permanent employment | € 72,778,510.91 | 3.17 | 350 | 3.30 | 68.32 | 4.04 |
| Part time temporary employment | € 5,461,254.58 | 0.24 | 27 | 0.25 | 81.85 | 4.19 |
| Self employed | € 53,222,515.37 | 2.32 | 220 | 2.07 | 59.3 | 4.06 |
| | € 2,298,421,852.11 | 100.00 | 10,609 | 100.00 | 55.57 | 4.03 |

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

| Range of DTI | Aggregate Outstanding | | Number of Loans | Proportion of pool (%) | WAM (Months) | WAC (%) |
|-------------------------|---------------------------|------------------------|-----------------|------------------------|--------------|-------------|
| | Principal Amount (EURO) | Proportion of pool (%) | | | | |
| DTI < = 10% | € 28,407,436.15 | 1.24 | 184 | 1.73 | 46.68 | 3.63 |
| 10% < DTI < = 15% | € 252,514,316.62 | 10.99 | 1292 | 12.18 | 49.45 | 3.72 |
| 15% < DTI < = 20% | € 943,131,436.58 | 41.03 | 4276 | 40.31 | 47.07 | 3.85 |
| 20% < DTI < = 25% | € 912,795,875.66 | 39.71 | 4127 | 38.90 | 57.71 | 4.18 |
| 25% < DTI < = 30% | € 155,864,298.38 | 6.78 | 705 | 6.65 | 105.38 | 4.76 |
| 30% < DTI < = 35% | € 3,508,516.55 | 0.15 | 15 | 0.14 | 103.44 | 4.86 |
| 35% < DTI < = 40% | € 960,458.06 | 0.04 | 4 | 0.04 | 21.77 | 4.11 |
| 40% < DTI < = 50% | € 1,154,527.11 | 0.05 | 5 | 0.05 | 23.58 | 4.33 |
| 50% < DTI < = 60% | € 84,987.00 | 0.00 | 1 | 0.01 | 80 | 5.20 |
| | € 2,298,421,852.11 | 100.00 | 10,609 | 100.00 | 55.57 | 4.03 |

TABLE K**Property types of the mortgage loans in the Provisional Pool**

| Property types | Aggregate Outstanding | | Number of Loans | Proportion of pool (%) | WAM (Months) | WAC (%) |
|---------------------------------------|---------------------------|------------------------|-----------------|------------------------|--------------|-------------|
| | Principal Amount (EURO) | Proportion of pool (%) | | | | |
| Condominium..... | € 230,854,188.16 | 10.04 | 1314 | 12.39 | 51.27 | 4.09 |
| Condominium with garage... | € 8,555,620.11 | 0.37 | 37 | 0.35 | 65.82 | 4.02 |
| Single family house..... | € 1,450,553,641.60 | 63.11 | 6771 | 63.82 | 54.47 | 4.05 |
| Single family house with garage | € 608,458,402.24 | 26.47 | 2487 | 23.44 | 59.68 | 3.96 |
| | € 2,298,421,852.11 | 100.00 | 10,609 | 100.00 | 55.57 | 4.03 |

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

| Range of Loan-to-Value | Aggregate Outstanding | | Number of Loans | Proportion of pool (%) | WAM (Months) | WAC (%) |
|--------------------------|---------------------------|------------------------|-----------------|------------------------|--------------|-------------|
| | Principal Amount (EURO) | Proportion of pool (%) | | | | |
| LTV < 25% | € 680,654.06 | 0.03 | 12 | 0.11 | 72.84 | 4.23 |
| 25% < = LTV < 50%..... | € 14,452,680.26 | 0.63 | 114 | 1.07 | 53.97 | 3.84 |
| 50% < = LTV < 60%..... | € 23,629,405.75 | 1.03 | 145 | 1.37 | 45.64 | 3.81 |
| 60% < = LTV < 70%..... | € 50,677,505.62 | 2.20 | 289 | 2.72 | 53.81 | 3.88 |
| 70% < = LTV < 80%..... | € 106,935,672.65 | 4.65 | 568 | 5.35 | 55.16 | 3.94 |
| 80% < = LTV < 90%..... | € 205,050,234.12 | 8.92 | 995 | 9.38 | 62.92 | 3.92 |
| 90% < = LTV < 100%..... | € 347,562,826.98 | 15.12 | 1575 | 14.85 | 63.14 | 3.94 |
| 100% < = LTV < 105%..... | € 168,305,967.17 | 7.32 | 750 | 7.07 | 60.07 | 3.97 |
| 105% < = LTV < 110%..... | € 108,000,092.09 | 4.70 | 486 | 4.58 | 55.89 | 4.07 |
| 110% < = LTV < 115%..... | € 155,210,888.57 | 6.75 | 699 | 6.59 | 50.97 | 4.05 |
| 115% < = LTV < 120%..... | € 254,013,318.19 | 11.05 | 1126 | 10.61 | 52.87 | 4.10 |
| 120% < = LTV < = 125% . | € 863,902,606.65 | 37.59 | 3850 | 36.29 | 51.93 | 4.10 |
| | € 2,298,421,852.11 | 100.00 | 10,609 | 100.00 | 55.57 | 4.03 |

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

| Range of Loan-to-Value | Aggregate Outstanding | | | Proportion of pool (%) | WAM (Months) | WAC (%) |
|-------------------------|-------------------------|------------------------|-----------------|------------------------|--------------|---------|
| | Principal Amount (EURO) | Proportion of pool (%) | Number of Loans | | | |
| LTV < 25% | € 975,654.06 | 0.04 | 14 | 0.13 | 58.39 | 4.14 |
| 25% < = LTV < 50%..... | € 19,479,099.38 | 0.85 | 148 | 1.40 | 50.26 | 3.86 |
| 50% < = LTV < 60%..... | € 32,265,955.31 | 1.40 | 189 | 1.78 | 46.61 | 3.84 |
| 60% < = LTV < 70%..... | € 76,216,914.60 | 3.32 | 431 | 4.06 | 49.43 | 3.92 |
| 70% < = LTV < 80%..... | € 124,688,256.00 | 5.42 | 646 | 6.09 | 56.34 | 3.94 |
| 80% < = LTV < 90%..... | € 262,197,600.14 | 11.41 | 1273 | 12.00 | 58.58 | 3.95 |
| 90% < = LTV < 100%..... | € 405,425,962.83 | 17.64 | 1801 | 16.98 | 62.05 | 3.95 |
| 100% < = LTV < 105%.... | € 155,337,590.12 | 6.76 | 718 | 6.77 | 51.96 | 4.10 |
| 105% < = LTV < 110%.... | € 272,699,189.39 | 11.86 | 1262 | 11.90 | 44.87 | 4.18 |
| 110% < = LTV < 115%.... | € 347,574,749.87 | 15.12 | 1599 | 15.07 | 46.84 | 4.13 |
| 115% < = LTV < 120%.... | € 329,968,408.56 | 14.36 | 1369 | 12.90 | 55.34 | 3.96 |
| 120% < = LTV < = 125% | € 271,592,471.85 | 11.82 | 1159 | 10.92 | 70.07 | 4.07 |
| | € 2,298,421,852.11 | 100.00 | 10,609 | 100.00 | 55.57 | 4.03 |

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

| Range of Loan-to-Value | Aggregate Outstanding | | | Proportion of pool (%) | WAM (Months) | WAC (%) |
|-------------------------|-------------------------|------------------------|-----------------|------------------------|--------------|---------|
| | Principal Amount (EURO) | Proportion of pool (%) | Number of Loans | | | |
| LTV < 25% | € 1,318,864.76 | 0.06 | 19 | 0.18 | 87.83 | 4.13 |
| 25% < = LTV < 50%..... | € 27,825,805.31 | 1.21 | 193 | 1.82 | 47.07 | 3.81 |
| 50% < = LTV < 60%..... | € 46,004,539.68 | 2.00 | 265 | 2.50 | 53.52 | 3.89 |
| 60% < = LTV < 70%..... | € 103,474,932.17 | 4.50 | 557 | 5.25 | 54.8 | 3.94 |
| 70% < = LTV < 80%..... | € 206,668,739.19 | 8.99 | 1016 | 9.58 | 62.3 | 3.94 |
| 80% < = LTV < 90%..... | € 421,733,587.21 | 18.35 | 1889 | 17.81 | 63.25 | 3.93 |
| 90% < = LTV < 100%..... | € 285,725,890.15 | 12.43 | 1288 | 12.14 | 55.06 | 4.04 |
| 100% < = LTV < 105%.... | € 235,424,769.31 | 10.24 | 1033 | 9.74 | 52.45 | 4.09 |
| 105% < = LTV < 110%.... | € 416,032,834.07 | 18.10 | 1859 | 17.52 | 54.65 | 4.11 |
| 110% < = LTV < 115%.... | € 546,137,749.12 | 23.76 | 2451 | 23.10 | 50.29 | 4.08 |
| 115% < = LTV < 120%.... | € 8,074,141.14 | 0.35 | 39 | 0.37 | 42.04 | 4.24 |
| | € 2,298,421,852.11 | 100.00 | 10,609 | 100.00 | 55.57 | 4.03 |

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

| Range of Loan-to-Value | Aggregate Outstanding | | | Proportion of pool (%) | WAM (Months) | WAC (%) |
|-------------------------|-------------------------|------------------------|-----------------|------------------------|--------------|---------|
| | Principal Amount (EURO) | Proportion of pool (%) | Number of Loans | | | |
| LTV < 25% | € 2,021,864.76 | 0.09 | 25 | 0.24 | 71.28 | 4.03 |
| 25% < = LTV < 50%..... | € 37,067,782.25 | 1.61 | 249 | 2.35 | 45.66 | 3.84 |
| 50% < = LTV < 60%..... | € 62,094,384.92 | 2.70 | 356 | 3.36 | 50.69 | 3.90 |
| 60% < = LTV < 70%..... | € 133,884,571.68 | 5.83 | 703 | 6.63 | 53.78 | 3.94 |
| 70% < = LTV < 80%..... | € 275,495,862.69 | 11.99 | 1327 | 12.51 | 59.1 | 3.96 |
| 80% < = LTV < 90%..... | € 449,856,530.22 | 19.57 | 2019 | 19.03 | 61.34 | 3.97 |
| 90% < = LTV < 100%..... | € 530,116,718.17 | 23.06 | 2445 | 23.05 | 46.74 | 4.16 |
| 100% < = LTV < 105%.... | € 381,591,371.35 | 16.60 | 1684 | 15.87 | 49.37 | 4.05 |
| 105% < = LTV < 110%.... | € 327,147,008.84 | 14.23 | 1379 | 13.00 | 62.01 | 3.97 |
| 110% < = LTV < 115%.... | € 98,191,257.23 | 4.27 | 418 | 3.94 | 78.34 | 4.23 |
| 115% < = LTV < 120%.... | € 954,500.00 | 0.04 | 4 | 0.04 | 81.15 | 4.31 |
| | € 2,298,421,852.11 | 100.00 | 10,609 | 100.00 | 55.57 | 4.03 |

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 iSHS, 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 iSHS by the relevant packager. iSHS automatically collects information about the applicant from the BKR. After the application data have been entered into iSHS, 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, iSHS 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 HYARCHIS, a paperless mortgage archive system, which is connected to iSHS. 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, identity check, fraud check, appraisal report and insurance application, if applicable.

Bank of Scotland Netherlands has outsourced FCA to Stater's front office in respect of mortgage loans originated in the Hague, Schiedam, Dordrecht, Slidrecht and Amsterdam postal code 1100-1109 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 into iSHS. After the application data have been entered into iSHS, 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 into HYARCHIS (mortgage archive system), which is connected to iSHS 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 iSHS 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. iSHS 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 iSHS detects and keeps track of arrears. Directly after a missed payment a service letter is sent, reminding the client in a friendly way that the direct debit was bounced. 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. After the second reminder letter, the Borrower will also be notified about the missed payment through telephone calls. Reminder letters include a specification of the penalty interest charged. Reminder letters are automatically generated by iSHS 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. Eighty days after the payment has been missed, the file will be transferred to the Bank of Scotland arrears management department. A Borrower that has been in an arrears procedure with Bank of Scotland before (repeated defaulters) does not receive a second reminder letter from Stater. Consequently, the bailiff will be appointed immediately after the first reminder call and 60 days after the payment has been missed the file will be transferred to the Bank of Scotland arrears management department.

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 90 days of delinquency, BKR is notified of such delinquency by Bank of Scotland Netherlands after 120 days.

Bank of Scotland Netherlands' arrears department works, 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 Bank of Scotland Netherlands for repaying the arrears balance. Bank of Scotland Netherlands' arrears department will then assess the Borrower's proposal and a counter-proposal can be made, if necessary. The Borrower may also propose selling 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 foreclosure 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 (*afkoelingsperiode*) (see *Risk Factors*).

Bank of Scotland Netherlands 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 formal instructions will be given 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, Bank of Scotland Netherlands requires approximately four months to foreclose on a property once the decision to foreclose has been made. Throughout the foreclosure process, Bank of Scotland Netherlands works according to the 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, Bank of Scotland Netherlands 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 other measures can be taken 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. (“**Stater**”) 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’s registered office is at De Brand 40, 3823 LL Amersfoort, the Netherlands.

Stater started its activities on 1 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 around 30 per cent.

Stater provides activities consisting of mortgage payment transactions and ancillary activities with regard to a total of EURO 85.0 billion and approximately 529,000 mortgage loans. Stater is a 100 per cent subsidiary of Stater, of which the shares are held for 100 percent by ABN AMRO Bank N.V.

Stater provides an origination system that includes automated underwriting, allowing lenders to specify underwriting criteria for each loan pool. A fraud detection system forms part of the automated underwriting services.

In the securitisation process, Stater is able to identify specific loan pools based on underwriting criteria as instructed by its clients and provides the Issuer 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 and the registration thereof. Following the 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 notification of the assignment of 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. 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 [2,000,000,000], which is equal to the aggregate Outstanding Principal Amount of the Mortgage Receivables at [1 November 2006].

The sale and purchase of the Mortgage Receivables to be assigned to the Issuer on the Closing Date is conditional upon, *inter alia*, the issue of the Notes. Hence, the Sellers can be deemed to have an interest in the issue of the Notes.

Representations and Warranties

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

- (1) each Mortgage Receivable and each Beneficiary Right 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 the Beneficiary Rights and no restrictions on the sale and assignment of the Mortgage Receivables and the Beneficiary Rights are in effect and the Mortgage Receivables are capable of being assigned;
- (5) the Seller has the power (*is beschikkingsbevoegd*) to sell and assign the Mortgage Receivables and each Beneficiary Right relating thereto;
- (6) the Mortgage Receivables and each Beneficiary Right relating thereto 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 or the Beneficiary Rights other than pursuant to the Relevant Documents and no claims or other contractual entitlements of third parties exist in respect of the Mortgage Receivables and the Beneficiary Rights 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) the Mortgage Deeds contain the provision that the Mortgages will partially follow, *pro rata*, the Mortgage Receivables upon their assignment;
- (12) 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;
- (13) each Mortgage Loan has been granted to a Borrower in accordance with all applicable legal requirements and the Code of Conduct on Mortgage Loans (*Gedragscode 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;
- (14) 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;
- (15) all Mortgage Loans have been fully disbursed;
- (16) 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 to the order of the Seller or, as the case may be, the Issuer or the Security Trustee;
- (17) to the best of the knowledge of the Seller, the Borrowers are not in any material breach of any provision of their Mortgage Loans;
- (18) the Mortgage Conditions provide that all payments by the Borrower should be made without any deduction or set-off;
- (19) 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*);
- (20) 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;
- (21) 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;
- (22) the Seller has no Other Claim vis-à-vis a Borrower;
- (23) the Seller does not have a current account relationship with a Borrower and holds no amounts on deposit for a Borrower.

Repurchase of Mortgage Receivables

The Seller will undertake to repurchase and accept re-assignment 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 re-assignment of the Mortgage Receivable:

1. 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 re-assignment of the relevant Mortgage Receivable on the immediately succeeding Mortgage Payment Date;
2. on the immediately succeeding Mortgage Payment Date after 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;
3. 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
4. if it obtains an Other Claim vis-à-vis the Borrower under 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 Outstanding Principal Amount due on the Mortgage Receivables then outstanding is less than 10 per cent. of the Outstanding Principal Amount of the Mortgage Receivables on the Closing Date.

Mortgage Loans Criteria

On [1 November 2006], 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 (*levenhypotheken*),
 - (2) Annuity Mortgage Loans (*annuïteiten hypotheken*),
 - (3) Interest-only Mortgage Loans (*aflossingsvrije hypotheken*), or
 - (4) a combination of any of the above mentioned types of mortgage loans (*combinatiehypotheken*);
- (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 (*overbruggingshypotheken*);
- (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 [1 November 2049];
- (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 90 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 100 per cent. of the Mortgaged Asset upon creation of the Mortgage Loan;
- (n) no Mortgage Loan benefits from an 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 the Borrowers are notified of the assignment of the Mortgage Receivables to the Issuer 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
- (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 is granted or the appointment of an administrator takes effect or an administrative receiver or other receiver, liquidator, trustee in sequestration or other similar official is 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 takes 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 fall below Baa3 by Moody's, BBB- by Fitch or BBB- by S&P or is withdrawn; or
- (k) a Pledge 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 (other than the Subordinated Class F Notes) outstanding will occur as a result of not giving notice, the Seller will forthwith notify the relevant Borrowers, the Insurance Companies and any other relevant parties indicated by the Issuer and/or the Security Trustee of the assignment of the Mortgage Receivables and the Beneficiary Rights 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 *Risk Factors – Insurance Policies*.

The Issuer will complete the assignment at closing by registration of the Deed of Assignment.

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 above;
- (b) the Substitute Mortgage Receivables and any Beneficiary Rights relating thereto are encumbered with a first ranking right of pledge in favour of the Security Trustee;

- (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 and the Beneficiary Rights relating thereto, 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 and the Subordinated Class F 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 and the Subordinated Class F 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 and the Subordinated Class F Notes) will occur as a result thereof;
- (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 and the Subordinated Class F Notes) will occur as a result thereof;
- (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. of the aggregate Principal Amount Outstanding of the Notes (excluding the Subordinated Class E Notes and the Subordinated Class F Notes);

- (s) the amount standing to the Reserve Account is equal to the Reserve Account Target Level;
- (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 rate 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 Issuer 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 to the Security Trustee 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

Services

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 Issuer Administrator.

The Issuer 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 rate in respect of the Mortgage Receivables is at least equal to Euribor and the Threshold Margin.

Termination

The appointment of the MPT Provider and/or the Issuer Administrator under the Issuer Services Agreement may be terminated by the Security Trustee in certain circumstances, including (a) a payment to be made by the MPT Provider and/or the Issuer Administrator is not received on the due date of any payment by either of them under the Issuer Services Agreement and such default continues unremedied for a period of 14 days, except in the case that such default is caused by *force majeure*, (b) a default is made by the MPT Provider and/or the Issuer Administrator in the performance or observance of any of its obligations under the Issuer Services Agreement which is in the reasonable opinion of the Security Trustee materially prejudicial to the interests of any Class of holders of Notes, (c) (in respect of the MPT Provider only) the Sub MPT Services Agreement is terminated by Stater following a default by Bank of Scotland Netherlands, (d) the MPT Provider or Issuer Administrator 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*), (e) the MPT Provider or Issuer Administrator has taken any corporate action or any steps have been taken or legal proceedings have been instituted or threatened against it for its entering into suspension of payments or for bankruptcy or for the appointment of a receiver or a similar officer of its or any or all of its assets or any analogous insolvency proceedings under any applicable law; (f) the MPT Provider no longer holds a licence under the Financial Services Act (*Wet financiële dienstverlening*) or (g) at any time it becomes unlawful for the MPT Provider or Issuer Administrator to perform all or a material part of its obligations hereunder.

In such events, the Security Trustee and the Issuer shall use their best efforts to appoint a substitute MPT Provider and/or the Issuer Administrator and such substitute MPT Provider and/or the Issuer Administrator shall enter into an agreement with the Issuer and the Security Trustee substantially on the terms of the Issuer Services Agreement, provided that such substitute MPT Provider and/or the Issuer Administrator shall have the benefit of a fee at a level to be then determined. With respect to the services to be provided under the Issuer Services Agreement such substitute MPT Provider must have (i) experience of administering mortgage loans and mortgages of commercial property in the Netherlands and (ii) hold a licence under the Financial Services Act (*Wet financiële dienstverlening*)

as amended from time to time. The Issuer shall, promptly following the execution of such agreement, pledge its interest in such agreement in favour of the Security Trustee on the terms of the Pledge Agreement II, *mutatis mutandis*, to the satisfaction of the Security Trustee.

The appointment of the MPT Provider and/or the Issuer Administrator under the Issuer Services Agreement may be terminated by the MPT Provider and/or the Issuer Administrator upon the expiry of not less than 12 months' notice of termination given by the MPT Provider and/or the Issuer Administrator to the Issuer and the Security Trustee provided that, *inter alia*, (a) *the Security Trustee consents in writing to such termination and (b) a substitute MPT Provider and/or the Issuer Administrator shall be appointed, such appointment to be effective no later than the date of termination of the Issuer Services Agreement and the MPT Provider and/or the Issuer Administrator shall not be released from its obligations under the Issuer Services Agreement until such substitute MPT Provider and/or the Issuer Administrator has entered into such new agreement.*

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 [87] 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 (*rentevasperiode*). 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 and the Subordinated Class F 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 (other than the Subordinated Class F 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 (other than the Subordinated Class F 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 *Risk Factors – 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 agreement.

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 25 October 2006 under number B.V. [1395735]. 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, telephone number +31 20 577 1177. The Issuer is registered with the Commercial Register of the Chamber of Commerce of Amsterdam under number [34258697].

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 was established as a “special purpose vehicle”, in that it was established for the limited purposes of the issue of the Notes, the acquisition of the Mortgage Receivables and certain related transactions described elsewhere in this Prospectus. The Issuer operates under Dutch law, provided that it may enter into contracts which are governed by the laws of a jurisdiction other than the Netherlands.

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. Allen & Overy LLP is the legal adviser to the Issuer in connection with the issue of the Notes.

The sole managing director of the Issuer is ATC Management B.V. ATC Management B.V. has its registered office at Frederik Roeskestraat 123, 1076 EE Amsterdam, telephone number +31 20 577 1177. The managing directors of ATC Management B.V. are J.H. Scholts, G.F.X.M. Nieuwenhuizen, A.G.M. Nagelmaker and J. Lont. The objectives of ATC Management B.V. are (a) giving advice and acting as mediator in relation to financial and related transactions, (b) finance companies and (c) the management of legal entities. The principal activities carried out by ATC Management B.V. besides managing the Issuer are in line with its objectives.

ATC Management B.V. belongs to the same group of companies as Amsterdamsch Trustee's Kantoor B.V., being the sole Director of the Security Trustee. Therefore, a conflict of interest may arise. In this respect it is noted that each of the Directors in the management agreement it has entered into with the entity of which it has been appointed managing director (*statutair directeur*), agrees and undertakes to, *inter alia*, (a) do all that an adequate managing director (*statutair directeur*) should do or refrain from doing all that an adequate managing director should refrain from doing, and (b) refrain from taking any action detrimental to the obligations under any of the Relevant Documents or the then current rating assigned to the Notes outstanding (other than the Subordinated Class E Notes and the Subordinated Class F Notes). In addition each of the Directors agrees in the relevant management agreement that it will not enter into any agreement in relation to Candide Financing 2006 B.V. and/or Stichting Holding and/or the Security Trustee other than the Relevant Documents to which it is a party, without the prior written consent of the Security Trustee and after having received written confirmation by each of the Rating Agencies that there will be no adverse effect on the rating assigned to the Notes outstanding (other than the Subordinated Class E Notes and the Subordinated Class F Notes). The financial year of the Issuer coincides with the calendar year. The first financial year will end on 31st December, 2007.

Capitalisation

The following table shows the capitalisation of the Issuer as of [15] November 2006 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 A1 Notes | EURO | [400,000,000] |
| Senior Class A2 Notes | EURO | [350,000,000] |
| Senior Class A3 Notes | EURO | [1,125,000,000] |
| Mezzanine Class B Notes | EURO | [47,000,000] |
| Junior Class C Notes | EURO | [40,000,000] |
| Subordinated Class D Notes | EURO | [38,000,000] |
| Subordinated Class E Notes | EURO | [5,000,000] |
| Subordinated Class F Notes | EURO | [11,000,000] |
| Subordinated Loan | EURO | [2,960,000] |

Exempted Credit Institution

The Issuer is not subject to any licence requirement under Section 6 of the Act on the Supervision of the Credit System 1992 (*Wet toezicht kredietwezen 1992*), as amended, due to the fact that the Notes will be (deemed to be) offered solely to professional market parties within the meaning of Section 2 of the Exemption Regulation of 26 June 2002 with respect to the Act on the Supervision of the Credit System 1992 (*Vrijstellingsregeling Wet toezicht kredietwezen 1992*), as amended from time to time (the “**Exemption Regulation**”) and Section 2 of the policy rules of the Dutch Central Bank (*De Nederlandsche Bank N.V.*) on key concepts of market access and enforcement of the Act on the Supervision of the Credit System 1992 published on 31 December 2004 (*Beleidsregel kernbegrippen markttoetreding en handhaving Wik 1992*) (the “**PMPs**”), and all other repayable funds (*opvorderbare gelden*) obtained by the Issuer are obtained by PMPs. The Issuer is exempt under the Financial Services Act (*Wet financiële dienstverlening*) (see further ‘*Risk Factors*’ – *Financial Services Act*).

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 accountants of which are a member of the Royal Dutch Institute for registered accountants (*Koninklijk Nederlands Instituut voor register accountants*) the auditors to the Issuer:

“Auditors’ Report

Candide Financing 2006 B.V. (the “**Issuer**”) was incorporated on 25 October 2006 under number B.V. 1395735 with an issued share capital of EURO 18,000. The Issuer has not yet filed any financial statements.

Amstelveen, [●]

KPMG ACCOUNTANTS N.V.

M. Frikkee RA”

USE OF PROCEEDS

The net proceeds of the Notes to be issued on the Closing Date will amount to EURO [2,016,000,000].

The net proceeds of the issue of the Notes other than the Subordinated Class E Notes and the Subordinated Class F 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 and the Subordinated Class F 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.

The costs of listing of the Notes will amount to approximately EURO [20,000]. These costs will be borne by the Issuer.⁴

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 after the Enforcement Date. 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 Pledge Agreement I and the Pledge Agreement II and (b) 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 Issuer shall grant a first ranking right of pledge (*pandrecht*) by means of the Pledge Agreement I over the Mortgage Receivables and the Beneficiary Rights (see further *Insurance Policies* under *Risk Factors*) 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 its payment obligation to the Security Trustee under the Parallel Debt Agreement.

The pledge on the Mortgage Receivables and the Beneficiary Rights provided in the 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 Pledge Notification Events. Prior to notification of the pledge to the Borrowers, the pledge will be a "silent" right of pledge (*stil pandrecht*) within the meaning of section 3:239 of the Dutch Civil Code.

The Issuer will also vest a right of pledge by means of the 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 to the extent such rights do not result from these legal relationships exist at the Closing Date, the Issuer undertakes to grant a first ranking right of pledge on such rights to the extent required. The right of pledge created pursuant to the Pledge Agreement II 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, the Subordinated Class E Noteholders and the Subordinated Class F 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, 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 and amounts owing to the Subordinated Class F Noteholders will rank in priority of payment after amounts owing to the Senior Class A Noteholders, the Mezzanine Class B Noteholders, the Junior Class C Noteholders, the Subordinated Class D Noteholders and the Subordinated Class F Noteholders (see *Credit Structure*).

THE SECURITY TRUSTEE

The Security Trustee is a foundation (*stichting*) incorporated under the laws of the Netherlands on 25 October 2006. It has its registered office at 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 F.E.M. Kuypers 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 [400,000,000] Senior Class A1 Mortgage-Backed Notes 2006 due [2051] (the “**Senior Class A1 Notes**”), the EURO [350,000,000] Senior Class A2 Mortgage-Backed Notes 2006 due [2051] (the “**Senior Class A2 Notes**”), the EURO [1,125,000,000] Senior Class A3 Mortgage-Backed Notes 2006 due [2051] (the “**Senior Class A3 Notes**” and together with the Senior Class A1 Notes and the Senior Class A2 Notes, the “**Senior Class A Notes**”), the EURO [47,000,000] Mezzanine Class B Mortgage-Backed Notes 2006 due [2051] (the “**Mezzanine Class B Notes**”), the EURO [40,000,000] Junior Class C Mortgage-Backed Notes 2006 due [2051] (the “**Junior Class C Notes**”), the EURO [38,000,000] Subordinated Class D Mortgage-Backed Notes 2006 due [2051] (the “**Subordinated Class D Notes**”), the EURO [5,000,000] Subordinated Class E Notes 2006 due [2051] (the “**Subordinated Class E Notes**”) and the EURO [11,000,000] Subordinated Class F Notes 2006 due [2051] (the “**Subordinated Class F 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 Subordinated Class E Notes (the “**Notes**”), was authorised by a resolution of the managing director of Candide Financing 2006 B.V. (the “**Issuer**”) passed on [●] November 2006. The Notes are issued under a Trust Deed to be dated [15] November, 2006 (the “**Trust Deed**”) between the Issuer, Stichting Candide Financing Holding and Stichting Security Trustee Candide Financing 2006 (the “**Security Trustee**”).

Under a paying agency agreement (the “**Paying Agency Agreement**”) dated [15] November 2006 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 [15] November 2006 between the Issuer, ATC Financial Services B.V. as the Issuer 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 [15 November] 2006 between the Security Trustee and the Issuer and (v) a pledge agreement dated [15 November] 2006, between the Issuer, the Security Trustee and others (jointly with the other pledge agreement referred to under (iv) above, the “**Pledge Agreements**”).

Certain words and expressions used below are defined in a master definitions agreement (the “**Master Definitions Agreement**”) dated [14 November] 2006 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 A1 Notes, the Senior Class A2 Notes, the Senior Class A3 Notes, the Mezzanine Class B Notes, the Junior Class C Notes, the Subordinated Class D Notes, the Subordinated Class E Notes or the Subordinated Class F Notes, as the case may be.

Copies of the Trust Deed, the Paying Agency Agreement, the Parallel Debt Agreement, the Pledge Agreements and the Master Definitions Agreement are available for inspection free of charge by holders of the Notes at the specified office of the Paying Agent and the present office of the Security Trustee, being at the date hereof Frederik Roeskestraat 123, 1076 EE, Amsterdam, the Netherlands. The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed, the Paying Agency Agreement, the 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, and will initially be presented by a Temporary Global Note. 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.

Each Class of Notes will be issued in NGN form and be delivered to a common safekeeper for Euroclear or Clearstream, Luxembourg.

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 except that, the Senior Class A1 Notes, the Senior Class A2 Notes and the Senior Class A3 Notes are redeemed on a sequential basis pursuant to Condition 6(b) prior to the service of an Enforcement Notice in accordance with Condition 10.

In accordance with the provisions of Conditions 4, 6 and 9 and the Trust Deed payments of principal on the Senior Class A2 Notes are subordinated, prior to an Enforcement Date, to payments of principal on the Senior Class A1 Notes. In accordance with the provisions of Conditions 4, 6 and 9 and the Trust Deed payments of principal on the Senior Class A3 Notes are subordinated, prior to an Enforcement Date, to payments of principal on the Senior Class A1 Notes and the Senior Class A2 Notes (in respect of payments of interest the three tranches of Senior Class A Notes rank *pari passu*). In addition (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; (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 and (v) payments of principal and interest on the Subordinated Class F 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, the Subordinated Class D Notes and the Subordinated Class E 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 Issuer to the Security Trustee over the Mortgage Receivables and the Beneficiary Rights;
- (ii) 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 Issuer 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 Subordinated 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, the Subordinated Class E Notes and the Subordinated Class F Notes will be secured (indirectly) by the Security. The Senior Class A2 Notes will, in respect of payments of principal only and prior to the Enforcement Date only, rank subordinate to the Senior Class A1 Notes. The Senior Class A3 Notes will, in respect of payments of principal only and prior to the Enforcement Date only, rank subordinate to the Senior Class A1 Notes and the Senior Class A2 Notes. 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, the Subordinated Class E Notes and the Subordinated Class F Notes.

The Mezzanine Class B Notes will rank in priority to the Junior Class C Notes, the Subordinated Class D Notes, the Subordinated Class E Notes and the Subordinated Class F Notes; the Junior Class C Notes will rank in priority to the Subordinated Class D Notes, the Subordinated Class E Notes and the Subordinated Class F Notes. The Subordinated Class D Notes will rank in priority to the Subordinated Class E Notes; and the Subordinated Class E Notes will rank in priority to the Subordinated Class F 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, the Subordinated Class E Noteholders and the Subordinated Class F 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, the Subordinated Class E Noteholders and the Subordinated Class F 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, the Subordinated Class E Noteholders and the Subordinated Class F 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, the Subordinated Class E Noteholders and the Subordinated Class F Noteholders on the other hand, 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 Noteholders and the Subordinated Class F Noteholders on the other hand and if no Junior Class D Notes are outstanding to have regard only to the interests of the Subordinated Class E Noteholders if, in the Security Trustee's opinion there is a conflict between the interests of the Subordinated Class E Noteholders on the one hand and the Subordinated Class F Noteholders 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. In the situation where in the Security Trustee's opinion there is a conflict between the Senior Class A1 Noteholders, the Senior Class A2 Noteholders and the Senior Class A3 Noteholders each would be treated equally without preference to any one of them.

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 Prospectus dated [14] November 2006 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 February, May, August and November 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 [February] 2007.

(c) *Interest on the Notes other than the Class E Notes and the Class F 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 3 months deposits in EURO and Euribor for 4 months deposits in EURO rounded, if necessary, to the 5th decimal place with 0.000005 being rounded upwards, plus the margin as set out below, interest on the Notes (other than the Subordinated Class E Notes and the Subordinated Class F 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 A1 Notes, a margin of [0.05] per cent. per annum;
- (ii) for the Senior Class A2 Notes, a margin of [0.08] per cent. per annum;
- (iii) for the Senior Class A3 Notes, a margin of [0.12] per cent. per annum;
- (iv) for the Mezzanine Class B Notes, a margin of [0.17] per cent. per annum;
- (v) for the Junior Class C Notes, a margin of [0.22] per cent. per annum; and
- (vi) for the Subordinated Class D Notes a margin of [0.48] per cent. per annum.

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

If on the First Optional Redemption Date 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 A1 Notes, a margin of [0.10] per cent. per annum;
- (ii) for the Senior Class A2 Notes, a margin of [0.16] per cent. per annum;
- (iii) for the Senior Class A3 Notes, a margin of [0.24] per cent. per annum;
- (iv) for the Mezzanine Class B Notes, a margin of [0.34] per cent. per annum;
- (v) for the Junior Class C Notes, a margin of [0.44] per cent. per annum; and
- (vi) for the Subordinated Class D Notes a margin of [0.96] per cent. per annum.

(e) Interest on the Class E Notes and the Class F 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 3 months deposits in EURO and Euribor for 4 months deposits in EURO, interest on the Subordinated Class E Notes and the Subordinated Class F 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 [1.70] per cent. per annum until the Final Maturity Date, in respect of the Subordinated Class E Notes and plus a margin of [2.50] per cent. per annum until the Final Maturity Date in respect of the Subordinated Class F Notes.

(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 Eurointerbank 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 Issuer 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 Eurolist by 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 redeem the Notes (in respect of the Mezzanine Class B Notes, the Junior Class C Notes, the Subordinated Class D Notes, the Subordinated Class E Notes and the Subordinated Class F Notes subject to Condition 9(b) hereof) at their respective Principal Amount Outstanding on the Quarterly Payment Date falling in [November 2051] (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 on each Quarterly Payment Date 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 A1 Notes, until fully redeemed minus the *pro rata* share of the Principal Shortfall standing to the balance of the Class A Principal Deficiency Ledger as allocated to the Senior Class A1 Notes on such date pursuant to Condition 9(b), and, thereafter;
- (ii) *second*, the Senior Class A2 Notes, until fully redeemed minus the *pro rata* share of the Principal Shortfall of the Class A Principal Deficiency Ledger as allocated to the Senior Class A2 Notes on such date pursuant to Condition 9(b), and, thereafter;
- (iii) *third*, the Senior Class A3 Notes, until fully redeemed, and, thereafter;
- (iv) *fourth*, the Mezzanine Class B Notes, until fully redeemed, and, thereafter;
- (v) *fifth*, the Junior Class C Notes, until fully redeemed, and, thereafter;
- (vi) *sixth*, 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 and the Subordinated Class F 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 and the Subordinated Class F 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 and Subordinated Class F Note will be the principal amount of such Notes upon issue less the aggregate amount of all Class E Redemption Amounts and Class F 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, Class F Redemption Amount and Principal Amount Outstanding*

- (i) On each Quarterly Calculation Date, the Issuer shall determine (or cause the Issuer Administrator to determine) (a) the Principal Redemption Amount, the Class E Redemption Amount and the Class F 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, the Class F 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 Issuer Administrator to determine) the Principal Redemption Amount, the Class E Redemption Amount, the Class F 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 [November 2012] (the "**First Optional Redemption Date**") and on each Quarterly Payment Date thereafter (each an "**Optional Redemption Date**") redeem, less the relevant Principal Shortfall as set out in 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 and the Subordinated Class F 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 and the Subordinated Class F 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 and the Subordinated Class F 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 (q) 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**").

Prior to the redemption in full of 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, the Subordinated Class F 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 F 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 (n) 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 (r) have been met, to redeem (or partially redeem on a *pro rata* basis) the Subordinated Class F Notes until fully redeemed. The amount so available for redemption of each Subordinated Class F Note will be such amount divided by the number of Subordinated Class F Notes (rounded down to the nearest EURO) (the "**Class F 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 (other than the Subordinated Class E Notes and the Subordinated Class F Notes), in whole but not in part at their Principal Amount Outstanding together with accrued interest thereon up to but excluding the date of redemption, 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 Counterparty 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 [May 2009] but prior to [31 December 2010] or such later date as may be permitted by the FSA 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 [May 2009] but prior to [31 December 2010] or such later date as may be permitted by the FSA 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.
- (D) The FSA has approved the exercise of the purchase option or redemption option, as the case may be, if such approval is required by rule of law, recommendation of best practices or by any other regulation.

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

In the event that on any Quarterly 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, the Subordinated Class E Notes and the Subordinated Class F Notes 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 and the Subordinated Class F 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 and the Subordinated Class F Notes) of the relevant Class on such Quarterly Payment Date. In respect of the Senior Class A1 Notes, the Senior Class A2 Notes and the Senior Class A3 Notes, there will be one Principal Deficiency Ledger. Principal Shortfalls administered on such ledger are allocated *pro rata* to the Senior Class A1 Notes, the Senior Class A2 Notes and the Senior Class A3 Notes, according to their respective Principal Amount Outstanding 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 or if no Senior Class A Notes, Mezzanine Class B Notes, Junior Class C Notes, Subordinated Class D Notes and Subordinated Class E Notes are outstanding, by an Extraordinary Resolution of the Subordinated Class F 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 the 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 a lower ranking Class of Notes, irrespective of whether an Extraordinary Resolution is passed by the Noteholders of the lower Classes of Notes, unless an Enforcement Notice in respect of the Senior Class A Notes has been given by the Security Trustee. In exercising its discretion as to whether or not to give an Enforcement Notice to the Issuer in respect of the Senior Class A Notes, the Security Trustee shall not be required to have regard to the interests of the Mezzanine Class B Noteholders, the Junior Class C Noteholders, the Subordinated Class D Noteholders, the Subordinated Class E Noteholders or the Subordinated Class F 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 Class A Notes have been repaid in full, 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 or, if all amounts due in respect of 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 paid, the Subordinated Class F 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, the Subordinated Class E Noteholders and the Subordinated Class F Noteholders to consider matters affecting the interests, including the sanctioning by Extraordinary Resolution, of such Noteholders of the relevant Class of a change of any of these Conditions or any provisions of the Relevant Documents, 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 or any other event 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 relevant 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 and/or the Subordinated Class F 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 and/or the Subordinated Class F 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 and/or, as the case may be, the Subordinated Class E Noteholders and/or, as the case may be, the Subordinated Class F Noteholders or it is sanctioned by an Extraordinary Resolution of the Senior Class A Noteholders, the Mezzanine Class B Noteholders, the Junior

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

15. Replacements of Notes and Coupons

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

THE GLOBAL NOTES

Each Class of Notes will be initially represented by (i) in the case of the Senior Class A1 Notes a Temporary Global Note in bearer form, without coupons, in the principal amount of EURO [400,000,000], (ii) in the case of the Senior Class A2 Notes a Temporary Global Note in bearer form, without coupons, in the principal amount of EURO [350,000,000], (iii) in the case of the Senior Class A3 Notes a Temporary Global Note in bearer form, without coupons, in the principal amount of EURO [1,125,000,000] (iv) in the case of the Mezzanine Class B Notes a Temporary Global Note in bearer form, without coupons, in the principal amount of EURO [47,000,000], (v) in the case of the Junior Class C Notes a Temporary Global Note in bearer form, without coupons, in the principal amount of EURO [40,000,000], (vi) in the case of the Subordinated Class D Notes a Temporary Global Note in bearer form without coupons, in the principal amount of EURO [38,000,000], (vii) in case of the Subordinated Class E Notes a Temporary Global Note in bearer form without coupons, in the principal amount of EURO [5,000,000] and (viii) in case of the Subordinated Class F Notes a Temporary Global Note in bearer form without coupons, in the principal amount of EURO [11,000,000]. The Global Notes will be issued in NGN form. Each Temporary Global Note will be deposited with [Euroclear] as common safekeeper for Euroclear and Clearstream, Luxembourg on or about [15 November] 2006. 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 safekeeper. The exchange will be recorded in the records of Euroclear and Clearstream, Luxembourg.

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 by the Issuer to the bearer hereof and, if no further payment falls to be made in respect of the Notes, surrender of such Global Note to the Paying Agent. Upon any payment in respect of a Global Note, the Issuer shall procure that the amount so paid shall be entered *pro rata* in the records of Euroclear or Clearstream, Luxembourg. Any failure to make such entries shall not affect the discharge of liability of the Issuer for the monies paid to the bearer of such Global Note. [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 [15 November], 2006, 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 A1 Notes in definitive form in exchange for the whole outstanding interest in the Permanent Global Note in respect of the Senior Class A1 Notes;
- (ii) Senior Class A2 Notes in definitive form in exchange for the whole outstanding interest in the Permanent Global Note in respect of the Senior Class A2 Notes;
- (iii) Senior Class A3 Notes in definitive form in exchange for the whole outstanding interest in the Permanent Global Note in respect of the Senior Class A3 Notes;
- (iv) 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;
- (v) 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;
- (vi) 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;
- (vii) 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; and
- (viii) Subordinated Class F Notes in definitive form in exchange for the whole outstanding interest in the Permanent Global Note in respect of the Subordinated Class F Notes

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

TAXATION IN THE NETHERLANDS

General

The following summary describes the principal Dutch tax consequences of the acquisition, holding, 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 Prospectus, 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:

- (i). 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;
- (ii). pension funds or other entities that are exempt from Netherlands corporate income tax;
- (iii). investment institutions (*fiscale beleggingsinstellingen*).

Withholding tax

All payments made by the Issuer under the Notes may be made free of withholding or deduction for, or on account of, any taxes of whatsoever nature imposed, levied, withheld or assessed by the Netherlands or any political subdivision or taxing authority thereof or therein provided that the Notes are considered debt for Netherlands tax purposes and do not in fact function as equity of the Issuer within the meaning of article 10, paragraph 1, under d of the Netherlands corporate income tax act 1969 (*Wet op de vennootschapsbelasting 1969*).

Corporate and individual income tax

(a) Residents of the Netherlands

If a holder is resident or deemed to be resident of the Netherlands for Netherlands tax purposes and is fully subject to Netherlands corporate income tax or is only subject to Netherlands corporate income tax in respect of its enterprise to which the Notes are attributable, income derived from the Notes and gains realised upon the acquisition, holding, redemption and disposal of the Notes are generally taxable in the Netherlands.

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

- (i) the holder 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*), which include the performance of activities with respect to the Notes that exceed regular, active portfolio management (*normaal, actief vermogensbeheer*).

If neither condition (i) nor condition (ii) applies to the holder of the Notes, taxable income with regard to the Notes must be determined on the basis of a deemed return on income from savings and investments (*sparen en beleggen*), rather than on the basis of income actually received or gains actually realised. At present, this deemed return on income from savings and investments has been fixed at a rate of 4 per cent. of the average of the individual's yield basis (*rendementsgrondslag*) at the beginning of the calendar year and the individual's yield basis at the end of the calendar year, insofar as the average exceeds a certain threshold. The average of the individual's yield basis is determined as the fair market value of certain qualifying assets held by the holder of the Notes less the fair market

value of certain qualifying liabilities on 1 January and 31 December, divided by two. The fair market value of the Notes will be included as an asset in the individual's yield basis. The deemed return on income from savings and investments of 4 per cent. will be taxed at a rate of 30 per cent.

(b) Non-residents of the Netherlands

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

- (i) the holder has an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands to which permanent establishment or a permanent representative the Notes are attributable; or
- (ii) the holder 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 holder is an individual and such income or gains qualify as income from miscellaneous activities in the Netherlands, which include the performance of activities in the Netherlands with respect to the Notes that exceed regular, active portfolio management.

Gift and Inheritance taxes

(a) Residents of the Netherlands

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

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

(b) Non-residents of the Netherlands

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

- (i) such holder 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 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, other than by way of securities or through an employment contract, to a share in the profits of that enterprise, at the time of the gift or at the time of his or her death; or
- (iii) in the case of a gift of the Notes by a holder that at the date of the gift was neither a resident nor deemed to be a resident of the Netherlands, such holder dies within 180 days after the date of the gift, while at the time of his or her death being a resident or deemed to be a resident of the Netherlands.

Value added tax

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

Other taxes and duties

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

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required, from the 1 July 2005, to provide to the tax authorities of another Member State details of payment of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries).

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

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 and the Subordinated Class F 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.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospective Directive (each, a “**Relevant Member State**”), each of the Managers has represented that, with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”), it has not made and will not make an offer of the Notes to the public in that Relevant Member State prior to the publication of a prospectus in relation to those Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Notes to the public at any time:

- (a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than EURO 43,000,000 and (3) an annual net turnover of more than EURO 50,000,000, as shown in its last annual or consolidated accounts; or
- (c) in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

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

United Kingdom

Each of the 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.

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 Prospectus and the offering of the Notes in certain jurisdictions may be restricted by law; persons into whose possession the Prospectus comes are required by the Issuer and the Managers to inform themselves about and to observe any such restrictions. The Prospectus 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 [●] 2006.
- (2) The Senior Class A1 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 [027503535], ISIN [XS0275035359] and Fondscore [●].
- (3) The Senior Class A2 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 [027503560], ISIN [XS0275035789] and Fondscore [●].
- (4) The Senior Class A3 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 [027503578], ISIN [XS0275035789] and Fondscore [●].
- (5) 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 [027503594], ISIN [XS0275035862] and Fondscore [●].
- (6) 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 [027503594], ISIN [XS0275035946] and Fondscore [●].
- (7) 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 [027503608], ISIN [XS0275036084] and Fondscore [●].
- (8) 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 [027503616], ISIN [XS0275036167] and Fondscore [●].
- (9) The Subordinated Class F 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 [027503624], ISIN [XS0275036241●].
- (10) There has been no material adverse change in the financial position or prospects of the Issuer since [●] 2006.
- (11) KPMG Accountants N.V. has given and has not withdrawn its written consent to the issue of the Prospectus with its report included herein in the form and context in which it appears.
- (12) Since its incorporation, the Issuer is not involved in any legal, arbitration or governmental proceedings which may have, or have had in the recent past a significant effect on the Issuer's financial position or profitability nor, so far as the Issuer is aware, are any such proceedings pending or threatened against the Issuer.
- (13) 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 Paying Agency Agreement;
 - (iv) the Trust Deed;
 - (v) the Parallel Debt Agreement;
 - (vi) the Pledge Agreement I;
 - (vii) the Pledge Agreement II;
 - (viii) the Issuer Services Agreement;
 - (ix) the GIC;
 - (x) the Swap Agreement;
 - (xi) the Liquidity Facility Agreement;
 - (xii) the Beneficiary Waiver Agreement;
 - (xiii) the Master Definitions Agreement; and

- (xiv) the Subordinated Loan Agreement.
- (14) The audited financial statements of the Issuer prepared annually will be made available, free of charge, at the specified offices.
- (15) 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.
- (16) 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.
- (17) There are no conflicts of interest between the parties to the Relevant Documents which are material to the issue of the Notes.
- (18) This Prospectus constitutes a prospectus for the purpose of the Dutch Securities Act (*Wet Toezicht Effectenverkeer 1995*).

ANNEX A

THE FOLLOWING EXPRESSIONS, AS USED IN THE PROSPECTUS, 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] 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 is a mortgage loan with the following characteristics:

- a) a savings, 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, 6, 10, 15, 20, 25 or 30 years;
- d) an offer period of 3 months, without the possibility for extension;
- e) a maximum LTFV-ratio of 100 per cent.;
- f) a maximum loan-to-income ratio of 6.5 where the Borrower's income is greater than EURO 50,000 per year, 6 where the Borrower's income is between EURO 35,000 and EURO 50,000 per year and 5.5 where the Borrower's income is less than EURO 35,000 per year;
- g) "affordability" ratio of mortgage and related insurance payments to total monthly income of no less than 35 per cent. for Borrowers with income greater than EURO 35,000 per year and 30 per cent. for Borrowers with income less a EURO 35,000 per year; and
- h) no NHG Guarantee is possible.

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 is a mortgage loan with the following characteristics:

- a) a savings, life, interest-only or annuity mortgage loan;
- b) 15 per cent. early redemption annually is allowed without penalty and 10 per cent. early redemption is allowed for loans originated after 1 February 2006;
- 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 110 per cent. and 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 6.5 where the Borrower's income is greater than EURO 50,000 per year, 6 where the Borrower's income is between EURO 35,000 and EURO 50,000 per year and 5.5 where the Borrower's income is less than EURO 35,000 per year; and
- g) an NHG Guarantee is possible.

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;

Class means either the Senior Class A1 Notes, the Senior Class A2 Notes, the Senior Class A3 Notes, the Mezzanine Class B Notes, the Junior Class C Notes, the Subordinated Class D Notes, the Subordinated Class E Notes or the Subordinated Class F 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 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);

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

Class F 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 [15 November] 2006 (or such later date as may be agreed between the Issuer and the Managers);

Co-Managers means J.P.Morgan Securities Ltd. and UBS Limited;

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 31 August 2006;

DBV means DBV Levensverzekeringsmaatschappij N.V., a public company with limited liability incorporated under the laws of the Netherlands;

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;

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 of F1 from Fitch (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 Mortgage Payment Date and is limited to the investment of monthly principal and interest payments and does not represent more than 20 per cent. of the rated issue's outstanding principal amount;

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 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 Euronext 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 [November 2051] ;

First Optional Redemption Date means the Quarterly Payment Date falling in [February 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 February 2007;

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;

FSA means the Financial Services Authority;

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., a public company with limited liability incorporated under the laws of the Netherlands;

Initial Margins means the margins which will be applicable up to (but excluding) the First Optional Redemption Date and be equal to [0.05] per cent. per annum for the Senior Class A1 Notes, [0.08] per cent. per annum for the Senior Class A2 Notes, [0.12] per cent. per annum for the Senior Class A3 Notes, [0.17] per cent. per annum for the Mezzanine Class B Notes, [0.22] per cent. per annum for the Junior Class C Notes and [0.48] per cent. per annum for the Subordinated Class D Notes;

Initial Purchase Price means the aggregate Outstanding Principal Amount of the Mortgage Receivables at 1 November 2006 of EURO [2,000,000,000], which shall be payable on the Closing Date or, in respect of the Substitute Mortgage Receivables, the Outstanding Principal Amount thereof 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 2006 B.V., a private company with limited liability organised under the laws of the Netherlands and established in Amsterdam;

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

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

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 Services Agreement means the issuer services agreement to be entered into by the Issuer 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 and Morgan Stanley;

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 [40,000,000] Junior Class C Mortgage Backed Notes 2006 due [2051];

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 and the Subordinated Class F 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 and the Subordinated Class F Notes on the Closing Date;

Liquidity Facility Provider means ABN AMRO 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 P-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 *De NederlaNdsche Bank N.V.* 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 [47,000,000] Mezzanine Class B Mortgage-Backed Notes 2006 due [2051];

Moody's means Moody's Investors Service Limited;

Morgan Stanley means Morgan Stanley & Co. International Limited, London;

Mortgage means a mortgage right (*hypotheekrecht*) 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) [15 November] 2006 and ends on (and includes) [31 November] 2006;

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 P-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 [14 November] 2006;

Mortgaged Assets means, in respect of a Mortgage, (i) real property (*onroerende zaak*), (ii) an apartment right (*apartementsrecht*) 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, the Subordinated Class E Notes and the Subordinated Class F Notes;

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

1. to the Noteholders under the Notes;
2. as fees or other remuneration to the Directors under the Management Agreements;
3. as fees and expenses to the Issuer Administrator and the MPT Provider under the Issuer Services Agreement;
4. as fees and expenses to the Paying Agent and Reference Agent under the Paying Agency Agreement;
5. to the Swap Counterparty under the Swap Agreement;
6. to the Seller under the Mortgage Receivables Purchase Agreement;
7. to the Liquidity Facility Provider under the Liquidity Facility Agreement; and
8. 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 [14 November] 2006, 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 [14 November] 2006, among Issuer and the Seller, to purchase the Subordinated Class E Notes and the Subordinated Class F Notes at their respective issue prices;

Notes 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.

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;

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

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

1. 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
2. the balance of the Principal Deficiency Ledger attributable to the Notes on the first day of such Quarterly Calculation Period; less
3. 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 on 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 Agreement I means the pledge agreement to be entered into by the Security Trustee and the Issuer on the Closing Date;

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

Pledge Agreements means the Pledge Agreement I and Pledge Agreement II;

Pledge Notification Events means:

1. an Enforcement Notice has been given; or
2. any amount due to the Security Trustee under or in connection with any Secured Liabilities is not paid when due; or
3. the Issuer fails duly to perform or comply with any of its obligations under the Pledge Agreement I or under any of the other Relevant Documents to which it is a party, or any other party (except the Security Trustee) does not comply with any of the obligations under any of the Relevant Documents 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 such other party; or
4. any representation, warranty or statement made by the Issuer in the Pledge Agreement I 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 thereto proves to have been, and continues to be after the expiration of any applicable grace period provided for in any Relevant Document, in the Security Trustee's reasonable opinion, untrue or incorrect in any material respect; or

5. the Issuer is in breach of or in default under any agreement to an extent or in a manner which has or which, in the Security Trustee's reasonable opinion, could have a material adverse effect on it or on its ability to perform its obligations under the Pledge Agreement I or any of the other Relevant Documents to which it is a party; or
6. the Issuer takes any corporate action or other steps are taken or legal proceedings are initiated or threatened against it for its dissolution (*ontbinding*), liquidation (*vereffening*), legal merger (*juridische fusie*) or legal demerger (*juridische splitsing*), liquidation (*vereffening*) or placing its assets under administration (*onder bewind gesteld*); or
7. the Issuer becomes involved in negotiations with any one or more of its creditors with a view to the general readjustment or rescheduling of its indebtedness or makes a general composition (*akkoord*) for the benefit of its creditors; or
8. 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 becoming subject to any analogous insolvency proceedings under any applicable law or for the appointment of a receiver or similar officer of it or of any or all of its assets; or
9. there is any change in the shares or shareholders in the Issuer; or
10. 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
11. 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
12. the Issuer ceases to carry on all or a substantial part of its business; or
13. the Issuer has given incorrect information or not given information which was essential for the Security Trustee in connection with entering into the Pledge Agreement I and/or any of the other Relevant Documents; or
14. a creditor of the Issuer attaches, or takes possession of, all or any material part of its undertakings, assets, rights or revenues and the same is not released or discharged within forty-five (45) days.

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;

Prospectus means this prospectus dated [14] November 2006 relating to the issue and listing of the Notes, which is in compliance with the Prospectus Directive;

Prospectus Directive means Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or being admitted to trading;

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 February, May, August and November (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 A2 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 and the Subordinated Class F Notes will be credited;

Reserve Account Target Level means, on any Quarterly Calculation Date, an amount equal to [0.8] 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 Issuer 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 2006, 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 A1 Notes, Senior Class A2 Notes and Senior Class A3 Notes, including the coupons appertaining thereto;

Senior Class A1 Notes means the EURO [400,000,000] Senior Class A1 Mortgage-Backed Notes 2006 due [2051];

Senior Class A2 Notes means the EURO [350,000,000] Senior Class A2 Mortgage-Backed Notes 2006 due [2051];

Senior Class A3 Notes means the EURO [1,125,000,000] Senior Class A3 Mortgage-Backed Notes 2006 due [2051];

Senior Class A Notes means the Senior Class A1 Notes, the Senior Class A2 Notes and the Senior Class A3 Notes;

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 [38,000,000] Subordinated Class D Mortgage-Backed Notes 2006 due [2051];

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 [5,000,000] Subordinated Class E Notes 2006 due [2051];

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

Subordinated Class F Notes means the EURO [11,000,000] Subordinated Class F Notes 2006 due [2051];

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 [May 2007]:

- (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) 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;

Tax Credit has the meaning given to such term in the Swap Agreement;

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 as a percentage of the aggregate Principal Amount Outstanding of the Notes on such date; plus (c) [25] 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 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 Issuer to the Security Trustee resulting from or in connection with the Parallel Debt Agreement, (ii) 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 (iii) from or by the Issuer to the Security Trustee resulting from or in connection with any of the other Relevant Documents;

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

12 % CPR

| Settlement Date | Bond Factor | | | | | | | |
|-----------------|-------------|---------|---------|---------|---------|---------|---------|---------|
| | A1 | A2 | A3 | B | C | D | E | F |
| 15/11/2006 | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |
| 20/02/2007 | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |
| 20/05/2007 | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |
| 20/08/2007 | 83.93% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |
| 20/11/2007 | 68.38% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |
| 20/02/2008 | 53.32% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |
| 20/05/2008 | 39.06% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |
| 20/08/2008 | 24.95% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |
| 20/11/2008 | 11.29% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |
| 20/02/2009 | 0.00% | 97.80% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |
| 20/05/2009 | 0.00% | 83.65% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |
| 20/08/2009 | 0.00% | 69.48% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |
| 20/11/2009 | 0.00% | 55.77% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |
| 20/02/2010 | 0.00% | 42.50% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |
| 20/05/2010 | 0.00% | 30.06% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |
| 20/08/2010 | 0.00% | 17.62% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |
| 20/11/2010 | 0.00% | 5.57% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |
| 20/02/2011 | 0.00% | 0.00% | 98.11% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |
| 20/05/2011 | 0.00% | 0.00% | 94.71% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |
| 20/08/2011 | 0.00% | 0.00% | 91.31% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |
| 20/11/2011 | 0.00% | 0.00% | 88.02% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |
| 20/02/2012 | 0.00% | 0.00% | 84.83% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |
| 20/05/2012 | 0.00% | 0.00% | 81.81% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |
| 20/08/2012 | 0.00% | 0.00% | 78.83% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |
| 20/11/2012 | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |

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