

The date of this Offering Circular is 7 August 2000

BCC03R2E5 (MTGE)  
BCC03R2G0 (MTGE)  
BCC03R2H8 (MTGE)

## CASTLE I MBS B.V.

(incorporated with limited liability in the Netherlands)

**Euro 189,000,000 Class A Senior Mortgage Backed Notes 2000 due 2031, issue price 100 per cent.**

**Euro 8,000,000 Class B Mezzanine Mortgage Backed Notes 2000 due 2031, issue price 100 per cent.**

**Euro 3,000,000 Class C Junior Mortgage Backed Notes 2000 due 2031, issue price 100 per cent.**

**BOUWFONDS HYPOTHEKEN B.V. as Seller**

**STATER NEDERLAND B.V. as Servicer**

Application has been made to list the Class A Euro 189,000,000 Senior Mortgage-Backed Notes 2000 due 2031 (the 'Senior Notes'), the Class B Euro 8,000,000 Mezzanine Mortgage-Backed Notes 2000 due 2031 (the 'Mezzanine Notes') and the Class C Euro 3,000,000 Junior Mortgage-Backed Notes 2000 due 2031 (the 'Junior Notes', and together with the Mezzanine Notes, the 'Subordinated Notes', the Subordinated Notes and the Senior Notes, the 'Notes') on the Official Segment of Amsterdam Exchanges N.V.'s stock market (the 'AEX Stock Exchange'). The Notes shall bear floating rates of interest per annum, payable quarterly in arrears. The interest on the Senior Notes will be the Euro zone inter-bank offered rate for 3 months deposits ('3 month EURIBOR') plus 0.26 per cent. per annum, interest on the Mezzanine Notes will be 3 month EURIBOR plus 0.45 per cent. per annum and the interest on the Junior Notes will be 3 month EURIBOR plus 0.75 per cent. per annum. In respect of the first interest payment, the EURIBOR rate in respect of the Notes shall be the rate that represents the interpolation of EURIBOR between one and two-month deposits in Euros). The floating rate of interest on the Notes is subject to a Step Up under certain conditions (as defined and more fully described in the 'Summary' and the 'Terms and Conditions of the Notes' (the 'Conditions') below).

The net proceeds of the Notes will be applied by the Issuer for the purchase of Mortgage Receivables (as defined below). All amounts received by the Issuer in repayment or prepayment of the Mortgage Receivables, as well as any proceeds from the sale of the whole or any parts of such Mortgage Receivables, will be passed through on a *pro rata* or sequential basis, as applicable, to the holders of the Notes (the 'Noteholders'). Subject to certain exceptions, such amounts will be passed through on a quarterly basis to the holders of Senior and Subordinated Notes (see further 'Credit Structure and Priority of Payments' below).

Payments of interest and principal on the Notes will be made on the 29th day of each of March, June, September and December (subject to adjustment for non-business days) of each year (the 'Payment Date'). For the avoidance of doubt, the first interest period will commence on (and include) 9 August 2000 (the 'Closing Date') and end on (but exclude) 29 September 2000. Payments of interest on and repayment of the principal of the Notes will be limited to the cash flows received with respect to the Mortgage Receivables and to certain other amounts received by the Issuer under the Guaranteed Investment Contract and the Swap Agreement. If and to the extent not otherwise redeemed, the Issuer will redeem the Notes at their respective remaining Principal Amount Outstanding (as defined in the Conditions below) on 29 June 2031.

The Notes will be secured through the Security Trustee, *inter alia*, by a right of pledge over the Mortgage Receivables and a right of pledge over certain claims of the Issuer each in favour of Stichting Security Trustee Castle I MBS (the 'Security Trustee') (as described below). The right to receive payment of interest and principal on the respective Subordinated Notes will be subordinated to the Senior Notes and the Junior Notes will be subordinated to the Senior Notes and the Mezzanine Notes and may be limited as more fully described herein and there can be no assurance that the Issuer will have sufficient funds available to meet such payment in full or on a timely basis (See further 'Description of Security' below).

It is a condition to issuance that the Senior Notes, on issue, be assigned an 'AAA' rating by Standard & Poor's Rating Services ('S&P') and an 'AAA' rating by Fitch Ratings Ltd. ('Fitch') the Mezzanine Notes, on issue, be assigned an 'AA' rating by S&P and an 'AA' rating by Fitch, and the Junior Notes, on issue, be assigned an 'A' rating by S&P and an 'A' rating by Fitch.

Each Class of Notes will be initially represented by a temporary global note (each a 'Temporary Global Note'), without coupons, which is expected to be deposited with a common depository for Morgan Guaranty Trust Company of New York, Brussels office, as operator of the Euroclear System ('Euroclear') and Clearstream Banking, société anonyme, ('Clearstream Luxembourg') formerly known as Cedelbank on or about the issue date thereof. Interests in each Temporary Global Note will be exchangeable for interests in a permanent global note of the relevant Class (each a 'Permanent Global Note'), without coupons (the expression 'Global Notes' means the Temporary Global Note of each Class and the Permanent Global Note of each Class and the expression 'Global Note' means each Temporary Global Note or each Permanent Global Note, as the context may require) not earlier than 40 days after the Closing Date upon certification as to non-US beneficial ownership. Interests in each Permanent Global Note will, in certain limited circumstances, be ex-changeable for definitive notes in bearer form (the 'Definitive Notes') as described in the Conditions.

The Notes will solely be obligations of the Issuer. The Notes will not be obligations of the Seller, the Security Trustee, the Servicer, the Calculation Agent, the Paying Agent, the Lead Manager, the Swap Counterparty, the GIC Provider, the Insurance Company (each as defined herein) or any person other than the Issuer, in whatever capacity acting. No liability whatsoever in respect of any failure by the Issuer to pay any amount due under the Notes will be accepted by the Seller, the Servicer, the Calculation Agent, the Paying Agent, the Swap Counterparty, the GIC Provider, the Insurance Company, the Lead Manager and – except for certain limited liabilities set forth in the Trust Deed (as described below) – the Security Trustee, in whatever capacity acting. None of the Seller, the Servicer, the Paying Agent, the Calculation Agent, the Swap Counterparty, the GIC Provider, the Insurance Company or the Lead Manager will be under any obligation whatsoever to provide additional funds to the Issuer (save in the limited circumstances described herein). See further 'Description of Security' below.

**Lead Manager**

**ABN AMRO**

**Structurer & Arranger**

**Fredell & Co. International S.A.**

## IMPORTANT INFORMATION

*The Issuer accepts responsibility for the information contained in this Offering Circular other than the information referred to in the following three paragraphs. 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 document is in accordance with the facts and does not omit anything likely to affect the import of such information. The Issuer accepts responsibility accordingly.*

ABN AMRO Bouwfonds Nederlandse Gemeenten N.V. accepts responsibility for the information contained in the following sections of this Offering Circular: 'The Dutch Residential Mortgage Market', 'ABN AMRO Bouwfonds Nederlandse Gemeenten N.V.' and 'Description of the Mortgage Loans.'

Stater Nederland B.V. accepts responsibility for the information contained in the section 'Stater Nederland B.V.' and 'Servicing Procedures'.

ABN AMRO Bank N.V. (the 'Lead Manager') herein accepts responsibility solely for the information contained in the section 'Subscription and Sale.'

This Offering Circular is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see 'General Information' below). This Offering Circular shall be read and construed on the basis that such documents are incorporated in and form part of this Offering Circular.

This Offering Circular does not constitute an offer to sell or a solicitation of an offer to buy Notes in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction. The distribution of this document and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular (or any part thereof) comes are required to inform themselves about and to observe any such restrictions. A fuller description of the restrictions of offers, sales and deliveries of the Notes and on the distribution of this Offering Circular is set out in the section 'Subscription and Sale' below. No one is authorised to give any information or to make any representation concerning the issue of the Notes other than those contained in this Offering Circular in accordance with the applicable laws and regulations. Neither the delivery of this Offering Circular at any time nor any sale made in connection with the offering of the Notes shall imply that the information contained herein is correct at any time subsequent to the date of this Offering Circular.

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

In connection with the issue of the Notes and in accordance with applicable law and regulations of the AEX Stock Exchange, ABN AMRO Bank N.V. may over-allot or effect transactions which stabilise or maintain the market price of the Notes at a level which might not otherwise prevail. Such stabilising, if commenced, may be discontinued at any time but will in any event be discontinued 30 days after the issue date of the Notes.

All references in this Offering Circular to 'Euro' and 'EUR' refer to the currency introduced on 1 January 1999, at the start of the third stage of the European Economic and Monetary Union pursuant to the Treaty establishing the European Communities, as amended by the Treaty on European Union (the 'Treaty') and all references to 'NLG' or 'Guilders' refer to a denomination of the currency of the Netherlands (which exists with the Euro as legal tender in the Netherlands from 1 January 1999 until 1 January 2002).

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## 1. SUMMARY

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

Issuer:	Castle I MBS B.V., incorporated under the laws of the Netherlands as a private company with limited liability ( <i>besloten vennootschap met beperkte aansprakelijkheid</i> ) and registered with the Trade Register of the Chamber of Commerce of Amsterdam under number 34138493. The issued shares in the capital of the Issuer are owned by the Shareholder.
Originators:	<ul style="list-style-type: none"><li>- Gemeenschappelijke Regeling Hypotheekfonds Noord – Brabantse Gemeenten ('HNG').</li><li>- HNG Hypotheken B.V., incorporated under the laws of the Netherlands as a private company with limited liability (<i>besloten vennootschap met beperkte aansprakelijkheid</i>).</li><li>- Bouwfonds Hypotheken B.V., incorporated under the laws of the Netherlands as a private company with limited liability (<i>besloten vennootschap met beperkte aansprakelijkheid</i>).</li></ul>
Seller:	Bouwfonds Hypotheken B.V., incorporated under the laws of the Netherlands as a private company with limited liability ( <i>besloten vennootschap met beperkte aansprakelijkheid</i> ).
Servicer:	Stater Nederland B.V., incorporated under the laws of the Netherlands as a private company with limited liability ( <i>besloten vennootschap met beperkte aansprakelijkheid</i> ).
Calculation Agent:	ABN AMRO Trust Company (Nederland) B.V., incorporated under the laws of the Netherlands as a private company with limited liability ( <i>besloten vennootschap met beperkte aansprakelijkheid</i> ).
Security Trustee:	Stichting Security Trustee Castle I MBS, established under the laws of the Netherlands as a foundation ( <i>stichting</i> ) and registered with the Trade Register of the Chamber of Commerce of Amsterdam under number 34138558.
Shareholder:	Stichting Castle I MBS, established under the laws of the Netherlands as a foundation ( <i>stichting</i> ) and registered with the Trade Register of the Chamber of Commerce of Amsterdam under number 34135203.
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 Trustees (Netherlands) B.V., the sole director of the Shareholder (all of which belong to the same group of companies).
GIC Provider:	ABN AMRO Bank N.V., incorporated under the laws of the Netherlands as a public company with limited liability ( <i>naamloze vennootschap</i> ) ('ABN AMRO').
Swap Counterparty:	ABN AMRO.
Paying Agent:	ABN AMRO.
Insurance Company:	Hooge Huys Levensverzekeringen N.V., incorporated under the laws of the Netherlands as a public company with limited liability.

Notes: The Senior Notes, the Mezzanine Notes and the Junior Notes will be issued by the Issuer on 9 August 2000, or such later date as may be agreed between the Issuer and the Lead Manager (the 'Closing Date').

Issue Price: The issue price of the Notes will be as follows:

- (i) the Senior Notes 100 per cent;
- (ii) the Mezzanine Notes 100 per cent;
- (iii) the Junior Notes 100 per cent;

Denomination: The Notes will be issued in denominations of Euro 500,000.

Interest: The Notes shall bear floating rates of interest per annum, payable quarterly in arrears on each Payment Date in Euro in respect of the Principal Amount Outstanding (as defined in the 'Conditions' below). 'Payment Date' means the 29th day of March, June, September and December (or, if such a day is not a day on which banks are open for general business in Amsterdam (including dealing in foreign exchange and foreign currency deposits), provided that such day is also a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System or any successor thereof is operating credit or transfer instructions in respect of payments in Euro (a 'Business Day'), the next succeeding Business Day unless such Business Day falls in the next succeeding calendar month in which event the immediately preceding Business Day) in each year. For the avoidance of doubt, the first interest period will commence on (and include) the Closing Date and end on (but exclude) 29 September 2000. The floating rate of interest on the Senior Notes will be equal to 3 months EURIBOR plus 0.26 per cent. per annum. The floating rate of interest on the Mezzanine Notes will be equal to 3 months EURIBOR plus 0.45 per cent. per annum. The floating rate of interest on the Junior Notes will be equal to 3 months EURIBOR plus 0.75 per cent. per annum. In respect of the first interest payment on all Notes, the EURIBOR rate will be the rate which represents the linear interpolation of EURIBOR between 1 month and 2 months EURIBOR. Upon the earlier of (i) the Mandatory Interest Reset Date (as defined hereinafter under 'Reset Mortgage Receivables'), (ii) the Clean Up Call Date (as defined hereinafter under 'Issuer Call Dates') and (iii) 29 December 2009 (as more fully set forth below under 'Issuer Call Dates'), the applicable floating rate of interest payable on the Notes will be increased. As of such Mandatory Interest Reset Date or Issuer Call Date, the new margin will be 0.52 per cent. per annum for the Senior Notes, 0.90 per cent. per annum for the Mezzanine Notes and 1.50 per cent. per annum for the Junior Notes (the "Step Up").

Payment of Principal to Noteholders: The amounts received in respect of (i) repayment of principal in connection with the Mortgage Loans, (ii) sales and repurchases of Mortgage Receivables, (iii) the sale and assignment of Savings Parts to the Insurance Company and (iv) prepayments of principal under the Mortgage Loans shall be passed through to the Noteholders. Until the Enhancement Trigger Date the amounts in respect of items (i), (ii) and (iii) will be used for redemption of the respective Class of Notes in accordance with the following proportions: 94,5% to the Senior Noteholders, 4% to the Mezzanine Noteholders and 1,5% to the Junior Noteholders (each a 'Proportion'). After the Enhancement Trigger Date, the respective items will be used for redemption on a sequential basis. Prepayment amounts as referred to under (iv) will – both prior and after the Enhancement Date -, be used for redemption on a sequential basis. Amounts equal to the

principal amount outstanding on any Defaulting Loans are paid out to the Note-holders resulting in enhanced redemption of the Notes, all as further set forth and defined in 'Credit Structure – Priority of Payments'.

**Average Life:**

The Issuer has estimated the average life of the Notes to be as follows:

- (i) the Senior Notes 4.05 years;
- (ii) the Mezzanine Notes 6.1 years;
- (iii) the Junior Notes 6.1 years.

The average life has been calculated as of the Cut Off Date based on the following assumptions:

- (a) the Mortgage Loans are subject to prepayments at an annualised constant rate equal to 8% per annum of the principal amounts outstanding of the Mortgage Loans;
- (b) no Mortgage Loan has been substituted or repurchased by the Seller with the exception of Reset Mortgage Receivables (as further set forth under 'Mortgage Receivables Purchase Agreement');
- (c) the Issuer exercises its best effort to sell each Reset Mortgage Receivables at the principal amount of the Reset Mortgage Receivable outstanding, plus accrued interest, if any (as further set forth under 'Mortgage Receivables Purchase Agreement');
- (d) the Issuer exercises its right to redeem the Notes on the first Issuer Call Date.
- (e) no Mortgage Loans are in default or arrears.

**Redemption for Tax Reasons:**

In the event of certain tax changes affecting the 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 Principal Amount Outstanding together with accrued interest thereon up to and including the date of redemption, subject to and in accordance with the Conditions. 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.

**Final Maturity Date for the Notes:**

Unless previously redeemed as provided below, the Issuer will redeem the Notes at their respective Principal Amount Outstanding on 29 December 2031.

**Method of Payment:**

For as long as the Notes are represented by a Global Note, payments of principal and interest will be made in Euro to a common depository for Euroclear and Clearstream, Luxembourg for the credit of the respective accounts of the Noteholders as more fully described in Condition 5.

**Use of Proceeds:**

The Issuer will use the net proceeds from the issue of the Notes to pay to the Seller the Initial Purchase Price (as defined in 'Mortgage Receivables Purchase Agreement' below) for the Mortgage Receivables (as described below), pursuant to the provisions of an agreement expected to be dated 7 August 2000 (the 'Mortgage Receivables Purchase Agreement') and made between the Seller, the Issuer and the Security Trustee. See further 'Mortgage Receivables Purchase Agreement' below.

Mortgage Receivables:	Under the Mortgage Receivables Purchase Agreement, the Issuer will on the Closing Date purchase and accept the transfer of any and all rights (the 'Mortgage Receivables') of the Seller against certain borrowers (the 'Borrowers') under or in connection with certain Mortgage Loans (as defined below). The term 'Mortgage Receivables' does not include parts of such receivables sold from time to time as Savings Parts (as defined in 'Savings Mortgage Loans' below) to the Insurance Company.
Repurchase of Receivables:	In the Mortgage Receivables Purchase Agreement the Seller has undertaken to repurchase and accept re-assignment of a Mortgage Receivable in case of a breach of the representations and warranties given in respect of such Mortgage Receivable. The Seller shall also purchase and accept re-assignment of a Mortgage Receivable in the same manner and on the same terms if at any time it agrees with a Borrower to amend the terms of the relevant Mortgage Loan and as a result thereof such Mortgage Loan or, as the case may be, Mortgage Receivable no longer meets certain criteria set forth in the Mortgage Receivables Purchase Agreement.
Mortgage Loans:	The Mortgage Receivables relate to loan agreements between the Seller and the relevant Borrowers, secured by a first- or first and sequentially lower ranking mortgage right over residential property situated in the Netherlands (the 'Mortgages'), which loans meet the criteria set forth in the Mortgage Receivables Purchase Agreement and which will be selected prior to or on the Closing Date (the 'Mortgage Loans'). The Mortgage Loans were originated by mortgage fund 'Gemeenschappelijke Regeling Hypotheekfonds Noord-Brabantse Gemeenten', the Seller and HNG Hypotheken B.V. (see further 'Bouwfonds Hypotheken B.V.'). The Mortgage Loans will consist of interest only mortgage ( <i>aflossingsvrije hypotheek</i> ), annuity mortgages loans ( <i>annuïteiten hypotheek</i> ) and savings mortgage loans ( <i>spaarhypotheek</i> ) or combinations thereof (see further 'Description of the Mortgage Loans' below).
Savings Mortgage Loans:	A portion of the Mortgage Loans will be in the form of savings mortgage loans ('spaarhypotheek', hereinafter 'Savings Mortgage Loans'), which consist of Mortgage Loans entered into by the relevant Originator and the relevant Borrowers combined with an insurance policy (a 'Savings Insurance Policy') with the Insurance Company. A Savings Insurance Policy is a combined life and capital insurance policy taken out by the relevant Borrower with the Insurance Company in connection with the relevant Savings Mortgage Loan. Under the Savings Mortgage Loan no principal is paid by the Borrower prior to maturity of the Mortgage Loan. Instead, the borrower/insured pays a premium on a monthly basis, which consists of a risk element and a savings element (the savings element to be referred to as the 'Savings Premium'). The Savings Premium is calculated in such a manner that, on an annuity basis, the proceeds of the Savings Insurance Policy due by the Insurance Company to the relevant Borrower is equal to the amount due by the Borrower to the Seller at maturity of the Savings Mortgage Loan. All rights of the Seller against the Borrowers in connection with any Savings Mortgage Loan purchased by the Issuer on the Closing Date are referred to as 'Savings Mortgage Receivables, but such term does not include parts of such receivables sold from time to time as Savings Parts (as defined in 'Transfer Agreement' below) to the Insurance Company.
Transfer Agreement	Pursuant to a transfer agreement expected to be dated 7 August 2000 (the 'Transfer Agreement'), entered into by the Seller, the Issuer and the Insurance Company, the Insurance Company will on a monthly basis purchase and accept from the Seller or, as the case may be, the Issuer the

transfer of a part of each relevant Savings Mortgage Receivable equal to the monthly Savings Premium paid by the Borrower plus the *pro rata* part of the monthly interest paid by the relevant Borrower (the 'Savings Parts'). In addition, the Transfer Agreement provides that, upon termination or expiration of any Savings Insurance Policy the Insurance Company may sell the corresponding Savings Parts to the Issuer against nominal value, provided that, essentially, either the purchase price can be set-off by the Issuer against the payment obligation of the Insurance Company under the Savings Insurance Policy or the purchase price is only due upon receipt by the Issuer of the proceeds of the Savings Insurance Policy. As a result of such transfers, the Insurance Company and the Seller or the Issuer, as the case may be, may co-own (*deelgenoot zijn*) the Mortgages securing the Savings Mortgage Loans to which both the Savings Parts and the Savings Mortgage Receivables relate (see further 'Bank Mortgages' and 'Savings Mortgage Loans' below). In the Transfer Agreement, contractual provisions will be included as to the management, administration (*beheer*) and disposal (*beschikking*) of such co-held rights (see further 'Special Considerations' below).

**Reset Mortgage Receivables:**

In a period beginning 90 days prior to each date on which the interest rate of a Mortgage Loan is to be reset (the 'Interest Rate Reset Date') and ending no later than 90 days after each Interest Rate Reset Date, the Issuer has undertaken to use its best efforts to sell and assign, or, as the case may be, procure the sale and assignment by the Seller of all but not some only of the Mortgage Receivables relating to the Mortgage Loans in respect of which the interest rate is to be reset or has been reset (the 'Reset Mortgage Receivables') to a third party, which may also be the Seller. Pursuant to the Mortgage Receivables Purchase Agreement the Issuer has the right to notify the Borrower of the transfer of the respective Reset Mortgage Receivable by the Seller to the Issuer prior to the sale and transfer to such third party.

The Reset Mortgage Receivables will be sold at a price equal to the sum of the then outstanding principal amount of such Reset Mortgage Receivables together with accrued interest due but not paid, if any. Mortgage Receivables under which amounts are due and payable but have remained unpaid up to an amount larger than one scheduled monthly payment or in respect of which an instruction has been given to the civil-law-notary to start foreclosure proceedings, may be sold for a purchase price equal to an amount which is the lesser of (a) the most recent available foreclosure value according to the Servicer's system, indexed by the regional index number published by the Land Register (*Kadaster*), or (b) the sum of the outstanding principal amount of such Mortgage Receivable together with accrued interest due but not paid, if any, and any other amounts due but not paid, if any. The Issuer shall have the right to obtain a third party verification of the Servicer's calculation of the indexed foreclosure value if the number of Reset Mortgage Receivables to be sold below their outstanding principal amount is more than 100.

If the Issuer is unable to sell and assign a Reset Mortgage Receivable to a third party prior to the Interest Reset Date, the Servicer shall offer, in the name of the Seller but for the account of the Issuer or, after notification of the assignment to the Borrower, in the name of the Issuer, a new interest rate to the Borrower in accordance with the applicable mortgage conditions. If the Borrower accepts such offer, the Mortgage Receivables will continue to be part of the pool of Mortgage Receivables and principal payments will continue to be passed through to the Noteholders. If the Borrower does not accept the offer, the Borrower will, in accordance with



the terms of the applicable mortgage conditions, be required to repay the outstanding principal amount of the Mortgage Receivable concerned. In the event the Issuer is unable to sell and assign one or more Reset Mortgage Receivables of which the relevant Borrower has accepted the new interest rate offered for the account of the Issuer within a period of 90 days following the relevant Interest Reset Date, the interest payable on the Notes will be increased as per the immediately succeeding Payment Date following the elapse of such 90 days period (such Payment Date the 'Mandatory Interest Reset Date').

**Issuer Call Dates:**

The Issuer may at its option (without any obligation to do so) redeem all (but not some only) of the Notes at their Principal Amount Outstanding together with accrued interest on the earlier of (i) the Payment Date on which the aggregate Principal Amount Outstanding of the Notes is less than or equal to 10% of the aggregate Principal Amount Outstanding of the Notes on the Closing Date (the 'Clean Up Call,' such Payment Date the 'Clean Up Call Date') or (ii) on 29 December 2009 and in the case of either (i) or (ii) quarterly thereafter (each such date an 'Issuer Call Date'). See further the Conditions below.

**Security for the Notes:**

In order to secure the obligations of the Seller vis-à-vis the Issuer under the Mortgage Receivables Purchase Agreement, the Seller will grant to the Issuer a silent right of pledge (*pandrecht*) on the Mortgage Receivables, pursuant to the Pledge Agreement. Under an agreement expected to be dated 7 August 2000, made between the Issuer and the Security Trustee (the 'Trust Deed'), the Security Trustee is appointed to act as Security Trustee on behalf of the Noteholders and is made joint and several creditor (*actief hoofdelijk schuldeiser*) of, *inter alia*, the Issuer's obligations under the Notes. The Notes will be indirectly secured by (1) a first ranking silent right of repledge (*recht van herverpanding*) by the Issuer to the Security Trustee over the Mortgage Receivables (including all rights ancillary thereto) and a first ranking disclosed right of pledge over the rights of the Seller as beneficiary under the Savings Insurance Policies and (2) a first ranking disclosed right of pledge (*pandrecht*) by the Issuer to the Security Trustee over the Issuer's rights under or in connection with the Mortgage Receivables Purchase Agreement, the Servicing Agreement, the Guaranteed Investment Contract, the Transfer Agreement and the Swap Agreement all as defined below and (3) a first ranking disclosed right of repledge (*recht van herverpanding*) by the Issuer to the Security Trustee over certain of the Seller's bank accounts (the 'Bank Account Pledge and Repledge Agreement'). The Security Trustee is also appointed to act as Security Trustee on behalf of the Seller, the Swap Counterparty, the Servicer, the Calculation Agent, the Directors and the Shareholder and is made joint and several creditor (*actief hoofdelijk schuldeiser*) of the Issuer's obligations under the respective agreements between the Issuer and such each such party (the Noteholders, the Servicer, the Calculation Agent, the Swap Counterparty, the Directors and the Shareholder are collectively referred to as the 'Secured Parties'). See for a more detailed description 'Description of Security' below.

**Servicing Agreement:**

Under an agreement expected to be dated 7 August 2000 (the 'Servicing Agreement'), made between the Issuer, the Servicer, the Calculation Agent and the Security Trustee (i) the Servicer will perform administration and management services in relation to the Mortgage Receivables on a day-to-day basis, including, without limitation, the collection of payments of interest, principal and all other amounts in respect of the Mortgage Receivables and the implementation of arrears procedures including the enforcement of mortgages as applicable (see further 'Servicing

Procedures' below) and (ii) the Calculation Agent will perform administration and management services for the Issuer on a day-to-day basis, including without limitation, all calculations to be made in connection with the Notes.

Swap Agreement:

Pursuant to an agreement expected to be dated 7 August 2000 (the 'Swap Agreement') between the Issuer and the Swap Counterparty, the Issuer will pay to the Swap Counterparty, *on a monthly basis*, an amount equal to the sum of A and B whereby: A is an amount equal to the interest on the Mortgage Receivables scheduled to be received in a relevant month (the 'Scheduled Interest'), *minus* an amount equal to 1.52 per cent. of the then outstanding principal amount on the Mortgage Receivables (the 'Fixed Margin'), and *minus* an amount equal to the positive difference, if any, of any shortfall between (a) the interest actually received in that relevant month (the 'Interest Received') and the Scheduled Interest relating to that month (the 'Interest in Arrears'), and (b) the Margin (the 'Excess Interest in Arrears'), and *minus* any fees and expenses to be paid to the counterparties under the Relevant Documents (which fees and expenses are calculated as estimated annual fees divided by 12), *plus* an amount equal to payments of interest received on the Mortgage Receivables in that relevant month but relating to a previous month (the 'Late Interest Payments') (excluding late payment penalties); and B means an amount equal to all amounts received relating to principal on the Mortgage Receivables except for amounts relating to prepayment penalties and arrears penalties, if any, but including proceeds from repurchases of Mortgage Receivables pursuant to the Mortgage Receivables Purchase Agreement, if any, sales of Reset Mortgage Receivables, if any and the Savings Parts Purchase Price. In return, the Swap Counterparty will pay to the Issuer *on a quarterly basis*, an amount equal to (i) the interest on the Principal Amount Outstanding on the Notes for the relevant Interest Period, payable to the Noteholders on the relevant Payment Date *minus* an amount equal to the Net Excess Interest in Arrears (as defined below) in the relevant Interest Period or, as the case may be, *plus* an amount equal to the Net Late Interest Payment (as defined below), and (ii) all amounts received from the Issuer as of the preceding Payment Date relating to principal. The Net Excess Interest in Arrears means the positive difference, if any, between the aggregate amount of Excess Interest in Arrears in the three months preceding the Payment Date and the aggregate amount of Late Interest Payments received in the three months preceding the Payment Date. The Net Late Interest Payments means the positive difference, if any, between the aggregate amount of Late Interest Payments received by the Swap Counterparty in the three months preceding the Payment Date and the aggregate amount of Excess Interest in Arrears in the three months preceding the Payment Date. (see further 'Credit Structure and Priority of Payments').

The Swap Agreement provides that if the long-term unguaranteed, unsecured and unsubordinated debt obligations of the Swap Counterparty (or its successor) or assignee cease to be rated at least as high as A-1 by S&P (or its successor) and F-1+ by Fitch or its successor and as a result of such downgrade the then current rating of either Class of Notes are or may in the reasonable opinion of the Issuer or the Security Trustee be downgraded or placed under review for possible downgrade, the Swap Counterparty is obliged to assist the Issuer in ensuring that within a certain period, the rating of the Notes is that which would have subsisted but for the then current rating in respect of the Swap Counterparty. All costs relating thereto shall be borne by the Swap Counterparty.

Management Agreements:	On the Closing Date, each of the Issuer, the Shareholder and the Security Trustee will enter into management agreements (together the 'Management Agreements') with the relevant Director, where under the relevant Director will undertake to act as director of the Issuer, the Shareholder or, as the case may be, the Security Trustee and to perform certain services in connection therewith.
Guaranteed Investment Contract:	The Issuer and the GIC Provider will enter into a floating rate guaranteed investment contract (the 'GIC') on the Closing Date, where under the GIC Provider will agree to pay a guaranteed rate of interest determined by reference to 3 month EURIBOR less a margin on the balance standing from time to time to the credit of the Transaction Account.
Transaction Account:	The Issuer shall maintain with the GIC Provider an account (the 'Transaction Account') to which all amounts of interest, prepayment penalties, arrears penalties, principal (prepayments and repayments) received under the Mortgage Receivables and proceeds of sales of Mortgage Receivables, will be transferred by the Servicer, in accordance with the Servicing Agreement.
Reserve Fund:	On each Payment Date, if and to the extent the Available Amount (as defined in 'Credit Structure and Priority of Payments below) exceeds the amounts required to meet items (a) up to and including (m) in the Priority of Payments Prior to Enforcement (see below), such excess amount will be used to establish and subsequently maintain a reserve fund by crediting such amount to the Transaction Account and recording the same in a ledger (the 'Reserve Fund Ledger'). On each Payment Date, the Issuer shall use the balance standing to the credit of the Reserve Fund Ledger (the 'Reserve Fund Balance') to meet its payment obligations under items (a) up to and including (m) in the Priority of Payments Prior to Enforcement in the event the Available Amount is not sufficient to meet such payment obligations on the relevant Payment Date (as defined in the Conditions). See further 'Credit Structure and Priority of Payments – Reserve Fund' below.
Listing:	Application has been made for the Senior and the Subordinated Notes to be listed on the AEX Stock Exchange.
Withholding Tax:	All payments made by the Issuer under the Notes will be made free of any withholding or deduction of, for or on account of any taxes of whatever nature imposed, levied, withheld or assessed by the Netherlands or any political subdivision or taxing authority thereof or therein. If payments of interest and principal on the Notes will be subject to any applicable withholding taxes, the Issuer will not be obliged to pay any additional amounts in respect thereof.
Rating:	It is a condition precedent to issuance that (i) the Senior Notes, on issue, be assigned a rating of 'AAA' by S&P and 'AAA' by Fitch, (ii) the Mezzanine Notes, on issue, be assigned a rating of AA by S&P and 'AA' by Fitch and (iii) the Junior Notes, on issue, be assigned a rating of 'A' by S&P and 'A' by Fitch.
Governing Law:	The Notes will be governed by and construed in accordance with the laws of the Netherlands.
Risk Weighting:	The Netherlands Central Bank ('De Nederlandsche Bank N.V.') has confirmed in a letter dated 25 July 2000 that for institutions regulated by it, the risk weighting applicable to the Senior Notes shall be 50 per cent. The risk weighting applicable to Junior and Mezzanine Notes shall be 100 per cent.

## 2. SPECIAL CONSIDERATIONS

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

### **Liabilities under the Notes**

The Notes will be solely the obligations of the Issuer. The Notes will not be obligations or responsibilities of or guaranteed by, any other entity or person, in whatever capacity acting, including, without limitation, the Seller, the Servicer, the Lead Manager, the GIC Provider, the Swap Counterparty, the Insurance Company, the Calculation Agent, the Paying Agent and – except for certain limited obligations under the Trust Deed towards the Noteholders as more fully described in ‘Description of Security’ – the Security Trustee. Furthermore, none of the Seller, the Security Trustee, the Servicer, the Lead Manager, the GIC Provider, the Swap Counterparty, the Calculation Agent, the Paying Agent, or any other person in whatever capacity acting will accept any liability whatsoever to Noteholders in respect of any failure by the Issuer to pay any amounts due under the Notes.

The ability of the Issuer to meet its obligations in full to pay principal of and interest on the Notes will be dependent on the receipt by it of the funds under the Mortgage Receivables, the proceeds of the sale of any Mortgage Receivables, the receipt by it of payments under the Swap Agreement and the receipt by it of interest in respect of balances standing to the credit of the Transaction Account.

### **Security**

In order to secure the obligations of the Seller vis-à-vis the Issuer under the Mortgage Receivables Purchase Agreement, the Seller will grant to the Issuer a right of pledge (*pandrecht*) on the Mortgage Receivables and on the rights of the Seller as beneficiary under the Insurance Policies, pursuant to the Pledge Agreement and as right of pledge over certain of the Seller’s bank accounts pursuant to the Bank Account Pledge and Repledge Agreement. The Issuer has certain liabilities and obligations vis-à-vis the Security Trustee under the Relevant Documents (as defined in the Conditions below), including obligations towards, *inter alia*, the Security Trustee as joint and several creditor (*hoofdelijk schuldeiser*) of the obligations of the Issuer towards the Secured Parties. In order to secure these obligations the Issuer will grant to the Security Trustee (a) a first ranking right of repledge (*recht van herverpanding*) on the Mortgage Receivables and on the rights of the Seller as beneficiary under the Insurance Policies, pursuant to the Repledge Agreement, (b) a first ranking right of pledge (*eerste pandrecht*) on all rights and claims of the Issuer under the Relevant Documents, pursuant to the Additional Pledge Agreement and (c) a first ranking right of repledge (*recht van herverpanding*) by the Issuer to the Security Trustee over certain of the Seller’s bank accounts pursuant to the Bank Account Pledge and Repledge Agreement. The Seller will give its consent to the creation of the right of repledge in the Bank Account Pledge and Repledge Agreement. Such rights of repledge rank in priority over the rights of pledge created pursuant to the Pledge Agreement and the Bank Account Pledge and Repledge Agreement, respectively. The Security Trustee may enforce its rights under the Security Documents (as defined in the Conditions) if the Issuer defaults under, *inter alia*, the Notes and receive the relevant amount due by the Issuer and pass it on to the Secured Parties in accordance with the priority of payments upon enforcement of the Security Documents (see ‘Priority of Payments upon Enforcement’).

### **Transfer of Legal Title to Mortgage Receivables**

The Mortgage Receivables Purchase Agreement will provide that the transfer of the Mortgage Receivables by the Seller to the Issuer will be notified to the Borrowers only if certain events occur. For a description of these notification events, please see ‘Mortgage Receivables Purchase Agreement.’ Under Dutch law, the transfer of a receivable is only perfected if the transfer has been notified to the debtor. Consequently, prior to notification, legal ownership to the Mortgage Receivables will remain with the Seller. Notification of the transfer to a Borrower after the Seller has been declared bankrupt (*failliet verklaard*) or granted a suspension of payments (*surséance van betaling*) will not be effective and, consequently, the legal ownership to the Mortgage Receivables will not pass to the Issuer.

However, in order to secure the obligation of the Seller to complete the transfer of legal title of the Mortgage Receivables to the Issuer, the Seller will grant to the Issuer a ‘silent’ (i.e. without notification being

required) right of pledge (*pandrecht*) over the Mortgage Receivables. The Issuer will grant to the Security Trustee a first preferred silent right of repledge (*recht van herverpanding*) over the Mortgage Receivables and a first preferred disclosed right of pledge (*eerste pandrecht*) on all rights and claims of the Issuer under the Relevant Documents, as more fully described in 'Description of Security.'

Notification of the silent rights of the pledge in favour of the Security Trustee and the Issuer can be validly made after bankruptcy or suspension of payments has been declared in respect of the Seller. Under Dutch law, the Issuer and the Security Trustee can, in the event of bankruptcy or suspension of payments in respect of the Seller, exercise the rights afforded by law to pledgees as if there were no bankruptcy or suspension of payments. However, bankruptcy or suspension of payments involving the Seller would affect the position of the Security Trustee and the Issuer as pledgees in some respects, the most important of which are: (i) payments made by Borrowers prior to notification but after bankruptcy or suspension of payments involving the Seller having been declared, will be part of the estate, although the relevant pledgee has the right to receive such amounts by preference, (ii) a mandatory 'cool-off' period of up to two months may apply in case of bankruptcy or suspension of payments involving the Seller, which cool-off period, if applicable, would delay the exercise of the right of pledge on the Mortgage Receivables and (iii) the relevant pledgee may be obliged to enforce its right of pledge within a reasonable period as determined by the judge-commissioner (*rechter-commissaris*) appointed by the court in case of bankruptcy of the Seller.

### **Set-off**

Under Dutch law, each of the Borrowers will, subject to the statutory requirements for set-off (*verrekening*) being met, be entitled to set off amounts due by the Seller and/or the Originators to it (if any) with the Mortgage Receivables. After transfer and/or pledge of the Mortgage Receivables to the Issuer and notification thereof to the Borrowers, the Borrowers will also have such set-off rights vis-à-vis the Issuer, provided that the statutory 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 originated and become due prior to the transfer of the Mortgage Receivable and notification thereof to the relevant Borrower. It should be noted that the Seller is only involved in originating mortgage loans and does not accept any deposits; therefore, no Borrower should have a counterclaim against the Seller because of any deposits made.

The mortgage conditions provide that payments by the Borrowers should be made without set-off. Under Dutch law, it is uncertain whether such waiver by the Borrower will be valid and enforceable. Should such waiver be invalid, the Borrower would have the right of set-off subject to what is stated in the previous paragraph.

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 be obliged to 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.

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

### **Bank Mortgages**

Some Mortgage Receivables transferred to the Issuer, but no Mortgage Receivables other than those originated by the Seller, will be secured by Mortgages which do or could be interpreted as not only securing the initial loan granted to the Borrower, but also other liabilities and monies that the Borrower, now or in the future, may owe to the Seller (the 'Bank Mortgages'). Under Dutch law, it is uncertain whether in the event of transfer or pledge of a Mortgage Receivable secured by a Bank Mortgage, the Bank Mortgage will follow such Mortgage Receivable. Based on case law, it is generally assumed by Dutch legal commentators 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.

The Seller undertakes in the Mortgage Receivables Purchase Agreement to partially terminate the relevant mortgage rights securing the Mortgage Receivables (and the Savings Parts) to the extent that the mortgage right secures debts other than the relevant Mortgage Receivables (and the Savings Parts) by giving notice of such partial termination to the relevant Borrowers at the same time that the Borrowers will be notified of the transfer (see 'Transfer of Legal Title to Mortgage Receivables'). As a consequence of such partial termination, the mortgage right would only secure the Mortgage Receivables transferred to the Issuer (and the Savings Parts) and would, in effect, cease to be a Bank Mortgage. Although there is no case law directly supporting this view, the Issuer has been advised that there are no reasons why the mortgage right will not follow the Mortgage Receivable (and the Savings Parts of which notification of transfer to the relevant Borrower has not yet taken place) upon its transfer if the Bank Mortgage character is removed through partial termination prior to transfer of legal title to the Mortgage Receivables to the Issuer.

The relevant statutory provisions only address termination in general, and legal commentators, although accepting the right of partial termination, do not specifically discuss partial termination of mortgage rights in the manner described above. It is therefore unclear whether such partial termination complies with the relevant statutory requirements. Based on a reasonable interpretation of the statutory provisions and the views expressed by legal commentators, there are strong reasons for arguing that the Seller can effectively terminate the mortgage rights as described above.

Under Dutch law, a mortgage right can be (partially) terminated by the mortgage holder, provided that upon creation of the mortgage right, the mortgage holder was granted such right. The Seller will represent and warrant that upon creation of the mortgage rights securing the Mortgage Receivables (and the Savings Parts) such power was granted in the mortgage conditions relating to the Mortgage Loans (see 'Mortgage Receivables Purchase Agreement'). The mortgage conditions relating to the Mortgage Loans include both a general termination right and a partial termination right.

Should the Seller be declared bankrupt or become subject to suspension of payments, its undertaking to give notice of partial termination is no longer enforceable and notice of partial termination received after such date by a Borrower will not be effective. In such a situation, the legal transfer of the relevant Mortgage Receivables can no longer be effected, although the Issuer and the Security Trustee will remain pledgees of such Mortgage Receivables (see further section 'Transfer of Legal Title to Mortgage Receivables'). The fact that notice can no longer be given means that it is likely, depending on the specific facts and circumstances involved, that the Issuer and the Security Trustee will not have the benefit of a mortgage right securing such Mortgage Receivables and, if a Borrower would fail to comply with its obligations under the Mortgage Loan, the Issuer or the Security Trustee (as the case may be) would not be in a position to foreclose the mortgage right as pledgee of the Mortgage Receivables. In that case, the assistance of the Seller's administrator (in case of suspension of payments) or bankruptcy trustee (in case of bankruptcy) would be required to effect such foreclosure which would, in whole or in part, be for the benefit of the pledgees. It is uncertain whether such assistance will be forthcoming.

A similar situation could arise if the Seller becomes subject to suspension of payment or is declared bankrupt after notice of partial termination is given and the courts would come to the conclusion, notwithstanding the arguments against such interpretation, that a Bank Mortgage cannot be converted by way of partial termination into a mortgage right which only secures the Mortgage Receivables or, following such conversion, does not follow the Mortgage Receivables upon their pledge or assignment. Consequently, the Issuer would not have the benefit of the mortgage right securing such Mortgage Receivables and would have to rely on the assistance of the Seller's administrator or bankruptcy trustee to foreclose the mortgage right. It is uncertain whether such assistance will be forthcoming.

### **Savings Mortgage Loans**

Part of the portfolio of Mortgage Loans sold and assigned to the Issuer will consist of Savings Mortgage Loans (*spaarhypotheken*), each between the Seller and the relevant Borrower, combined with a Savings Insurance Policy (*spaarpolis*). Under a Savings Mortgage Loan no principal is paid by the relevant Borrower prior to maturity of the relevant loan or part thereof, but the Insurance Company has agreed to pay

at maturity (or if earlier, at the death of the Borrower) an amount equal to the outstanding principal amount on the relevant Savings Mortgage Loan.

#### *Savings Parts*

On a monthly basis the Borrower pays the Insurance Company, *inter alia*, an amount as Savings Premium. The Savings Premiums are collected on the Seller Accounts. The Insurance Company has undertaken to purchase and accept each month from the Issuer, the assignment of a part of each Mortgage Receivable arising under a Savings Mortgage Loan (the 'Savings Part') equal to and against payment of an amount equal to the Savings Premium paid by the Borrower and the pro rata part of the interest paid by the relevant Borrower (the 'Savings Part Purchase Price'). The Savings Part Purchase Price will be received by the Issuer as part of the Scheduled Principal Amount (as defined in 'Credit Structure and Priority of Payments'). As a result, the receivables under the Savings Mortgage Loans shall partly be rights of the Issuer under such Savings Mortgage Loans (the Savings Mortgage Receivables) and partly be rights of the Insurance Company under such Savings Mortgage Loans (the Savings Parts). For the avoidance of doubt, the term 'Mortgage Receivables', 'Savings Mortgage Receivables' or 'Reset Mortgage Receivables' shall not include parts of these receivables sold from time to time as Savings Parts to the Insurance Company.

#### *Co-ownership of Mortgages*

The assignment to the Insurance Company will be notified to the Borrowers on a regular basis. Upon such assignment and notification to the Borrowers, the Insurance Company acquires a pro rata part of the mortgage right to the extent that it secures the relevant part of the Mortgage Receivable assigned to it as Savings Parts and thus the Insurance Company will co-own (*deelgenoot zijn van*) the Mortgage except probably in case of Bank Mortgages (see 'Bank Mortgages' above). Furthermore, in the case of Savings Mortgage Loans secured by Bank Mortgages, the partial termination of the respective mortgage rights may only relate to such part of the Savings Mortgage Loans that the Seller then holds and not to the Savings Parts transferred to the Insurance Company of which notification to the Borrowers has been given as further set out and subject to what is stated in 'Bank Mortgages' above.

The Netherlands Civil Code provides for various mandatory rules relating to such co-held rights. In the Transfer Agreement the Insurance Company, the Seller and the Issuer will agree that the Issuer will manage and administer (*beheren*) and dispose of (*beschikken over*) such co-held rights. Any proceeds from a foreclosure on a co-owned Mortgage will firstly be applied to the payment of foreclosure costs, secondly to the payment of the Issuer or the Seller, as the case may be, up to the amount of its interest in the co-owned Mortgage and, if any amount remains, thirdly, to the payment of the Insurance Company, up to the amount of its interest in the co-owned Mortgage. The Seller, the Issuer and the Insurance Company have agreed that none of them will request another division (*verdeling*) of their co-ownership rights with respect to any Mortgages. Such arrangement will probably not be applicable to enforcement of the Mortgages, and, consequently the consent of the Insurance Company's trustee (in case of bankruptcy) or administrator (in case of suspension of payments) may be required for such foreclosure.

As per each sale and transfer of a Savings Part to the Insurance Company, any and all pro rata amounts of interest paid by the Borrowers relating to a relevant month, are used to purchase an additional Savings Part in the next succeeding month. The Insurance Company will not be entitled to receive pro rata amounts of partial prepayments of principal and penalties paid by the Borrowers in connection with the Savings Mortgage Loans. These amounts will be fully transferred to the Transaction Account and passed through to the Noteholders as further set forth in 'Credit Structure and Priority of Payments'. Following such partial prepayments, the monthly Savings Premium relating to such Mortgage Loan will decrease.

Upon termination or expiration of the Savings Insurance Policy the Insurance Company may sell the corresponding Savings Parts to the Issuer against nominal value, provided that, essentially, either the purchase price can be set-off by the Issuer or the purchase price is only due upon receipt by the Issuer of the proceeds of the Savings Insurance Policy. If the purchase of Savings Parts from the Insurance Company is not consummated, the Seller and the Issuer have agreed with the Insurance Company that on the one hand the proceeds of the Savings Insurance Policy will first be applied in repayment of the Savings Parts owned by the Insurance Company, and on the other hand the proceeds of the Mortgage will first be applied in repayment of the Savings Mortgage Receivable owned by the Seller, or as the case may be, the Issuer.

## Savings Insurance Policies

All rights of the Borrower under the Savings Insurance Policies have been pledged to the Seller. It is uncertain whether such pledge will be effective, since the right to receive payment under the Savings Insurance Policies should probably be regarded as a future right. The pledge of a future right is not effective if the pledgor is declared bankrupt, and may also not be effective if the pledgor is granted a suspension of payments prior to the moment such right comes into existence. Consequently, it is equally uncertain whether the Issuer and the Security Trustee will have the benefit of such pledge upon notification of the transfer and the pledge respectively of the Mortgage Receivables.

### *Beneficiary rights*

In the respective mortgage deeds relating to Savings Mortgage Loans, the Seller has been granted a right of pledge on the right of the policy holder to appoint a beneficiary under the Savings Insurance Policy and to change the existing appointed beneficiary. In addition and in accordance with the mortgage deeds and the authorisation provided for therein, the Seller has appointed itself as beneficiary under each Savings Insurance Policy up to the amount owed by the relevant Borrower under the respective Savings Mortgage Loan, except that any other beneficiary appointed will rank ahead of the Seller, provided that in such event the Insurance Company is both instructed and authorised by such other beneficiary to apply the insurance proceeds in satisfaction of the Mortgage Receivable (*weduwerverklaring*). The Seller's rights as beneficiary and as payee will not "follow" the receivables under the Savings Mortgage Loans upon assignment or pledge thereof to the Issuer or the Security Trustee. The beneficiary rights and rights as payee of the Seller under the Insurance Policies will be separately pledged to the Issuer and repledged to the Security Trustee but it is uncertain whether this pledge and repledge will be effective.

In case the Issuer or the Security Trustee, as the case may be, will not become beneficiary under the Savings Insurance Policies pursuant to the assignment and (re-)pledge of the receivables under the Savings Mortgage Loans, or if the pledge on the beneficiary rights of the Seller is not effective, the Seller will in the Transfer Agreement waive its rights as beneficiary and appoint the Issuer as beneficiary under the Insurance Policies under the condition precedent (*opschortende voorwaarde*) that a Notification Event occurs. It is uncertain, however, whether such waiver and appointment will be effective as it is uncertain whether the authorisation contained in the mortgage deeds or the right of pledge constitute a valid basis for the Seller to appoint a third party as beneficiary. If and to the extent the Issuer will not have become beneficiary of the Savings Insurance Policies and the pledges and the waiver of the beneficiary rights are not effective, any proceeds under the Savings Insurance Policies will be payable to the Seller up to an amount owed by the relevant Borrower to the Seller under the Savings Mortgage Loan. If at the time of such payment legal title has not passed to the Issuer and the amount received by the Seller is not applied in satisfaction of the respective Mortgage Receivable, this could lead to the Borrower invoking defences against the Issuer or the Security Trustee, as the case may be, for the amounts so paid to the Seller.

### *Set-off or defences*

If the Insurance Company would default under the Savings Insurance Policies, Borrowers may try to limit the rights of the Seller, or as the case may be, the Issuer or the Security Trustee under the Mortgage Receivables through set-off or (other) defences to the effect that such Borrowers are not liable to pay any amounts to the extent the Seller, Issuer or Security Trustee would have received such amounts from the Insurance Company but for its default.

To the extent the waiver of the right of set-off by the Borrowers in the mortgage conditions is not effective, the Borrowers may invoke a right of set-off, provided that the statutory requirements have been met (see 'Set Off' above). One of the requirements is that the Borrowers should have a claim which corresponds to their debt to the same counterparty. Thus, the Borrowers would have to establish that the Seller and the Insurance Company should be deemed to be one legal entity. Furthermore, the Borrowers should have a counterclaim. It is unlikely that the Borrowers would be entitled to invoke a right of set-off in respect of the commutation payment (*afkoopsom*) after having terminated the Savings Insurance Policy in the event of bankruptcy of the Insurance Company, because the right to receive commutation payment has been pledged. It is, however, not clear whether a valid claim for restitution of Savings Premiums paid and/or supplementary damages (*aanvullende schadevergoeding*) instead of the claim to receive a commutation payment is subject to such right of pledge as well. If not, such right of pledge would not affect the right of set-off with such claim by the Borrowers. Another argument why Borrowers could invoke a right of set-off



could be that the Mortgage Loans and the Savings Insurance Policies are to be regarded as one inter-linked legal relationship (see 'Set-off' above).

However, even if the Borrower cannot invoke a right of set-off, other defences are thinkable, e.g. a Borrower could argue that it would be contrary to principles of reasonableness and fairness (*redelijkheid en billijkheid*) if the Borrower would be obliged to repay the Mortgage Receivables to the extent that he has failed to receive the proceeds under the Savings Insurance Policy.

#### **EU Tax Proposals**

- a. In June 1998, the European Commission presented to the Council of Ministers of the European Union ('EU') a proposal for a Council Directive to impose taxation of savings income in the form of interest payments within the Community. This Directive may also apply to payments under the Notes issued by The Issuer. These proposals may or may not be adopted.

The proposed Directive would require each EU Member State to adopt either a 'withholding tax system' or an 'information reporting system' in relation to payments of interest, defined to include income similar to interest. The withholding tax system, subject to certain exemptions, requires a 'paying agent' established in an EU Member State to withhold tax at a minimum rate of 20% from interest paid to a private individual who is resident (for tax purposes) in a different EU Member State and who is beneficially entitled to the interest. The information reporting system would require an EU Member State to provide to the tax authorities of another Member State certain information concerning private individuals who are beneficially entitled to interest paid by paying agents within its jurisdiction. A Member State would be free to choose which of these two systems to adopt.

- b. On June 19 and 20, 2000 the Council of Ministers agreed that an exchange of information, on wide a basis as possible, shall be the ultimate objective of the EU. During a transition period, which cannot exceed a period of seven years after the entry into force of the directive, Member States may operate a withholding tax. The purpose is -subject to a number of conditions and reservations- to achieve full agreement on the adoption of a directive no later than December 31, 2002.

#### **Risks Inherent To The Notes**

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

##### **i. Credit Risk**

The risk of loss of principal and interest on the Notes due to losses of principal and interest on the Mortgage Receivables. This risk is addressed and mitigated by the following measures:

- In the case of the Senior Notes, the Mezzanine Notes and the Junior Notes, losses of principal and/or interest (if any) of the underlying Mortgage Receivables will be mitigated by the Defaulting Loan Trigger, and the balance standing to the Transaction Account from time to time;
- In the case of the Senior Notes and the Mezzanine Notes, losses of principal and/or interest (if any) of the underlying Mortgage Receivables will be mitigated by the Defaulting Loan Trigger, the Junior Notes and the balance standing to the Transaction Account from time to time; and
- In the case of the Senior Notes, losses of principal and/or interest (if any) of the underlying Mortgage Receivables will be absorbed by the Defaulting Loan Trigger, the Mezzanine Notes, the Junior Notes and the balance standing to the Transaction Account from time to time.

See further 'Credit Structure and Priority of Payments'.

**ii. Liquidity Risk**

The risk that interest on the underlying Mortgage Receivables is not received on time, thus causing temporary liquidity problems to the Issuer. This risk is addressed and mitigated by the Reserve Fund.

**iii. Prepayment Risk**

The risk that prepayment by the Borrowers will result in an average life of the Notes which is shorter or longer than anticipated. The Average Lives (as set forth in the Summary) of the Notes are subject to factors largely outside the control of the Issuer and consequently, no assurance can be given that the estimates and assumptions will prove in any way to be realistic. The estimated average lives must therefore be viewed with considerable caution and the Noteholders should make their own assessment thereof.

**iv. Maturity Risk**

The risk that the Issuer will not have received sufficient principal on the Mortgage Receivables to fully redeem the Notes. The final maturity date for the Notes is 29 June 2031 (the 'Final Maturity Date'). On any Issuer Call Date, the Issuer may at its option redeem all Notes in full in accordance with Condition 6. If the Issuer does not exercise such option, on the first Issuer Call Date, the interest payable on the Senior Notes will be increased to 3 month EURIBOR plus 0.52 per cent. per annum, the interest rate of the Mezzanine Notes will be increased to 3 month EURIBOR plus 0.90 per cent. per annum and the interest rate on the Junior Notes will be increased to 3 month EURIBOR plus 1.50 per cent. per annum, to the extent that no Step Up has been made due to the Mandatory Interest Reset Date. No guarantee can be given that the Issuer will exercise its option to redeem the Notes prior to the Final Maturity Date.

**v. Interest Rate Risk**

The risk that the EURIBOR floating rate of interest payable on the Notes will be higher than the Weighted Average Coupon of the Mortgage Receivable portfolio (as defined in 'Description of the Mortgage Loans'). This risk will be mitigated by entering into a Swap Agreement with the Swap Counterparty.

### 3. OVERVIEW OF THE DUTCH RESIDENTIAL MORTGAGE MARKET

The Netherlands has the fourth largest mortgage market in Europe after Germany, the UK and France. As of 1999, approximately NLG 559 billion (Euro 254 billion) mortgage loans were outstanding. However, the level of home ownership in the Netherlands at 49 per cent. is low compared to an EU average of 60 per cent. Since the 1950s, the Dutch Government has actively promoted home ownership in the Netherlands by state guarantees and tax deductions on interest payments.

#### Housing Prices

Between 1975 and 1978, there was a steep increase in house prices in the Netherlands due to an increase in demand for housing. However, following this period, from 1978 to 1982, there was a sharp decrease in prices as the level of supply for new houses was greater than the demand. Since 1983, house prices in the Netherlands have increased steadily, and have, on average, increased by 12 per cent. per year over the last 10 years.

Table 1: Median House Prices in the Netherlands between 1985 and first quarter 2000.

Year	Median House Price
first quarter 2000 .. .. .	372.000
1999 .. .. .	347.000
1998 .. .. .	296.000
1997 .. .. .	271.000
1996 .. .. .	249.000
1995 .. .. .	223.000
1994 .. .. .	215.000
1993 .. .. .	198.000
1992 .. .. .	178.000
1991 .. .. .	164.000
1990 .. .. .	159.000
1989 .. .. .	155.000
1988 .. .. .	147.000
1987 .. .. .	141.000
1986 .. .. .	136.000
1985 .. .. .	130.000

Source: NVM Wonen

#### Mortgage Products

Residential mortgages in the Netherlands are provided by various financial institutions, including commercial banks, mortgage banks, insurance companies and other institutions. Lending is dominated by the commercial banks, which have approximately 50 per cent. of the market, with mortgage banks and building funds taking a 34 per cent. share.

These institutions offer a variety of products, many of which are designed to take advantage of favourable tax treatments. The most common amortisation types are annuity, linear, savings and life insurance mortgages. Recently, the savings and life insurance mortgages, which offer favourable tax treatment, have become more popular.

#### Historical Defaults

The risk of default and loss in the Netherlands has historically been relatively low, i.e. below 1 per cent. per annum. This was even so during the housing recession that occurred between 1978 and 1983 when interest rates were consistently above 10 per cent.

## **Housing Turnover**

Mortgage loans may be fully prepaid in case the borrower dies or the borrower sells the house/property. However, relocation activity is substantially lower in the Netherlands compared to other countries as a result of its small size. Most journeys within the Netherlands take less than two hours by car.

## **Prepayments**

There are several types of prepayment penalties and conditions that have an important effect on prepayment rates in the portfolio. *Prepayment* is defined as an unscheduled repayment of principal during a period where the interest rate is fixed. This should not be confused with a *repayment* of the loan at interest rate reset, which is a right of the Borrower and is not subject to penalties.

## **Right to Prepay**

A significant factor of influence on prepayments is the borrower's right to prepay. The borrowers have the right to prepay the entire loan without penalty if the house is sold or if the borrower dies. In addition, the borrower has the right to prepay up to 20 per cent. of the loan without penalty regardless of the circumstances. The exact calculation depends on the lender.

## **Taxation**

The only European states allowing full deduction of mortgage interest payments for income tax are the Netherlands, Denmark and Greece. Some changes to the Dutch tax regime are due to be introduced on 1 January 2001. This will result in a number of adjustments to the current system in relation to mortgages. The most important of these are:

- mortgage interest will only be deductible for the first home;
- mortgage interest will only be deductible where there is a direct relationship between the loan and the home (improvement);
- mortgage interest will be deductible for a maximum of 30 years from 2001.

The combination of an attractive fiscal regime, generally long periods of fixed interest rates and attractive repayment arrangements lead to advances of up to 130% of the foreclosure value. In the Netherlands the foreclosure value equals approximately 85% of the market value.

#### 4. ABN AMRO BOUWFONDS NEDERLANDSE GEMEENTEN N.V.

##### Profile

N.V. Bouwfonds Nederlandse Gemeenten ('Bouwfonds') was established in 1946 by the Dutch municipalities to promote home ownership, especially amongst the less well off. As a result of its social mission, Bouwfonds started operations by focusing on the development of cheap housing and the provision of home finance to low-income individuals. Over the years, however, Bouwfonds has turned its attention to the development of housing for middle income customers and commercial property. With time, the focus of mortgage operations has similarly shifted from the financing of new developments to existing dwellings and currently virtually all finance is granted to existing properties. In recent years, Bouwfonds also expanded into property management through two acquisitions. Today, Bouwfonds is a leading player in the financing, development and management of residential and commercial property in the Netherlands, a country where the government's obligation to provide housing is enshrined in its constitution.

Even though the scope of its activities has expanded since its inception, Bouwfonds continued to be fully owned by approximately 90% of all of the Dutch municipalities until year-end 1999. In August 1999, ABN AMRO launched an official bid of NLG 2,675 million for all the outstanding shares in Bouwfonds, which were submitted in January 2000. By issuing new cumulative preference shares, 49.99% of the voting rights in Bouwfonds are held by ABN AMRO, with the balance made up by municipalities and NV Bank Nederlandse Gemeenten (BNG). ABN AMRO has the rights on dividend on all ordinary shares and has a majority in the Supervisory Board. The ordinary shares held by the municipalities will be delivered to ABN AMRO in 3 phases. The transitional period expires at 4 January 2005, in which ABN AMRO will become the sole shareholder of Bouwfonds. As per 1 January 2000, Bouwfonds changed its name into ABN AMRO Bouwfonds Nederlandse Gemeenten N.V.

Bouwfonds is the holding company of a group of companies (the 'Group'). Group operations are carried out at two different levels. Funding activities are concentrated at the holding company level. Financing, development and property management services are furnished via operating subsidiaries, which are the three principal subsidiary companies.

1. Property finance activities are grouped under Bouwfonds Financieringen B.V. ('Bouwfonds Financieringen'). Bouwfonds Financieringen provides financing for residential and, to a more limited extent, commercial properties, as well as investment mortgages. With a balance sheet total of Euro 14,9 billion at the end of 1999, Bouwfonds Financieringen ranked as the fifth largest mortgage lender in the Netherlands after the 4 major universal banks. Bouwfonds Financieringen is also the largest non-bank provider of residential mortgages in the Netherlands with a market share of the residential mortgage market (including banks) of approximately 5% (including Bouwfonds Hypotheken B.V. and Stater B.V.).
2. Property development activities are grouped under Bouwfonds Vastgoed B.V. ('Bouwfonds Vastgoed'). Bouwfonds Vastgoed acts as a risk-bearing principal in projects which involve commercial and residential properties as well as shopping centres. Bouwfonds Vastgoed is involved in the organisation and monitoring of these deals, from the purchase of the land to the sale of the completed project. With a balance sheet total of Euro 568 million at year-end 1999 and 6,500 homes sold in 1999, Bouwfonds Vastgoed ranked as the largest developer of residential property for sale in the Netherlands with a domestic market share of more than 10% and it is also one of the leading developers of commercial real estate in the Netherlands.

By working closely with the Dutch municipalities for the past 53 years, Bouwfonds Vastgoed has acquired a unique knowledge of the development processes with local authorities in the Netherlands. Combined with its architectural and urban know-how and its several operational alliances with municipalities to develop specific regions, this long-standing relationship with local authorities gives Bouwfonds Vastgoed an important advantage over its competitors. Bouwfonds Vastgoed uses local construction companies and suppliers which, in turn, contribute to the growth of the local economy and tax base. The large market share that Bouwfonds Vastgoed enjoys in the wealthiest parts of the Netherlands also make Bouwfonds Vastgoed a natural partner for private and public sector clients alike. Whereas the joint venture with the ABN AMRO

Group's commercial development arm makes Bouwfonds one of the leading commercial property developers in the Netherlands.

Bouwfonds Vastgoed limits its investments to holdings of land and, in very few instances, commercial properties of strategic importance. These assets are conservatively valued. At least 60% of residential project is required to be pre-sold or pre-let prior to the commencements of a construction. A commercial development project needs to be pre-sold or at least 80% pre-let prior to commencement of construction. The construction of a commercial property will only be started if the cash flow from the pre-let space is sufficient to cover interest charges on that project. Moreover, Bouwfonds Vastgoed is not a construction company and is not involved in any aspect of the building process itself. All construction work is carried out through independent contractors and warranties protect Bouwfonds against the risk of building defects. Similarly, Bouwfonds Vastgoed does not aim to invest in private or commercial real estate.

3. Bouwfonds Vastgoedmanagement B.V., provides residential and commercial real estate management services to, primarily institutional investors.

The Group's activities are concentrated in the Netherlands. In the past few years, however, the Group has carefully started operations in the neighbouring markets of Germany, and to a lesser extent Belgium, through small green-field operations in the residential sector. These initiatives account for a very small percentage of the Group's total assets.

All Group funding is raised by the holding company's treasury department which then on-lends the funds obtained from the money and capital markets to the operating subsidiaries on the same terms and conditions. The Managing Board, via the Asset and Liability Management Committee, has defined conservative financial guidelines and limits to minimise the potential impact of adverse market movements on the group.

### **Capitalisation**

At year-end 1999, the authorised capital of Bouwfonds amounts to EUR 20.4 million and consists of 18 million ordinary shares, with a nominal value of EUR 1.13 each. Bouwfonds' paid up and called-up capital as at 31 December 1999 amounted to EUR 4.9 million. The premium account amounts to EUR 76.3 million. At year-end 1999, shareholder equity, including other reserves, of Bouwfonds amounted to EUR 672.1 million. Taking into account minority interests of EUR 14.7 million and subordinated debt of EUR 248.8 million, the Group capital at year-end 1999 amounted to EUR 935.6 million. Bouwfonds aims to have a BIS-ratio of 11% (The Dutch Central Bank requires Dutch Banks to maintain a minimum BIS-ratio of 8%). At year-end 1999, Bouwfonds had a BIS-ratio of 11.0%.

### **N.V. Trustinstelling Hoevelaken**

Most of Bouwfonds' mortgage business is funded centrally by Bouwfonds through N.V. Trustinstelling Ho-evelaken (the 'Trustee'). The Trustee acts as security agent on behalf of Bouwfonds' creditors and supervises and administers the collateral pledged to the creditors of Bouwfonds on the basis of a Trust Agreement dated 29 July 1998. Such collateral consists primarily of mortgage receivables owned by Bouwfonds Hypotheken B.V. and Bouwfonds' other mortgage subsidiaries. The Mortgage Receivables which are the subject of this securitisation have never been funded through the Trustee since they were originally originated externally (see under 'Bouwfonds Hypotheken B.V.' below).

### **Developments in 1999 and 2000**

In 1999, the net profit of Bouwfonds amounted to EUR 92 million, which is a 12% increase compared to 1998 and a 15% return of equity. Total Group income increased to EUR 1.8 billion and total assets increased to EUR 15.5 billion, mainly due to the growth of the mortgage-lending portfolio. During 1999, EUR 3.8 billion new residential and investment mortgages were granted and total production of new project loans amounted to EUR 703 million.

Baring unforeseen circumstances, the profit on ordinary activities before taxes is expected to increase in 2000 by more than 10%. In this forecast, growth of activities resulting from the take-over by ABN AMRO

have not been taken into account. As of the year 2000, Bouwfonds is no longer 100% owned by municipalities and therefore will no longer enjoy a fiscal advantage, quantifiable at EUR 12 million at year-end 1999.

Bouwfonds has started an investigation into the possibilities of obtaining a banking license. It is expected, barring unforeseen circumstances, that a banking license for the total or a part of the Group might be obtained in the near future.

The Supervisory Board and the Board of Directors comprises the following members as of 21 January 2000:

**Supervisory Board**

H. Wiegel, Chairman  
J.M. de Jong, Vice-Chairman  
Mrs. A. van den Berg  
P.P.J.J.M. van Besouw  
R.G.C. van den Brink  
J. Laan  
S.A. Lires Rial  
H.J. Rutgers

**Management Board**

C. Hakstege, Chairman  
B. Bleker  
J.G.I.M. Reijrink

More information on Bouwfonds can be found at <http://www.bouwfonds.nl/>.

## 5. BOUWFONDS HYPOTHEKEN B.V.

Bouwfonds Hypotheken B.V. ('Bouwfonds Hypotheken') is the fifth largest originator of residential mortgages in the Netherlands after the commercial banks: Rabobank, ABN AMRO, Postbank and ING-bank. Bouwfonds Hypotheken has a 5 per cent market share of all Dutch residential mortgage origination and operates solely in the Netherlands. It provides a large variety of loan products, including life insurance mortgages issued in co-operation with several insurance company partners. In addition to its own mortgage loans, Bouwfonds Hypotheken markets third party mortgages, thus offering a broad range of different loan products.

Given the prominent role independent mortgage consultants play in the Dutch residential mortgage market and the marginal costs of this channel of distribution, Bouwfonds Hypotheken has chosen to sell its products through mortgage brokers and in some instances through insurance companies. In the latter case, the insurance company sells mortgages with its life insurance products and Bouwfonds Hypotheken places the related endowment insurance products for its own mortgage products with the insurance company. Bouwfonds Hypotheken supports the distribution effort of the mortgage brokers it uses with electronic access to the computerised resources of STATER, which utilises a credit scoring system to review mortgage applications and to service mortgages in a fast and consistent manner.

Bouwfonds Hypotheken has acquired its present position mainly through organic growth. In December 1995 however, Bouwfonds Hypotheken signed an agreement which led to the acquisition of the portfolio of the regionally based mortgage fund 'Gemeenschappelijke Regeling Hypotheekfonds Noord-Brabantse Gemeenten' (HNG). At the time of acquisition a long-standing close relationship already existed between the parties which had led to a strong and secure market position for HNG in the South of the Netherlands.

As a result of this acquisition, Bouwfonds Hypotheken's mortgage portfolio increased by EUR 2.0 billion or 28 per cent. in 1996, whilst the coverage has expanded to the whole of the Netherlands. At the year-end 1999, the residential mortgage portfolio of Bouwfonds Hypotheken amounted to EUR 11.9 billion.

Bouwfonds Hypotheken and STATER are wholly owned indirect subsidiaries of ABN AMRO Bouwfonds Nederlandse Gemeenten N.V.

### **Mortgage Origination**

Bouwfonds acquired the HNG portfolio on 1 January 1996 and contributed this portfolio into HNG Hypotheken B.V., a wholly owned subsidiary of Bouwfonds Hypotheken. The acquired portfolio contained mortgages originated between 1969 and 1995. In December 1999 Bouwfonds Hypotheken obtained full legal title to the loans as a result of a merger between the two companies.

Bouwfonds Hypotheken has, almost from the inception of the HNG portfolio, used its staff to originate and service the portfolio on HNG's behalf. Having used a separate servicing data system until then, on 1 January 1999 the HNG portfolio was converted into STATER's data system.

The pool selected hereunder represents roughly 1/5 of the mortgages in the HNG portfolio.

### **Underwriting Criteria**

In 1993, before the legal acquisition of the portfolio, HNG implemented Bouwfonds Hypotheken underwriting criteria. Since then, Bouwfonds Hypotheken has continued to apply its own underwriting criteria to the portfolio.

Between 1970 and 1993 financing equal to 100% of the free sales value was allowed if the loan amortised in five years to a maximum 80% of the free sales value. The largest proportion of this portfolio concerned annuity loans with longer interest rate periods.

With the introduction in 1993 of the new acceptance and management system, the acceptance norms were brought in line with those of Bouwfonds. The starting point for the cover value then became the foreclosure value.



The criteria as per January 1993 were thus as follows:

- January 1993 – April 1993: Mortgages granted to a maximum 135% of the foreclosure value
- April 1993 – today: Mortgages granted to a maximum 125% of the foreclosure value

### **Mortgage Products**

While Bouwfonds originates a variety of mortgage products, the following products are represented in the pool of Mortgage Loans.

#### *Annuity Mortgage Loans*

The annuity styled loans feature a fixed payment due monthly over the lifetime of the loans, consisting of increasing principal payments and decreasing interest payments.

#### *Savings Mortgage Loans*

Savings loans are mortgages combined with a saving mortgage insurance policy. An insurance company repays the principal in a bullet at either maturity or, if earlier, the death of the Borrower. The Borrower only pays interest on the loans during the loan's lifetime. Each month the Borrower pays the Insurance Company an amount as 'savings' premium. The payments for a Savings Mortgage Loan are calculated similarly to the payments for a regular annuity style loan.

#### *Interest Only Mortgage Loans*

For interest only loans, the borrower pays interest on the current principal only and the principal amount is repaid in a bullet at maturity.

### **Prepayment Rights and Penalties**

The amount that a Borrower is allowed to pay without a penalty is dependent upon the date of origination.

- If the loan was originated before 27 July 1995 the Borrower is allowed to prepay 15 per cent. of his total loan balance. If there are several loan parts, the Borrower may choose which part to prepay first.
- If the loan was originated after 27 July 1995 the Borrower is also allowed to prepay 15 per cent. of the total loan. However, for these loans the Borrower is allowed to prepay up to 15 per cent. of each loan part.

There are three types of prepayment penalties for the loans in the portfolio:

- The penalty is 5 per cent. of the prepaid balance, after taking into account that 10 per cent. of the original balance is penalty free.
- The penalty is 5 per cent. of the prepaid balance, after taking into account that 15 per cent. of the original balance is penalty free.
- The penalty is the net present value of lost interest payments on the prepaid loan.

### **Late Payment Penalty**

The penalty for late payments is calculated from the first day of the delay in payment. The penalty interest is calculated on a monthly basis, i.e. a one day delay in payments will result in a penalty interest charge which is calculated as the Coupon Rate + 2% Step Up Penalty.

## 6. STATER NEDERLAND B.V.

### Profile

STATER B.V. ('STATER') is the leading independent, third party servicer of residential mortgages in the Netherlands. STATER focuses on streamlining the origination, servicing and funding process, in a completely automated and paperless electronic format. STATER has pioneered the use of technology through its E-Servicing concept for owners of residential mortgage loan portfolios and features unique capabilities to enhance, accelerate and facilitate the securitisation process.

STATER was established on 1 January 1997 with the intent to enable third parties to outsource and thus reduce the cost of originating, servicing and funding residential mortgage loan portfolios. The combination of cutting edge technology and more than 50 years of experience in originating and servicing residential mortgage loans in the Netherlands has led to a servicing market share of more than 30% in 2000. STATER services a total of EUR 25 billion and approximately 300,000 mortgage loans. STATER is a 100% subsidiary of Bouwfonds Financieringen.

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

STATER Nederland B.V. ('STATER Nederland'), a 100% subsidiary of STATER provides the servicing activities for Dutch clients.

In the securitisation process, STATER Nederland is able to identify specific loan pools based on underwriting criteria and provide rating agencies access to pool performance and information. Finally, STATER Nederland provides detailed investor reports regarding pool status on a consistent basis.

The STATER computer system is regularly updated and modified, taking into account clients' wishes for servicing a wide range of mortgage products.

STATER International B.V., a 100% subsidiary of STATER, provides servicing activities for international clients. STATER Deutschland GmbH Co. KG. was recently established to provide servicing for the German market.

STATER Mortgages Investment Services B.V. is a due diligence provider of mortgage portfolios, structures and arranges securitisations and performs private portfolio valuations, portfolio sourcing and portfolio sales activities. Other services are, amongst others, modelling (credit scoring, prepayment, collection and property valuation modelling) and advisory.

## 7. SERVICING PROCEDURES

Servicing at STATER Nederland is separated into three key activities, carried out by the following departments:

- **Deeds and Payments:** handling notary deeds and managing outgoing payments, including managing of deposits.
- **Loan management:** loan modifications and providing information to borrowers on their loans and savings policies.
- **Debtors management:** collections, arrears management, default management, foreclosures and handling remaining debts.

The high degree of system automation allows each employee to process and service multiple accounts. A workflow management system and a document imaging system support the servicing processes.

### **Deeds & Payments**

In the origination process of a mortgage loan, STATER Nederland handles administrative contact with borrowers and co-ordinates all intermediaries involved. After receiving the final acceptance of the loan offer, as well as the necessary loan and mortgage documents from the client, the mortgage will be vested and the loan will be funded. STATER Nederland handles the administrative contacts with the civil notaries. Automated funding of the loans, through the lenders' bank accounts is part of the STATER system.

### **Loan management**

Once a mortgage has been established and a loan is funded, STATER Nederland then begins servicing the loan, including the administrative handling of payments and loan management. Collections of monthly payments, handling prepayments, arrears and defaults are automated processes of the STATER computer system. Loan management includes providing information to customers, loan modifications, and handling of savings policies.

### **Debtors management**

The debtors management department handles all contact with the Borrower in terms of payments and arrears. All non-paper communication with the borrower and other parties involved is recorded in a file directly onto the servicing system while all paper correspondence is scanned onto the computer system.

### **Collections**

STATER Nederland is mandated by each lender to draw the monthly payments from the Borrower's bank account directly onto the respective lender's bank account. The servicing system automatically collects the payments on the day before the last business day of each month. Payment information is monitored daily by personnel in the debtors management department.

### **Arrears management**

At the end of a closed entry period, the system detects and keeps track of arrears. Reminder letters are automatically generated by the system and sent out to the Borrower. If the borrower misses a payment, a 'letter of arrears' is automatically sent during the 2nd to 3rd week in the month following the missing payment date. The arrears on the reminder letter are as up to date as possible, in other words as per the run date. A reminder letter is drawn up for each loan. The letter also includes a specification of the penalty interest charged. If the Borrower has not been placed on the 'active treatment list' (see below), each following month a new letter will be sent in which the tone and contents become more and more severe. The fourth and last reminder letter notifies the Borrower that measures for collection will be taken including the call of the loan if the arrears are not paid immediately, i.e. after roughly four months.

## **Default management**

Depending on the amount of arrears, a Borrower will be given an active treatment status. In the event the total amount of arrears after two missing payments is greater or equal to NLG 2,000 the Borrower will be placed on the active treatment list. A Borrower with three months of arrears receives active treatment if the total amount is greater or equal to NLG 1,000. And finally, every other Borrower with arrears of more than four months is placed on the list.

Once the account has been given active treatment status, the reminder letter procedure is terminated and replaced by monthly arrears statements. A credit check is carried out at BKR (*Bureau Krediet Registratie*), the Dutch Central Credit Bureau, the outcome of which indicates whether the Borrower is experiencing difficulties making other payments on consumer loans or other debt instruments. Once a Borrower has arrears for four consecutive months, BKR will be notified.

The debtors management department works, in consultation with the lender and in accordance with the Code of Conduct of Mortgage Loans (*Gedragscode Hypothecaire Financieringen*), in ascertaining whether a solution to the Borrower's payment problem can be reached. Detailed information is collected on the Borrower's current job status, actual income, and monthly expenditures. The Borrower is invited to make a proposal for repaying the arrears balance. The debtors management department, all in consultation with the lender, assesses the workout plan and a counter-proposal can be made. The Borrower can also choose to sell the property at this stage through a private sale. The lender may accept this if (1) revenues from the sale are expected to cover the outstanding debt in full, or (2) it is estimated that the costs of the foreclosure process will result in a lower recovery value than sale of the property by the borrower himself. If amounts are still outstanding after the sale of the property, these amounts still have to be repaid by the Borrower for which, if possible, a settlement agreement will be entered into. In the event a Borrower does not comply with an agreement or does not wish to co-operate on finding a solution to make up the arrears, other measures can be taken. These measures include the engagement of a bailiff, the appointment of an attorney to levy an attachment over the Borrower's salary as permitted by Dutch Law, and finally cancellation of the loan and foreclosure.

## **Foreclosure process**

An essential right of the mortgage lender is to publicly sell the mortgaged property if the Borrower fails to fulfil his obligations. Thus, the lender does not need to obtain an executorial title (*executoriale titel*) granting permission prior to the sale. Furthermore, if the proceeds from selling the mortgaged property do not fully cover the claims, the lender may sell any pledged associated life insurance or investment deposit. However, the Borrower has to be notified in writing that he is in default and he must also be given a reasonable time to comply with the claims.

In case of Borrower bankruptcy, the mortgage holder may foreclose on the mortgaged property as if there was no bankruptcy process. Nevertheless, the execution must take place within a reasonable time, otherwise the bankruptcy trustee may take over the execution measures. If this occurs, the lender is obliged to contribute to the bankruptcy costs.

The mortgage holder who wants to sell the mortgaged property is required to notify the parties directly involved, including the Borrower as well as the person owning the asset (in case these are not the same parties). Notification should include the amount and the expenses incurred to date, as well as the name of the civil notary responsible for the foreclosure sale.

The debtors management department calculates the best method of maximising the sale value of the mortgaged property. This could mean that the property is sold either in a private sale or by public auction. A private sale can, and often does, precede a public auction. When the decision is made to foreclose, the head of the debtors management department gives formal instruction to the civil notary. The date of the sale will be set by the civil notary within three weeks of this instruction and, usually, will be about six weeks after the decision to foreclose (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 execution are divided, depends on whether there is only one mortgage holder or several. If there is only one mortgage holder, the proceeds will be passed on to the

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mortgage holder after deducting the costs of the execution. If there is more than one mortgage holder, the division of the proceeds takes place according to the priority of the mortgages. Typically, the oldest mortgage has the highest priority.

The debtors management department at STATER has never taken more than six months to foreclose on a mortgaged property once the decision to foreclose has been made. Throughout the foreclosure process, the debtors management department works according to the instructions of the lender, guidelines set down by Dutch law, the Code of Conduct of Mortgage Loans, and the BKR. If amounts are still outstanding after the foreclosure process has been completed, the debtors department continues to manage the remaining receivables.

### **Servicing of the HNG Portfolio**

STATER Nederland has been servicing the HNG portfolio since 1 January 1997, initially through the HNG computer system. On 1 January 1999, the portfolio was converted into the Stater Hypotheken System (SHS). The servicing for HNG includes primarily the activities of the loan management department and the debtors management department as described above.

## 8. DESCRIPTION OF THE MORTGAGE LOANS

The Mortgage Receivables to be sold and transferred to the Issuer on the Closing Date represent any and all rights (whether actual or contingent) of the Seller against any Borrower under or in connection with any Mortgage Loans selected by an agreement between the Seller and the Issuer.

The Mortgage Loans are loans secured by a mortgage right, evidenced by notarial mortgage deeds (*notariële akten van hypotheekstelling*) entered into between the relevant Originator and the relevant Borrowers. The mortgage rights secure only the loan granted to the Borrower to acquire the mortgaged property or other specified obligations the Borrower may from time to time owe to the Originator.

The Mortgage Loans will be selected from a pool of mortgage loans in accordance with the criteria set forth in the Mortgage Receivables Purchase Agreement on the Closing Date. For a description of the representations and warranties given by the Seller, reference is made to the section 'Mortgage Receivables Purchase Agreement' below.

### Mortgage Loan Criteria

Each of the Mortgage Loans will meet, *inter alia*, the following criteria:

- (i) the Mortgage Loans are either:
  - (a) interest only mortgage loans (*aflossingsvrije hypotheken*);
  - (b) savings mortgage loans (*spaarhypotheken*);
  - (c) annuity mortgage loans (*annuïteitenhypotheken*);
  - (d) or a combination of the above;
- (ii) the Borrower is a resident of the Netherlands and not an employee of Bouwfonds or the Seller;
- (iii) the interest rate of each Mortgage Loan is fixed, subject to an interest rate reset from time to time; each Mortgage Loan has an interest rate reset date which falls between January 2002 and November 2027;
- (iv) at the time of origination the mortgaged property was not the subject of residential letting and was occupied by the Borrower;
- (v) each mortgage right securing a Mortgage Loan has been created after January 1972 and all Bank Mortgages have been created after 1 January 1996;
- (vi) interest payments are scheduled to be made monthly in arrears;
- (vii) the maximum principal amount of each mortgage right securing a Mortgage Loan did not, upon its origination, exceed 125% of the forced foreclosure value (*executiewaarde*) or of the construction value (*stichtingswaarde*) divided by 1.2 in case of newly built property, or 100% of the tax value (*WOZ waarde*) of the mortgaged property except for Mortgage Loans originated during January and April 1993, where the maximum was 135% of the forced foreclosure value or tax value on the mortgaged property or the construction price;
- (viii) no Mortgage Loan matures after 2029;
- (ix) the Mortgage Loans were not in arrears on 30 April 2000 (the 'Cut Off Date');
- (x) each Mortgage Loan has an original principal balance of not more than Euro 277,616;
- (xi) each Mortgage Loan is secured by a first or first and sequential lower ranking mortgage right in favour of the Seller; and
- (xii) the mortgaged property is located in the Netherlands.

The numerical information set out below relates to the pool as it stood on 30 April 2000. Therefore, the information set out below in relation to these loans may not necessarily correspond to that of the Mortgage Loans actually sold on the Closing Date.

**Table 1.1 General Characteristics**

Description	Value (NLG)
Balance on 1/5 2000 .. .. .	468.900,495,14
Number of Mortgage Loan Parts .. .. .	5,671
Number of Borrowers .. .. .	3,980
Original Balance .. .. .	530,180,362,58
Smallest Loan Balance .. .. .	304,55
Largest Loan Balance .. .. .	539,485,49
Average Loan Balance .. .. .	82,683,92
Shortest Maturity .. .. .	1-1-2002
Longest Maturity .. .. .	1-12-2029
Weighted Average Current Maturity .. .. .	19,98 years
Weighted Average Time to Reset .. .. .	8,75 years
Minimum Interest Rate .. .. .	4,90%
Maximum Interest Rate .. .. .	10,50%
Weighted Average Interest Rate .. .. .	7,27%
Weighted Average Loan to Appraised Market Value (@ origination) .. .. .	66,78%
Weighted Average Loan to Appraised Foreclosure Value (@ origination) .. .. .	77,29%
Weighted Average Loan to Indexed Market Value .. .. .	38,99%
Weighted Average Loan to Indexed Foreclosure Value .. .. .	45,10%
Weighted Average Seasoning .. .. .	75 months

**Table 1.2.1 Loan Size Distribution per Mortgage Loan Part**

Current Loan Size	(NLG)			Proportion of Total Balance
	Number of Loans	Percent of Total Number	Aggregate Current Balance	
0-49 .. .. .	1,919	33,84%	51.994.273	11,09%
50-99 .. .. .	1,949	34,37%	140.435.051	29,95%
100-149 .. .. .	1,059	18,67%	128.188.151	27,34%
150-199 .. .. .	468	8,25%	79.898.562	17,04%
200-249 .. .. .	168	2,96%	36.836.961	7,86%
250-299 .. .. .	77	1,36%	20.791.309	4,43%
300-349 .. .. .	21	0,37%	6.746.946	1,44%
350-399 .. .. .	7	0,12%	2.554.687	0,54%
400-449 .. .. .	1	0,02%	429.755	0,09%
450-499 .. .. .	1	0,02%	485.315	0,10%
> 500 .. .. .	1	0,02%	539.485	0,12%
<b>Total:</b> .. .. .	<b>5,671</b>	<b>100,00%</b>	<b>468.900.495</b>	<b>100,00%</b>

**Table 1.2.2 Aggregate Loan Size Distribution (per Borrower)**

Current Loan Size	(NLG)			Proportion of Total Balance
	Number of Loans	Percent of Total Number	Aggregate Current Balance	
0-49 .. .. .	704	17.69%	23,750,891	5.07%
50-99 .. .. .	1,239	31.13%	91,738,899	19.56%
100-149 .. .. .	911	22.89%	112,624,794	24.02%
150-199 .. .. .	578	14.52%	99,453,304	21.21%
200-249 .. .. .	326	8.19%	72,111,555	15.38%
250-299 .. .. .	121	3.04%	33,162,893	7.07%
300-349 .. .. .	52	1.31%	16,628,104	3.55%
350-399 .. .. .	31	0.78%	11,508,379	2.45%
400-449 .. .. .	13	0.33%	5,480,472	1.17%
450-499 .. .. .	4	0.10%	1,901,718	0.41%
> 500 .. .. .	1	0.03%	539,485	0.12%
<b>Total:</b> .. .. .	<b>3,980</b>	<b>100.00%</b>	<b>468,900,495</b>	<b>100.00%</b>

**Table 1.3 Gross Interest Rate Distribution**

Gross Interest Rates	(NLG)			Proportion of Total Balance
	Number of Loans	Percent of Total Number	Aggregate Current Balance	
4.75-5.00% .. .. .	20	0,35%	1.191.232	0,25%
5.01-5.25% .. .. .	81	1,43%	4.200.869	0,90%
5.26-5.50% .. .. .	289	5,10%	20.563.443	4,39%
5.51-5.75% .. .. .	90	1,59%	7.542.054	1,61%
5.76-6.00% .. .. .	278	4,90%	16.904.288	3,61%
6.01-6.25% .. .. .	260	4,58%	15.193.338	3,24%
6.26-6.50% .. .. .	343	6,05%	21.300.646	4,54%
6.51-6.75% .. .. .	586	10,33%	46.369.508	9,89%
6.76-7.00% .. .. .	698	12,31%	65.035.774	13,87%
7.01-7.25% .. .. .	380	6,70%	37.733.720	8,05%
7.26-7.50% .. .. .	606	10,69%	61.051.904	13,02%
7.51-7.75% .. .. .	326	5,75%	30.091.045	6,42%
7.76-8.00% .. .. .	493	8,69%	41.362.129	8,82%
8.01-8.25% .. .. .	285	5,03%	32.553.276	6,94%
8.26-8.50% .. .. .	265	4,67%	19.738.067	4,21%
8.51-8.75% .. .. .	192	3,39%	15.065.343	3,21%
8.76-9.00% .. .. .	156	2,75%	12.297.212	2,62%
9.01-9.25% .. .. .	167	2,94%	9.849.204	2,10%
9.26-9.50% .. .. .	96	1,69%	6.619.777	1,41%
9.51-9.75% .. .. .	21	0,37%	1.635.518	0,35%
9.76-10.00% .. .. .	26	0,46%	2.069.308	0,44%
10.01-10.25% .. .. .	11	0,19%	488.750	0,10%
10.26-10.50% .. .. .	2	0,04%	44.092	0,01%
<b>Total:</b> .. .. .	<b>5.671</b>	<b>100,00%</b>	<b>468.900.495</b>	<b>100,00%</b>



**Table 1.4 Remaining Maturity Distribution**

Remaining Maturity	Number of Loans	(NLG)		Proportion of Total Balance
		Percent of Total Number	Aggregate Current Balance	
2002 .. .. .	79	1,39%	2.126.585	0,45%
2003 .. .. .	74	1,30%	2.187.501	0,47%
2004 .. .. .	41	0,72%	1.194.680	0,25%
2005 .. .. .	60	1,06%	2.148.287	0,46%
2006 .. .. .	138	2,43%	4.148.403	0,88%
2007 .. .. .	258	4,55%	8.688.537	1,85%
2008 .. .. .	371	6,54%	13.491.369	2,88%
2009 .. .. .	168	2,96%	8.512.258	1,82%
2010 .. .. .	88	1,55%	5.328.035	1,14%
2011 .. .. .	69	1,22%	4.225.973	0,90%
2012 .. .. .	115	2,03%	8.094.787	1,73%
2013 .. .. .	187	3,30%	12.487.752	2,66%
2014 .. .. .	162	2,86%	14.067.222	3,00%
2015 .. .. .	179	3,16%	14.629.479	3,12%
2016 .. .. .	177	3,12%	14.790.499	3,15%
2017 .. .. .	207	3,65%	18.739.797	4,00%
2018 .. .. .	255	4,50%	22.208.608	4,74%
2019 .. .. .	272	4,80%	25.386.423	5,41%
2020 .. .. .	118	2,08%	10.549.415	2,25%
2021 .. .. .	182	3,21%	20.301.970	4,33%
2022 .. .. .	216	3,81%	22.666.800	4,83%
2023 .. .. .	583	10,28%	66.945.979	14,28%
2024 .. .. .	836	14,74%	101.154.261	21,57%
2025 .. .. .	242	4,27%	22.611.791	4,82%
2026 .. .. .	248	4,37%	23.456.548	5,00%
2027 .. .. .	138	2,43%	7.484.105	1,60%
2028 .. .. .	124	2,19%	6.102.814	1,30%
2029 .. .. .	84	1,48%	5.170.617	1,10%
<b>Total:.. .. .</b>	<b>5.671</b>	<b>100,00%</b>	<b>468.900.495</b>	<b>100,00%</b>

**Table 1.5 Origination Dates Distribution**

Origination Year	(NLG)			Proportion of Total Balance
	Number of Loans	Percent of Total Number	Aggregate Current Balance	
1972 .. .. .	16	0,28%	455.392	0,10%
1973 .. .. .	27	0,48%	1.009.515	0,22%
1974 .. .. .	16	0,28%	654.464	0,14%
1975 .. .. .	11	0,19%	504.954	0,11%
1976 .. .. .	16	0,28%	728.563	0,16%
1977 .. .. .	14	0,25%	666.612	0,14%
1978 .. .. .	19	0,34%	1.148.393	0,24%
1979 .. .. .	11	0,19%	1.159.661	0,25%
1980 .. .. .	3	0,05%	250.849	0,05%
1982 .. .. .	1	0,02%	95.520	0,02%
1983 .. .. .	10	0,18%	515.304	0,11%
1984 .. .. .	5	0,09%	153.155	0,03%
1985 .. .. .	6	0,11%	359.907	0,08%
1986 .. .. .	12	0,21%	1.111.356	0,24%
1987 .. .. .	12	0,21%	782.175	0,17%
1988 .. .. .	96	1,69%	8.207.504	1,75%
1989 .. .. .	512	9,03%	36.117.748	7,70%
1990 .. .. .	193	3,40%	13.889.571	2,96%
1991 .. .. .	181	3,19%	17.678.467	3,77%
1992 .. .. .	290	5,11%	25.278.071	5,39%
1993 .. .. .	873	15,39%	92.645.079	19,76%
1994 .. .. .	1.061	18,71%	116.531.696	24,85%
1995 .. .. .	345	6,08%	28.648.405	6,11%
1996 .. .. .	515	9,08%	38.265.110	8,16%
1997 .. .. .	555	9,79%	30.840.365	6,58%
1998 .. .. .	597	10,53%	28.723.253	6,13%
1999 .. .. .	261	4,60%	21.051.616	4,49%
2000 .. .. .	13	0,23%	1.427.792	0,30%
<b>Total:</b> .. .. .	<b>5.671</b>	<b>100,00%</b>	<b>468.900.495</b>	<b>100,00%</b>

**Table 1.6.1 Loan To Appraised Market Value at Origination Distribution**

Loan To Value	(NLG)			
	Number of Loans	Percent of Total Number	Aggregate Current Balance	Proportion of Total Balance
<0% .. .. .			0	
0-10% .. .. .	46	0,81%	700.969	0,15%
10.01-15% .. .. .	84	1,48%	2.339.010	0,50%
15.01-20% .. .. .	129	2,27%	4.928.355	1,05%
20.01-25% .. .. .	184	3,24%	8.627.112	1,84%
25.01-30% .. .. .	249	4,39%	12.090.645	2,58%
30.01-35% .. .. .	288	5,08%	16.049.584	3,42%
35.01-40% .. .. .	364	6,42%	21.360.143	4,56%
40.01-45% .. .. .	362	6,38%	24.379.967	5,20%
45.01-50% .. .. .	397	7,00%	27.457.828	5,86%
50.01-55% .. .. .	451	7,95%	33.654.192	7,18%
55.01-60% .. .. .	456	8,04%	37.048.505	7,90%
60.01-65% .. .. .	421	7,42%	34.864.458	7,44%
65.01-70% .. .. .	383	6,75%	35.332.587	7,54%
70.01-75% .. .. .	343	6,05%	33.698.237	7,19%
75.01-80% .. .. .	284	5,01%	26.208.422	5,59%
80.01-85% .. .. .	256	4,51%	25.098.981	5,35%
85.01-90% .. .. .	230	4,06%	27.048.920	5,77%
90.01-95% .. .. .	231	4,07%	29.016.310	6,19%
95.01-100% .. .. .	255	4,50%	34.018.529	7,25%
100.01-105% .. .. .	198	3,49%	27.948.806	5,96%
105.01-110% .. .. .	54	0,95%	6.645.519	1,42%
>110% .. .. .	6	0,11%	383.415	0,08%
<b>Total:</b> .. .. .	<b>5.671</b>	<b>100,00%</b>	<b>468.900.495</b>	<b>100,00%</b>

Table 1.6.2 Loan To Appraised Foreclosure at Origination Value Distribution

Loan To Value	(NLG)			
	Number of Loans	Percent of Total Number	Aggregate Current Balance	Proportion of Total Balance
<0% .. .. .			0	
0-10% .. .. .	29	0,51%	355.495	0,08%
10.01-15% .. .. .	68	1,20%	1.746.553	0,37%
15.01-20% .. .. .	82	1,45%	2.705.389	0,58%
20.01-25% .. .. .	133	2,35%	5.705.936	1,22%
25.01-30% .. .. .	176	3,10%	8.345.793	1,78%
30.01-35% .. .. .	207	3,65%	9.542.727	2,04%
35.01-40% .. .. .	260	4,58%	14.261.344	3,04%
40.01-45% .. .. .	297	5,24%	18.362.807	3,92%
45.01-50% .. .. .	312	5,50%	18.853.500	4,02%
50.01-55% .. .. .	330	5,82%	23.523.461	5,02%
55.01-60% .. .. .	344	6,07%	24.592.026	5,24%
60.01-65% .. .. .	415	7,32%	30.564.099	6,52%
65.01-70% .. .. .	389	6,86%	31.446.512	6,71%
70.01-75% .. .. .	414	7,30%	37.638.913	8,03%
75.01-80% .. .. .	280	4,94%	25.536.619	5,45%
80.01-85% .. .. .	308	5,43%	28.277.255	6,03%
85.01-90% .. .. .	281	4,96%	27.213.106	5,80%
90.01-95% .. .. .	219	3,86%	21.922.049	4,68%
95.01-100% .. .. .	228	4,02%	22.263.502	4,75%
100.01-105% .. .. .	189	3,33%	21.549.702	4,60%
105.01-110% .. .. .	212	3,74%	27.447.457	5,85%
>110% .. .. .	498	8,78%	67.046.250	14,30%
<b>Total:</b> .. .. .	<b>5.671</b>	<b>100,00%</b>	<b>468.900.495</b>	<b>100,00%</b>

**Table 1.6.3 Loan To Value Distribution Foreclosure Housing Index**

Loan To Value	(NLG)			
	Number of Loans	Percent of Total Number	Aggregate Current Balance	Proportion of Total Balance
0-10% .. .. .	227	4.00%	6,345,005	1.35%
10.01-15% .. .. .	368	6.49%	16,045,194	3.42%
15.01-20% .. .. .	478	8.43%	26,594,333	5.67%
20.01-25% .. .. .	490	8.64%	33,286,790	7.10%
25.01-30% .. .. .	526	9.28%	39,593,760	8.44%
30.01-35% .. .. .	494	8.71%	38,884,114	8.29%
35.01-40% .. .. .	508	8.96%	42,491,179	9.06%
40.01-45% .. .. .	411	7.25%	35,323,084	7.53%
45.01-50% .. .. .	373	6.58%	34,717,881	7.40%
50.01-55% .. .. .	362	6.38%	34,246,134	7.30%
55.01-60% .. .. .	383	6.75%	43,909,783	9.36%
60.01-65% .. .. .	348	6.14%	43,497,010	9.28%
65.01-70% .. .. .	260	4.58%	30,505,460	6.51%
70.01-75% .. .. .	149	2.63%	14,861,631	3.17%
75.01-80% .. .. .	98	1.73%	8,445,549	1.80%
80.01-85% .. .. .	105	1.85%	10,513,843	2.24%
85.01-90% .. .. .	37	0.65%	3,884,218	0.83%
90.01-95% .. .. .	28	0.49%	3,007,661	0.64%
95.01-100% .. .. .	14	0.25%	1,521,731	0.32%
100.01-105% .. .. .	4	0.07%	381,035	0.08%
105.01-110% .. .. .		0.00		0.00
>110% .. .. .	8	0.14%	845,100	0.18%
<b>Total:.. .. .</b>	<b>5,671</b>	<b>100.00%</b>	<b>468,900,495</b>	<b>100.00%</b>

\*Three loans for which a housing indices was not available are included with an index of "1".

**Table 1.6.4 Loan to Indexed Market**

Loan To Value	Number of Loans	(NLG)		Proportion of Total Balance
		Percent of Total Number	Aggregate Current Balance	
0-10% .. .. .	325	5.73%	10,403,094	2.22%
10.01-15% .. .. .	504	8.89%	24,386,655	5.20%
15.01-20% .. .. .	559	9.86%	34,931,491	7.45%
20.01-25% .. .. .	583	10.28%	43,956,915	9.37%
25.01-30% .. .. .	613	10.81%	46,834,630	9.99%
30.01-35% .. .. .	545	9.61%	46,472,607	9.91%
35.01-40% .. .. .	478	8.43%	41,106,396	8.77%
40.01-45% .. .. .	457	8.06%	41,568,729	8.87%
45.01-50% .. .. .	372	6.56%	40,185,965	8.57%
50.01-55% .. .. .	456	8.04%	55,543,692	11.85%
55.01-60% .. .. .	299	5.27%	36,281,134	7.74%
60.01-65% .. .. .	183	3.23%	17,265,223	3.68%
65.01-70% .. .. .	121	2.13%	11,003,124	2.35%
70.01-75% .. .. .	100	1.76%	10,887,651	2.32%
75.01-80% .. .. .	37	0.65%	3,619,407	0.77%
80.01-85% .. .. .	22	0.39%	2,284,144	0.49%
85.01-90% .. .. .	10	0.18%	1,390,714	0.30%
90.01-95% .. .. .				
95.01-100% .. .. .	7	0.12%	778,924	0.17%
100.01-105% .. .. .				
105.01-110% .. .. .				
>110% .. .. .				
<b>Total:</b> .. .. .	<b>5,671</b>	<b>100.00%</b>	<b>468,900,495</b>	<b>100%</b>

\*Three loans for which a housing indices was not available are included with an index of "1".

**Table 1.7 Debt to Income Ratio Distribution**

Debt to Income Ratio	Number of Loans	(NLG)		Proportion of Total Balance
		Percent of Total Number	Aggregate Current Balance	
<10% .. .. .	166	2,93%	8.543.311	1,82%
10-14.99% .. .. .	433	7,64%	24.198.012	5,16%
15-19.99% .. .. .	562	9,91%	44.546.793	9,50%
20-24.99% .. .. .	538	9,49%	52.165.839	11,13%
25-29.99% .. .. .	458	8,08%	46.649.455	9,95%
30-34.99% .. .. .	140	2,47%	17.362.877	3,70%
35-39.99% .. .. .	29	0,51%	2.698.295	0,58%
40-44.99% .. .. .	4	0,07%	188.078	0,04%
45-49.99% .. .. .			0	
50-54.99% .. .. .			0	
55-59.99% .. .. .			0	
>60% .. .. .	2	0,04%	88.812	0,02%
<b>Total: .. .. .</b>	<b>2.332</b>	<b>41,12%</b>	<b>196.441.471*</b>	<b>41,89%</b>

\*Income Data only available for approximately 40% of loans in the pool.

**Table 1.8 Location Distribution, Top 10**

Location	Number of Loans	(NLG)		Proportion of Total Balance
		Percent of Total Number	Aggregate Current Balance	
TILBURG .. .. .	546	9,63%	43.575.384	9,29%
EINDHOVEN .. .. .	517	9,12%	41.021.098	8,75%
ROSENDAAL .. .. .	242	4,27%	22.014.662	4,69%
BREDA .. .. .	159	2,80%	14.433.181	3,08%
VELDHOVEN .. .. .	153	2,70%	12.801.265	2,73%
'S-HERTOGENBOSCH .. .. .	140	2,47%	12.770.001	2,72%
VALKENSWAARD .. .. .	127	2,24%	12.178.880	2,60%
BERGEN OP ZOOM .. .. .	133	2,35%	11.707.662	2,50%
HELMOND .. .. .	145	2,56%	11.578.364	2,47%
ETTEN-LEUR .. .. .	124	2,19%	10.095.103	2,15%
<b>Total: .. .. .</b>	<b>2.286</b>	<b>40,31%</b>	<b>192.175.600</b>	<b>40,98%</b>

NOTE: The pool is composed of loans originated in the province of Noord Brabant.

**1.9 Principal at each Reset Year**

Reset Year	Number of Loans	Percent of Total Number	(NLG)	Proportion of Total Balance	Originated
			Aggregate Current Balance		
2002 .. .. .	191	3,37%	10.741.842	2,29%	14.626.678
2003 .. .. .	501	8,83%	46.090.868	9,83%	52.193.990
2004 .. .. .	852	15,02%	90.275.625	19,25%	99.169.758
2005 .. .. .	301	5,31%	23.389.538	4,99%	27.441.258
2006 .. .. .	532	9,38%	38.997.916	8,32%	43.954.444
2007 .. .. .	686	12,10%	42.749.936	9,12%	47.920.938
2008 .. .. .	866	15,27%	56.425.212	12,03%	64.504.236
2009 .. .. .	494	8,71%	44.657.919	9,52%	52.061.476
2010 .. .. .	71	1,25%	5.442.605	1,16%	6.743.674
2011 .. .. .	66	1,16%	5.498.634	1,17%	6.622.680
2012 .. .. .	116	2,05%	8.548.724	1,82%	10.794.975
2013 .. .. .	147	2,59%	11.046.526	2,36%	13.130.425
2014 .. .. .	90	1,59%	8.373.368	1,79%	9.887.920
2015 .. .. .	64	1,13%	4.743.245	1,01%	5.961.560
2016 .. .. .	75	1,32%	6.063.826	1,29%	7.438.370
2017 .. .. .	87	1,53%	7.437.613	1,59%	8.929.147
2018 .. .. .	94	1,66%	7.973.905	1,70%	9.711.170
2019 .. .. .	142	2,50%	13.038.801	2,78%	15.251.110
2020 .. .. .	29	0,51%	2.758.693	0,59%	3.191.344
2021 .. .. .	27	0,48%	2.595.662	0,55%	3.082.979
2022 .. .. .	31	0,55%	3.621.674	0,77%	4.023.597
2023 .. .. .	134	2,36%	17.517.611	3,74%	19.537.431
2024 .. .. .	56	0,99%	8.652.565	1,85%	9.525.204
2025 .. .. .	5	0,09%	446.805	0,10%	488.000
2026 .. .. .	12	0,21%	1.517.176	0,32%	1.648.000
2027 .. .. .	2	0,04%	294.204	0,06%	340.000
<b>Total: .. .. .</b>	<b>5.671</b>	<b>100,00%</b>	<b>468.900.495</b>	<b>100,00%</b>	<b>538.180.362</b>

**Table 1.10 Repayment Type**

Repayment Type	Number of Loans	Percent of Total Number	(NLG)	Proportion of Total Balance	Originated
			Aggregate Current Balance		
Annuity .. .. .	1.007	17,76%	54.721.306	11,67%	66.760.383
Interest only .. .. .	2.181	38,46%	148.543.191	31,68%	162.229.769
Savings .. .. .	2.483	43,78%	265.635.998	56,65%	309.190.210
<b>Total: .. .. .</b>	<b>5.671</b>	<b>100,00%</b>	<b>468.900.495</b>	<b>100,00%</b>	<b>538.180.362</b>



**Table 1.11 Interest Type**

<b>Interest Type</b>	<b>Number of Loans</b>	<b>Percent of Total Number</b>	<b>(NLG) Aggregate Current Balance</b>	<b>Proportion of Total Balance</b>	<b>Originated</b>
10 years .. .. .	3,846	67,82%	304.221.293	64,88%	340.268.259
15 years .. .. .	681	12,01%	66.064.686	14,09%	76.634.922
20 years .. .. .	53	0,93%	4.948.054	1,06%	5.852.985
30 years .. .. .	1.091	19,24%	93.666.463	19,98%	115.424.196
<b>Total: .. .. .</b>	<b>5.671</b>	<b>100,00%</b>	<b>468.900.496</b>		<b>538.180.362</b>

## 9. THE ISSUER

Castle I MBS B.V. (the 'Issuer') has been incorporated as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) under the laws of the Netherlands on 2 August 2000 under number B.V. 1121874. The registered office of the Issuer is in Amsterdam, the Netherlands.

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 risk amongst others by entering into derivative agreements, such as swaps and options, (e) if incidental to the foregoing, to take up loans, amongst others to repay the principal sum of the securities mentioned under (b), and to grant security rights and (f) to perform all activities which are incidental to or which may be conducive to any of the foregoing.

The Issuer has an authorised share capital of Euro 100,000, of which Euro 20,000 has been issued and is fully paid. All issued shares of the Issuer are held by Stichting Castle I MBS.

Stichting Castle I MBS is a foundation (*stichting*) incorporated under the laws of the Netherlands on 6 June 2000. The objects of Stichting Castle I MBS 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 Castle I MBS is ATC Trustees (Netherlands) 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 its obligations under the Relevant Documents.

The sole managing director of the Issuer is ATC Management B.V.

### Capitalisation

The following table shows the capitalisation of the Issuer as of 2 August as adjusted to give effect to the issue of the Notes.

#### Share Capital:

Authorised Share Capital	Euro 100,000
Issued Share Capital	Euro 20,000

#### Borrowings:

Senior Notes	Euro 189,000,000
Mezzanine Notes	Euro 8,000,000
Junior Notes	Euro 3,000,000

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## **Auditors' Report**

The following is the text of a report received by the Board of Managing Directors of the Issuer from Ernst & Young Accountants, the auditors to the Issuer:

To the Directors of  
Castle I MBS B.V.  
Amsterdam, 9 August 2000

Dear Sirs

Castle I MBS B.V. was incorporated on 2 August 2000 under number B.V. 1121874 with an issued share capital of Euro 20,000. The Company has not yet prepared any financial statements. Since its incorporation, the Company has not traded, no profits and losses have been made or incurred and it has not declared or paid any dividends nor made any distributions save for the activities related to its establishment and the securitisation transaction included in the Offering Circular dated 9 August 2000.

Yours faithfully,

Ernst & Young Accountants

Ernst & Young has given and has not withdrawn its written consent to the issue of this Offering Circular with its report included herein in the form and context in which it appears.

## 10. CREDIT STRUCTURE AND PRIORITY OF PAYMENTS

### Credit Structure

#### *Seller Accounts*

Payments by the Borrowers under the Mortgage Loans and the Savings Insurance Policies are due on the first business day of each month, interest being payable in arrears. Until notification of assignment of the Mortgage Receivables has been made, all payments made by the Borrowers under the Mortgage Loans will be paid into the collection accounts of the Seller, administered by the Servicer (the 'Seller Accounts'). All payments to be made under the Savings Insurance Policies to the Insurance Company are also made into the Seller Accounts. The Seller Accounts will also be used for the collections of monies paid in respect of mortgage loans other than the Mortgage Loans and insurance policies other than Savings Insurance Policies and in respect of other monies belonging to the Seller. Pursuant to the Transfer Agreement, the Insurance Company has instructed the Seller, by way of payment for the Savings Parts, to transfer to the Issuer into the Transaction Account the Savings Part Purchase Price .

The Servicer shall, on behalf of the Seller, transfer all amounts which should have been (or are expected to have been) received by the Seller in respect of the Mortgage Receivables and partial prepayments relating to Savings Mortgage Loans relating to the preceding month to the Transaction Account. Scheduled repayments of principal, the Savings Parts Purchase Price and scheduled interest payments (to the extent not applied as part of the Savings Parts Purchase Price) are transferred to the Transaction Account on the first business day of such month. All amounts received as penalties, net proceeds from foreclosures, and post foreclosure proceeds, and (partial) prepayments of principal in relation to the Mortgage Loans received in the month prior to the first business day of the relevant month, will be transferred to the Transaction Account on the 11th calendar day of that month, or, if such day is not a business day, on the next succeeding business day of which amounts will be deducted equal to the difference, if any, between the amount transferred on the first business day of that month as scheduled and the amount actually received relating to such payments due per the first of the relevant month. Unscheduled amounts received on or after the first business day of a month shall be transferred on the 11th day (or, if such day is not a business day, the next succeeding business day) of the next succeeding month. Each such transfer shall be made without the interest accrued on the Seller Accounts. For the avoidance of doubt, such amounts relating to penalties and (partial) prepayments to be transferred to the Transaction Account include prepayments and penalties in connection with the Savings Mortgage Loans.

#### *Transaction Account*

The Calculation Agent will identify all amounts paid into the Transaction Account by crediting such amounts to ledgers established for such purpose. Payments received from the Borrowers in respect of the Mortgage Receivables and from the Insurance Company as payment for the Savings Parts will be identified as principal or interest receipts and credited to a principal ledger (the 'Principal Ledger') or to an interest ledger (the 'Interest Ledger'), as applicable. For the avoidance of doubt, each Savings Part Purchase Price (thus both the Savings Premium component and the *pro rata* interest component) will be credited to the Principal Ledger. A further ledger will be maintained by the Calculation Agent on behalf of the Issuer to record amounts held in the Transaction Account in respect of the balance of the Reserve Fund (the 'Reserve Fund Ledger', as further set forth below). Also, several ledgers will be maintained to record shortfalls in interest and principal payments to the Noteholders (see 'Ledgers' below).

If at any time the short-term, unsecured, unsubordinated and unguaranteed debt obligations of the GIC Provider are assigned a rating of less than A-1+ by Standard & Poor's and/or F-1+ by Fitch, the Issuer will be required within 30 days to transfer the Transaction Account to an alternative bank with the required minimum rating.

#### *Definitions*

For the purposes of the sections below, the following definitions shall apply:

'Enhancement Trigger Date' means the Payment Date on which the Principal Amount Outstanding on the Notes is less than 9.9 per cent. of the Principal Amount Outstanding on the Notes on the Closing Date.

'Scheduled Principal Amount' means any and all amounts received by the Issuer in connection with the Mortgage Receivables to the extent relating to (a) repayments of principal; (b) post-foreclosure proceeds, if any, to the extent relating to principal; (c) repurchases of Mortgage Receivables pursuant to the Mortgage Receivables Purchase Agreement to the extent relating to principal (d) sales of Reset Mortgage Receivables, to the extent relating to principal (e) the Savings Part Purchase Prices; and (f) sales of Mortgage Receivables to the extent relating to principal.

'Senior Scheduled Principal Proportion' means 94.5 per cent of the Scheduled Principal Amount.

'Mezzanine Scheduled Principal Proportion' means 4 per cent. of the Scheduled Principal Amount.

'Junior Scheduled Principal Proportion' means 1.5 per cent. of the Scheduled Principal Amount.

'Net Proceeds' means any and all amounts received relating to (a) the proceeds of a foreclosure on a Mortgage Receivable, (b) the proceeds of foreclosure on any other collateral than the Mortgages 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, (but excluding amounts received from the Insurance Company as pledgee, beneficiary or payee as per instruction under the Savings Insurance Policies to the extent such amounts are to be repaid as Savings Parts Repurchase Price (as defined in the Conditions)), (d) the proceeds of any guarantees, and (e) the proceeds of foreclosure on any other assets of the relevant Borrower, after deduction of foreclosure costs (as defined in the Conditions) after deduction of the interest in arrears on that Mortgage Receivable.

'Realised Losses Amount' means an amount equal to (a) the difference between the total amounts outstanding in principal, interest, costs and expenses on all Mortgage Receivables on which the Servicer on behalf of the Issuer has foreclosed during the relevant Calculation Period and the Net Proceeds of such foreclosures and (b) with respect to any Mortgage Receivables sold during the Calculation Period, the positive difference, if any, between (i) the total amounts outstanding of principal, interest, costs and expenses on such Mortgage Receivables and (ii) the purchase price received by the Issuer for the Mortgage Receivables sold (see further the Conditions).

'Senior Realised Losses Proportion' means an amount equal to 94.5 per cent. of the Realised Losses Amount.

'Mezzanine Realised Losses Proportion' means an amount equal to 4 per cent. of the Realised Losses Amount.

'Junior Realised Losses Proportion' means an amount equal to 1.5 per cent. of the Realised Losses Amount.

'Unscheduled Principal Amount' means any and all amounts received by the Issuer in connection with (i) partial prepayments of principal in respect of Savings Mortgage Loans and a pro rata share of full prepayments thereof and (partial and full) prepayments of principal in respect of other Mortgage Loans and (ii) repurchases of Mortgage Receivables pursuant to the Mortgage Receivables Purchase Agreement, to the extent relating to principal.

'Senior Principal Amount' means A. prior to the Enhancement Trigger Date (i) the Unscheduled Principal Amount, *plus* (ii) the Senior Scheduled Principal Proportion *plus* (iii) the Senior Realised Losses Proportion; and B. as per the Enhancement Trigger Date: (i) the Unscheduled Principal Amount, (ii) the Scheduled Principal Amount *plus* (iii) the Realised Losses Amount until the Senior Notes have been fully redeemed.

'Mezzanine Principal Amount' means A. prior to the Enhancement Trigger Date (i) the Unscheduled Principal Amount after the Senior Notes have been fully redeemed, *plus* (ii) the Mezzanine Scheduled Principal Proportion *plus* (iii) the Mezzanine Realised Losses Proportion and B. as per the Enhancement Trigger Date but only if the Senior Notes have been fully redeemed; (i) the Unscheduled Principal Amount *plus* (ii) the Scheduled Principal Amount *plus* (iii) the Realised Losses Amount until the Mezzanine Notes have been fully redeemed.

'Junior Principal Amount' means A. prior to the Enhancement Trigger Date (i) the Unscheduled Principal Amount after the Mezzanine Notes have been fully redeemed, *plus* (ii) the Junior Scheduled Principal Proportion *plus* (iii) the Junior Realised Losses Proportion and B. as per the Enhancement Trigger Date and only after the Mezzanine Notes have been fully redeemed: (i) the Unscheduled Principal Amount, *plus* (ii) the Scheduled Principal Amount *plus* (iii) the Realised Losses Amount until the Junior Notes have been fully redeemed.

'Defaulting Loan Amount' means, with respect to an Interest Period, the lesser of (i) an amount equal to the balance standing to the debit of the Defaulting Loan Ledger and (ii) the amount of the Available Amount remaining after items (a) up to and including (j) of the Priority of Payments prior to Enforcement have been met.

'Senior Defaulting Loan Amount' means (i) prior to the Enhancement Trigger Date, 94.5 per cent. of the Defaulting Loan Amount, or (ii) as per the Enhancement Trigger Date, the Defaulting Loan Amount until the Senior Notes have been fully redeemed.

'Mezzanine Defaulting Loan Amount' means (i) prior to the Enhancement Trigger Date, 4 per cent. of the Defaulting Loan Amount, or (ii) as per the Enhancement Trigger Date, and only after the Senior Notes have been redeemed in full, the Defaulting Loan Amount.

'Junior Defaulting Loan Amount' means (i) prior to the Enhancement Trigger Date, 1.5 per cent. of the Defaulting Loan Amount, or (ii) as per the Enhancement Trigger Date, and only after the Mezzanine Notes have been redeemed in full, the Defaulting Loan Amount.

'Swap Interest Amount' means the amount received with respect to an Interest Period relating to interest from the Swap Counterparty under the Swap Agreement

'Fee Amount' means, with respect to an Interest Period, the amount equal to the fees and expenses payable to the counterparties under the Relevant Documents in such Interest Period;

'Margin' means, with respect to an Interest Period, an amount equal to 1.52 per cent. of the then outstanding principal amount of the Mortgage Receivables minus any Interests in Arrears which did not result in Net Excess Interest in Arrears as set forth in the Swap Agreement.

'Available Amount' means, in respect of an Interest Period the sum of (a) the Scheduled Principal Amount and (b) the Net Proceeds and (c) the Unscheduled Principal Amount, all received from the Swap Counterparty in the Payment Date immediately following such Interest Period and (d) the Swap Interest Amount and (e) the Reserve Fund Balance (as defined below) and (f) prepayment penalties and arrears penalties received by the Issuer in connection with the Mortgage Loans and (g) the Margin and (h) interest received on the Transaction Account and (i) the Fee Amount relating to such Interest Period.

#### **Priority of Payments Prior to Enforcement**

On each Payment Date, the Issuer shall apply the Available Amount in accordance with the priority of payments set forth below and in each case only if and to the extent that payments of a higher order of priority have been made in full. For the avoidance of doubt the term "due and payable" includes amounts due but unpaid on previous Payment Dates:

- (a) *first*, in or towards satisfaction of a servicing fee due and payable to the Servicer and the Calculation Agent under the Servicing Agreement;
- (b) *second*, in or towards satisfaction, of the fees or other remuneration due and payable to the Directors and the Shareholder under or 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;
- (c) *third*, in or towards satisfaction of sums due and payable to third parties under obligations incurred by the Issuer under or in connection with any of the Relevant Documents, including, in or towards satisfaction of sums due or provisions for any payment of the Issuer's liability, if any, to tax;

- (d) *fourth*, in or towards satisfaction of all amounts of interest due and payable on the Senior Notes;
- (e) *fifth*, in or towards satisfaction of the Senior Principal Amount due and payable on the Senior Notes;
- (f) *sixth*, in or towards satisfaction of all amounts of interest due and payable on the Mezzanine Notes;
- (g) *seventh*, in or towards satisfaction of the Mezzanine Principal Amount due and payable on the Mezzanine Notes;
- (h) *eighth*, in or towards satisfaction of all amounts of interest due and payable on the Junior Notes;
- (i) *ninth*, in or towards satisfaction of the Junior Principal Amount due and payable on the Junior Notes;
- (j) *tenth*, in or towards satisfaction of the Senior Defaulting Loan Amount, if any;
- (k) *eleventh*, in or towards satisfaction of the Mezzanine Defaulting Loan Amount, if any;
- (l) *twelfth*, in or towards satisfaction of the Junior Defaulting Loan Amount, if any;
- (m) *thirteenth*, in or towards satisfaction of any sum to replenish the Reserve Fund up to the amount of the Reserve Fund Required Amount or, as the case may be, the Original Reserve Fund Balance;
- (n) *fourteenth*, in or towards satisfaction of amounts due and payable to the Swap Counterparty under the Swap Agreement in connection with the termination of the Swap Agreement;
- (o) *fifteenth*, in or towards satisfaction of the Deferred Purchase Price Instalment to the Seller.

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

After the security constituted by or pursuant to the Repledge Agreement, the Additional Pledge Agreement and/or the Bank Account Pledges becomes enforceable, all monies received or recovered by the Security Trustee pursuant to the terms of the Repledge Agreement and/or the Additional Pledge Agreement and/or the Bank Account Pledges, whether received prior to or after such security becoming enforceable, including any interest accrued on an account held in the name of the Security Trustee (the 'Trustee Account'), shall be applied in the following order of ranking (and in each case only if and to the extent that payments or provisions of a higher priority have been made in full):

- (a) *first*, in or towards satisfaction of the fees and other sums then due and payable to the Security Trustee, the Directors and the Shareholder under or in connection with the Management Agreements and any costs, charges, liabilities and expenses then incurred by the Security Trustee under or in connection with any of the Relevant Documents;
- (b) *second*, in or towards satisfaction of the servicing fee due and payable to the Servicer and the Calculation Agent under the Servicing Agreement;
- (c) *third*, in or towards satisfaction, *pro rata*, according to the respective amounts thereof, of (i) all amounts of interest due or accrued or due unpaid in respect of the Senior Notes, (ii) amounts, if any, due but unpaid to the Swap Counterparty under the Swap Agreement, including amounts due in respect of the costs to be paid by the Issuer upon early termination of the Swap Agreement as determined in accordance with its terms but excluding any other costs to be paid by the Issuer on such early termination payable under sub-paragraph (h) below and (iii) all amounts of principal and any other amount due but unpaid in respect of the Senior Notes;
- (d) *fourth*, in or towards satisfaction of all amounts due or accrued due but unpaid in respect of interest on the Mezzanine Notes;
- (e) *fifth*, in or towards satisfaction of all amounts of principal and any other amount due but unpaid in respect of the Mezzanine Notes;

- (f) *sixth*, in or towards satisfaction of all amounts due or accrued due but unpaid in respect of interest on the Junior Notes;
- (g) *seventh*, in or towards satisfaction of all amounts of principal and any other amount due but unpaid in respect of the Junior Notes;
- (h) *eighth*, to the Swap Counterparty in or towards satisfaction of all amounts, if any, due but unpaid in connection with the termination of the Swap Agreement in respect of the Issuer's obligations in respect of the costs (other than any settlement amounts) to be paid by the Issuer upon an early termination of the Swap Agreement, as determined in accordance with its terms;
- (i) *ninth*, in or towards satisfaction of the Deferred Purchase Price to the Seller.

### **Triggers**

#### *(i) Defaulting Loan Trigger*

If and as long as in respect of any Mortgage Loans (i) an amount of principal and/or interest has remained unpaid for at least 180 calendar days or (ii) foreclosure proceedings have been commenced within the said period of 180 calendar days (such Mortgage Loan hereinafter a 'Defaulting Loan'), an amount equal to the principal amount outstanding under the Defaulting Loan will be debited to a ledger (the 'Defaulting Loan Ledger'). On each subsequent Payment Date, the Defaulting Loan Amount shall be used to redeem the Notes and such amount shall be subtracted from the Defaulting Loan Ledger.

In the event a Defaulting Loan reverts to being performing, the outstanding principal amount on the Defaulting Loan and any amounts received as interest under such Mortgage Loan by the Issuer shall be subtracted from the balance of the Defaulting Loan Ledger, until the debit balance of the Defaulting Loan Ledger is reduced to zero.

#### *(ii) Realised Losses Trigger*

If a Mortgage Receivable has been foreclosed upon, on the next succeeding Payment Date, (subject to the Priority of Payments Prior to Enforcement) any Realised Losses Amount shall be used for redemption of the Notes. The (remaining part of the) Available Amount if any, shall – subject to the Priority of Payments Prior to Enforcement – be paid out to the Seller as part of the Deferred Purchase Price.

#### *(iii) Enhancement Trigger*

As per the Enhancement Trigger Date the Scheduled Principal Amount and Realised Losses Amount will no longer be applied on a *pro rata* basis in accordance with the relevant Proportion, but will first be applied to the Senior Notes until the Senior Notes have been redeemed in full, thereafter to the Mezzanine Notes until the Mezzanine Notes have been redeemed in full and finally to the Junior Notes until the Junior Notes have been redeemed in full.

### **Shortfall Ledgers**

Five ledgers will be established, known as the 'Senior Principal Shortfall Ledger', the 'Mezzanine Interest Shortfall Ledger', the 'Mezzanine Principal Shortfall Ledger', the 'Junior Interest Shortfall Ledger' and the 'Junior Principal Shortfall Ledger'.

In the event that on any Calculation Date after items (a) up to and including (d) of the Priority of Payments Prior to Enforcement have been met, the remaining Available Amount is not sufficient for the Issuer to subsequently pay out in full one or more of any of the subsequent lower ranking items (e) up and until (j) to the respective Class or Classes of Noteholders, then such remaining Available Amount shall on the relevant Payment Date be applied to payment of the highest ranking item on a *pro rata* basis to the relevant Class of Noteholders. In the event of a shortfall in respect of one or more of the items (e) up to and including (j), the Issuer shall credit each corresponding ledger with an amount equal to such shortfall.

A shortfall in respect of any interest amount due to the Mezzanine Notes and/or the Junior Notes, shall not be treated as due on the relevant Payment Date for the purposes of Condition 4, but shall accrue interest



as long as it remains outstanding at the rate of interest applicable to the relevant Class of Notes for such period.

A shortfall in respect of any principal payments due to a Class of Notes shall not be treated as due on the relevant Payment Date for the purposes of Condition 6. Per Note of the relevant Class a *pro rata* share of such shortfall thereon shall be aggregated with the amount of, and treated for the purpose of these Conditions as if it were due, subject to the Conditions, on such Note on the next succeeding Payment Date.

### **Reserve Fund**

On each Payment Date, if and to the extent the Available Amount exceeds the amounts required to meet items (a) up to and including (m) in the Priority of Payments, such excess amount will be used to establish and subsequently maintain a reserve fund by crediting such amount to a ledger maintained in the Transaction Account (the 'Reserve Fund Ledger'). The balance standing to the credit of the Reserve Fund Ledger (the 'Reserve Fund Balance') shall be nil on the Closing Date, and shall be built up until the balance reaches 0.6% of the principal amount outstanding on the Mortgage Receivables on the Closing Date (the 'Original Reserve Fund Balance'). Thereafter, on any Calculation Date, the Reserve Fund Balance shall be equal to the lesser of (i) the Original Reserve Fund Balance, and (ii) the higher of (a) 2.25 per cent. of the principal amount outstanding on the Mortgage Receivables on the relevant Calculation Date and (b) NLG 1.8 million (the 'Reserve Fund Required Amount'). If and as long as the principal amount outstanding on Mortgage Loans of which any amounts have been due but unpaid for a period of at least 90 days, becomes and remains more than 2.5% of the then current principal amount outstanding on the Mortgage Receivables, then, after items (a) up to and including (m) in the Priority of Payment prior to Enforcement have been met, any remaining Available Amount will be applied to increase the Reserve Fund Balance to the Original Reserve Fund Balance. On each Payment Date, the Issuer shall use the Reserve Fund Balance as part of the Available Amount to meet its payment obligations under items (a) up to and including (m) in the Priority of Payments Prior to Enforcement.

### **Swap Structure**

The Issuer shall enter into a swap agreement (the 'Swap Agreement') with the Swap Counterparty. Pursuant to the Swap Agreement, the Issuer shall on a *monthly* basis, transfer the following amounts relating to (a) interest and (b) principal on the Mortgage Receivables from the Transaction Account to an account specified by the Swap Counterparty:

#### *(a) Interest*

with respect to a Monthly Calculation Period (as defined below) an amount (the "Swap Interest Amount") equal to:

the interest receivable on a Mortgage Receivable in accordance with the relevant Mortgage Conditions (the 'Scheduled Interest') *minus*

- a. any fees and expenses (calculated as estimated annual fees and expenses divided by 12) to be paid by the Issuer to the counterparties under the Relevant Documents; and *minus*
- b. the 'Fixed Margin'; and *minus*
- c. an amount equal to the 'Excess Interest in Arrears', being the positive difference, if any, between (i) the Interest in Arrears and the Fixed Margin. 'Interest in Arrears' means the amount by which the amount of Scheduled Interest actually received in such Monthly Calculation Period falls short of the Scheduled Interest; *plus*
- d. an amount equal to any interest received in such Monthly Calculation Period after the last day of the month in which such interest fell due in accordance with the relevant Mortgage Conditions (the 'Late Interest Payments');

#### *(b) Principal*

with respect to a Monthly Calculation Period:

an amount equal to the sum of (i) the Scheduled Principal Amount and (ii) the Net Proceeds and (iii) the Unscheduled Principal Amount.

A *Monthly Calculation Period* means in respect of unscheduled amounts the 1st day or, if such day is not a business day, the next succeeding business day of each month up to but excluding the 1st day or, if such day is not a business day, the next succeeding business day of the next month and with respect to scheduled amounts, the 2nd day or, if such day is not a business day, the next succeeding business day of each month up to but excluding the 2nd day, or if such day is not a business day, the next succeeding business day, of the next month.

The amounts received in a month that are not transferred to the Swap Counterparty under the Swap Agreement shall remain on the Transaction Account. These amounts are: (i) penalties paid by the Borrowers on the Mortgage Loans (i.e. relating to late payment of principal and interest on the Mortgage Loans and to prepayment of principal on the Mortgage Loans), if any, (ii) the Margin minus an amount equal to the (part of the) Interest in Arrears, if any, not exceeding the Margin (the 'Margin Amount') and (iii) any fees to be paid to the counterparties under the Relevant Documents.

In return and *on a quarterly basis* relating to an Interest Period, the Swap Counterparty shall, under the terms of the Swap Agreement, transfer to the Issuer on the Transaction Account:

(a) *Swap Interest Amount*

an amount equal to

- a. the interest on the Principal Amount Outstanding on the Notes for the relevant Interest Period, payable to the Noteholders of each Class on the relevant Payment Date;
- b. *minus* an amount equal to the Net Excess Interest in Arrears (if any); or
- c. *plus* the Net Late Interest Payments (if any).

The 'Net Excess Interest in Arrears' means: the positive difference between (i) the amount of the Excess Interest in Arrears relating to the Interest Period and (ii) the amount of the Late Interest Payments relating to the Interest Period.

The 'Net Late Interest Payments' means the positive difference between (i) the amount of the Late Interest Payments relating to the relevant Interest Period and (ii) the amount of Excess Interest in Arrears relating to the Interest Period.

(b) *Principal*

an amount equal to the sum of all amounts relating to (i) the Scheduled Principal Amount and (ii) the Net Proceeds and (iii) the Unscheduled Principal Amount transferred by the Issuer to the Swap Counterparty.

An Interest Period means the 29th day or, if such day is not a business day, the next succeeding business day up to and including the 28th day of the next quarter (or if such day is not a business day, the next succeeding business day).

## 11. MORTGAGE RECEIVABLES PURCHASE AGREEMENT

Under the Mortgage Receivables Purchase Agreement the Issuer will, on the Closing Date, purchase and accept from the Seller the transfer of the Mortgage Receivables. The transfer of the Mortgage Receivables will not be notified to the Borrowers, except in special events as further described hereunder ('Assignment Notification Events'). The Issuer will be entitled to all proceeds in respect of the Mortgage Receivables as of the Closing Date.

### Purchase Price

The purchase price of the Mortgage Receivables shall consist of an initial purchase price (the 'Initial Purchase Price'), which shall be payable on the Closing Date, and a deferred purchase price (the 'Deferred Purchase Price'). The Deferred Purchase Price, (i.e. the amount available for payment to the Seller after items (a) up to and including (n) in the Priority of Payments Prior to Enforcement above have been met or items (a) up to and including (i) in the Priority of Payments Upon Enforcement) shall, *inter alia*, be subject to availability of sufficient funds to pay the Notes on a quarterly basis (see 'Credit Structure and Priority of Payments' above).

### Representations and Warranties

The Seller has represented and warranted in relation to the Mortgage Loans and the Mortgage Receivables that, *inter alia*;

- (a) the Mortgage Receivables are validly existing;
- (b) the Seller has full right and ownership of the Mortgage Receivables, no restrictions on the sale and transfer of the Mortgage Receivables are in effect and the Mortgage Receivables are capable of being transferred;
- (c) the Mortgage Receivables are free and clear of any rights of pledge or other or similar rights (*beperkte rechten*), encumbrances and attachments (*beslagen*) and no option rights have been granted in favour of any third party with regard to the Mortgage Receivables;
- (d) each Mortgage Receivable is secured by a Mortgage (*hypothekrecht*) on a residential property in the Netherlands and is governed by Dutch law;
- (e) none of the Borrowers is an employee of the Seller or any of its related companies;
- (f) at the time of origination the mortgaged property was not subject to residential letting and was occupied by the Borrower;
- (g) each residential property except for newly built property originated by the relevant Originator was valued by an independent qualified surveyor or tax valuer in accordance with the standard criteria at the time;
- (h) each Mortgage Receivable and each Mortgage in respect thereof constitutes valid and binding obligations of the relevant Borrower enforceable in accordance with their respective terms;
- (i) all Mortgages granted to secure the Mortgage Receivables (i) are validly vested and 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 sequentially lower ranking priority, (iii) were created to secure a principal sum which at least equals the principal sum of the relevant Mortgage Loan when originated and (iv) the Seller has no claims on the relevant Borrower other than the relevant Mortgage Receivable and Savings Parts;
- (j) the particulars of each Mortgage Receivable are complete, true and accurate in all material respects;
- (k) each of the Mortgage Loans has been granted in accordance with applicable legal requirements and materially meet the standard underwriting criteria of the relevant Originator and procedures prevailing at that time;
- (l) payments in respect of the Mortgage Receivables are made in monthly instalments and by direct debit;
- (m) the Mortgage Loans have been fully disbursed;

- (n) the minimum principal amount outstanding under each of the Mortgage Receivables as of the Cut Off Date is NLG 300;
- (o) the maximum principal amount outstanding under each of the Mortgage Receivables as of the Cut Off Date is NLG 540,000;
- (p) as of the Cut Off Date, no amounts due under any of the Mortgage Receivables were unpaid;
- (q) the maximum principal amount of each mortgage right securing a Mortgage Loan did not, upon its origination and on the Closing Date, exceed 125 per cent. (125%) of the forced foreclosure value (*executiewaarde*) or of the construction value (*stichtingswaarde*) divided by 1.2 in case of newly built property, or 100% of the tax value (*WOZ waarde*) of the mortgaged property except for Mortgage Loans originated during January and April 1993, where the maximum was 135% of the forced foreclosure value or tax value on the mortgaged property or construction price;
- (r) upon creation of the Mortgages which qualify as Bank Mortgages, the Seller has been granted the right to partially terminate the mortgage right and in case of Savings Mortgage Loans, the right of pledge over the rights under the Savings Insurance Policies, and such Bank Mortgages all originate from after 31 December 1995;
- (s) the Mortgage Loans in the portfolio have all been originated at least 6 weeks before the Cut Off Date, and at least one payment in respect of such Mortgage Receivables has been made;
- (t) the maximum maturity of any Mortgage Loan in the portfolio is 31 December 2029;
- (u) the Mortgage Loans and the Mortgage Conditions comply in all respects with all laws of the Netherlands applicable thereto, including mortgage credit and consumer protection legislation;
- (v) the Mortgage Loans are denominated in NLG or Euro;
- (w) except for the Savings Mortgage Loans none of the Mortgage Loans has the benefit of an endowment policy;
- (x) none of the Mortgage Receivables not originated by the Seller is secured by a Bank Mortgage;
- (y) under each of the Savings Insurance Policies, the Seller is appointed as beneficiary except in the case that any other beneficiary appointed will rank ahead of the Seller, provided that in such event the Insurance Company is both instructed and authorised by such other beneficiary to apply the insurance proceeds in satisfaction of the Mortgage Receivable (*weduwenverklaring*).

### **Repurchase**

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

Subject to the Seller's option to substitute Mortgage Receivables on the conditions set forth below, the Servicer shall cause the Seller to repurchase and accept re-assignment of a Mortgage Receivable in the same manner and on the same terms as set out above as if there were a breach of the warranties set forth in the Mortgage Receivables Purchase Agreement, if at any time the Seller agrees with a Borrower to amend the terms of the relevant Mortgage Loan and as a result thereof such Mortgage Loan or, as the case may be, Mortgage Receivable no longer meets the criteria set forth in the Mortgage Receivables Purchase Agreement for a price equal to the lesser of (a) the most recent available foreclosure value according to the Servicer's System, indexed by the regional index number published by the Land Register (*Kadaster*), or (b) the sum of the outstanding principal amount of such Mortgage Receivable together with accrued interest due but not paid, if any, and any other amounts due but not paid, if any.

### **Substitution**

In addition, in the event that the Seller wishes to vary the terms of the Mortgage Conditions (as a result of which the Mortgage Loan no longer complies with the Mortgage Loan Criteria) without being able to

obtain the consents required by any of the Relevant Documents, it will be entitled to substitute the relevant Mortgage Receivables with other Mortgage Receivables, provided that:

- (a) the then current rating of the Notes is not adversely affected as a result of such substitution and the Rating Agencies have not indicated in writing that such substitution will affect the rating of the Notes;
- (b) the aggregate amount of substituted loans does not exceed 10% of the initial aggregate principal amount outstanding of the Mortgage Receivables;
- (c) the credit or legal structure relating to the Notes is not adversely affected as a result of such substitution;
- (d) the new Mortgage Receivable must have a principal amount outstanding not less than, and terms substantially similar to an interest rate not less than, and an amortisation profile substantially similar to the Mortgage Receivable for which it is being substituted;
- (e) the new Mortgage Receivable must have a LTV ratio not greater than the Mortgage Receivable for which it is being substituted, may not have a maturity which exceeds 7 December 2029 and will otherwise meet the Mortgage Loan Criteria;
- (f) the Seller will in respect of the new Mortgage Receivable give the same representations and warranties (as at the date of substitution) as were given for the Mortgage Receivable for which it is being substituted.

### **Reset Mortgage Receivables**

In a period beginning 90 days prior to each date on which the interest rate of a Mortgage Loan is to be reset (the 'Interest Rate Reset Date') and ending no later than 90 days after each Interest Rate Reset Date, the Issuer has undertaken to use its best efforts to sell and assign or as the case may be, procure the Seller to sell and assign all but not some only of the Mortgage Receivables relating to the Mortgage Loans in respect of which the interest rate is to be reset or has been reset (the 'Reset Mortgage Receivables') to a third party, which may also be the Seller. Pursuant to the Mortgage Receivables Purchase Agreement the Issuer has the right to notify the Borrower of the respective Reset Mortgage Receivables by the Seller to the Issuer prior to the sale and transfer to such third party. The Reset Mortgage Receivables will be sold at a price equal to the sum of the then outstanding principal amount of such Reset Mortgage Receivables together with accrued interest due but not paid, if any. Mortgage Receivables under which amounts are due and payable but have remained unpaid up to an amount larger than one scheduled monthly payment or in respect of which an instruction has been given to the civil-law-notary to start foreclosure proceedings, will be sold for a purchase price equal to an amount which is the lesser of (a) the most recent available foreclosure value according to the Servicer's system, indexed by the regional index number published by the Land Register (*Kadaster*), or (b) the sum of the outstanding principal amount of such Mortgage Receivable together with accrued interest due but not paid, if any, and any other amounts due but not paid, if any. The Issuer shall have the right to obtain a third party verification of the Servicer's calculation of the indexed foreclosure value if the number of Reset Mortgage Receivables to be sold below their outstanding principal amount is more than 100.

If the Issuer is unable to sell and assign a Reset Mortgage Receivable to a third party, the Servicer shall offer, in the name of the Seller but for the account of the Issuer or, after notification of the assignment to the Borrower, in the name of the Issuer, a new interest rate to the Borrower in accordance with the applicable mortgage conditions. If the Borrower accepts such offer, the Mortgage Receivables will continue to be part of the Pool of Mortgage Receivables (as defined in the Master Definitions Agreement) and principal payments will continue to be passed through to the Noteholders. If the Borrower does not accept the offer, the Borrower will, in accordance with the terms of the applicable mortgage conditions, be required to repay the outstanding principal amount of the Mortgage Loan concerned. In the event the Issuer is unable to sell one or more Reset Mortgage Receivables of which the relevant Borrower has accepted the new interest rate offered for the account of the Issuer prior to the relevant Interest Reset Date within a period of 90 days following the relevant Interest Reset Date, the interest payable on the Notes will be increased from the immediately succeeding Payment Date following the elapse of such 90 days period (such Payment Date a 'Mandatory Interest Reset Date'). The new margin will be 0.52 per cent. per annum for the Senior Notes, 0.90 per cent. per annum for the Mezzanine Notes and 1.50 per cent. per annum for the Junior Notes.

## Assignment Notification Events

If, *inter alia*:

- (i) the Seller fails to perform or comply with any of its obligations under the Mortgage Receivables Purchase Agreement or any of the Relevant Documents (as defined in the Master Definitions Agreement) to which it is a party and such failure, if capable of being remedied, is not remedied within [10] business days after notice thereof; or
- (ii) any representation, warranty or statement made or deemed to be made by the Seller in the Mortgage Receivables Purchase Agreement or under any of the Relevant Documents to which the Seller is a party or in any notice or other document, certificate or statement delivered by it pursuant thereto, proves to have been, and continues to be after the expiration of any applicable grace period, untrue or incorrect in any material respect; or
- (iii) ABN AMRO ceases to be rated at least as high as A-1+ by S&P or its successor and F-1 by Fitch or its successor;
- (iv) the Seller has taken any corporate action or any steps have been taken or legal proceedings have been instituted or threatened against it for its becoming subject to suspension of payments (*surséance van betaling*) or its bankruptcy (*faillissement*) or for the appointment of a receiver or a similar officer of it or of any or all of its assets or for its dissolution (*ontbinding*) and liquidation (*vereffening*) or legal demerger (*juridische splitsing*); or
- (v) at any time it becomes unlawful for the Seller to perform all or a material part of its obligations under the Relevant Documents;
- (vi) ABN AMRO no longer holds, directly or indirectly, a majority beneficiary or legal interest in the Seller;
- (vii) the Seller consolidates or merges with any other person or conveys or transfers its properties or assets substantially or as an entirety to one person as a result of which the rating of the Notes will be adversely affected;

the Seller shall forthwith notify the relevant Borrower and any other related party indicated by the Issuer or the Security Trustee of (i) the termination of any and all mortgage rights securing the Mortgage Receivables and the Savings Parts in as far as they secure other debts than the Mortgage Receivables and the Savings Parts assigned to the Issuer and the Insurance Company and (ii) the transfer of the Mortgage Receivables to the Issuer unless (i) such failure, if capable of being remedied is so remedied to the satisfaction of the Security Trustee and the Rating Agencies within the period of 10 days and (ii) unless the Security Trustee, after having requested and received from the Rating Agencies a confirmation that no downgrading of the Notes shall occur as a result of the giving of notice as described below, instructs otherwise. The Issuer shall, at its option, be entitled to effect such notification itself. With respect to Reset Mortgage Receivables to be transferred by the Issuer to a third party as set out above under 'Reset Mortgage Receivables', the Issuer has the right to notify the relevant Borrower of the transfer of the Respective Mortgage Receivable from the Seller to the Issuer prior to the sale and transfer of such Reset Mortgage Receivable to such third party.

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## **12. USE OF PROCEEDS**

The net proceeds of the issue of the 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 Notes will amount to Euro 200,000,000. The costs relating to the issue of the Notes amount to Euro 512,500 and shall be borne by the Seller (see further 'Subscription and Sale').

### 13. DESCRIPTION OF SECURITY

The Security Trustee will be joint and several creditor (*hoofdelijk schuldeiser*) of, *inter alia*, the obligations of the Issuer towards the Noteholders under the Notes pursuant to the Trust Deed, to be entered into by the Security Trustee and the Issuer. The Trust Deed is incorporated by reference into this Offering Circular and the Conditions, thereby bestowing upon the Noteholders the benefit of the provisions contained in the Trust Deed. The Security Trustee will also be joint and several creditor (*hoofdelijk schuldeiser*) of the obligations of the Issuer towards, (i) the Servicer and the Calculation Agent under the Servicing Agreement, (ii) the Swap Counterparty under the Swap Agreement, (iii) the Directors under the Management Agreements, (iv) the Shareholder and (v) the Seller under the Mortgage Receivables Purchase Agreement.

The Issuer's obligations towards the Secured Parties will be indirectly secured by (i) a first ranking right of repledge (*recht van herverpanding*) on the Mortgage Receivables and the beneficiary rights under the Savings Insurance Policies pursuant to the Repledge Agreement and (ii) a first ranking right of pledge (*eerste pandrecht*) on all rights and claims of the Issuer under the Relevant Documents pursuant to the Additional Pledge Agreement and (iii) a first ranking right of pledge (*eerste pandrecht*) over the credit balance of the Seller Accounts held by the Seller pursuant to the Bank Account Pledges (such right of repledge and rights of pledge to be collectively referred to as the 'Security').

#### *Pledge Agreement*

Pursuant to the Pledge Agreement, the Seller shall grant a first ranking right of pledge (*eerste pandrecht*) (the 'Right of Pledge') on the Mortgage Receivables and the beneficiary rights of the Seller under the Savings Insurance Policies to the Issuer, in order to secure the obligations of the Seller vis-à-vis the Issuer. After notifying the Borrowers of the transfer of the Mortgage Receivables (which will only be made upon the occurrence of certain Assignment Notification Events, see section 'Mortgage Receivables Purchase Agreement'), legal title to the Mortgage Receivables will pass to the Issuer. The Pledge Agreement will secure all liabilities of the Seller under the Mortgage Receivables Purchase Agreement, including the obligation to pay the Issuer a penalty (equal to the aggregate principal amount outstanding under the Mortgage Receivables concerned, together with interest thereon) if, for whatever reason, the transfer of legal ownership of the Mortgage Receivables to the Issuer is not completed. The penalty is drafted in such a way that any detrimental effects resulting from the failure to transfer legal ownership of the Mortgage Receivables to the Issuer will be eliminated, to the extent possible.

#### *Repledge Agreement*

The Issuer will have liabilities and obligations vis-à-vis the Security Trustee under the Relevant Documents, including obligations towards the Security Trustee as joint and several creditor (*hoofdelijk schuldeiser*) of the obligations of the Issuer towards the Secured Parties. In order to secure these obligations, the Issuer shall grant a security interest by way of repledging (*herverpanden*) the Mortgage Receivables and the beneficiary rights of the Seller under the Savings Insurance Policies pursuant to the Repledge Agreement (the 'Right of Repledge'). The Seller will consent to the creation of the Right of Repledge in the Pledge Agreement. It is generally assumed by Dutch legal authors that the consent of the original pledgor (i.e., the Seller, see the above mentioned 'Pledge Agreement') to the original pledgee (i.e., the Issuer) to repledge the asset secured by the original first ranking pledge (i.e., the Right of Pledge) serves to convey the ranking and priority of the Right of Pledge to the Right of Repledge, thus ensuring that the Right of Repledge has first priority and ranks in priority over the right of pledge created pursuant to the Pledge Agreement. The Issuer has been advised accordingly. The pledge created pursuant to the Pledge Agreement and the Repledge Agreement will not be notified to the Borrowers, except in case of certain notification events (as stated in the Pledge Agreement and the Repledge Agreement which are similar to the Assignment Notification Events). Prior to notification of the pledge on the Mortgage Receivables to the Borrowers, the pledge on the Mortgage Receivables will be a silent right of pledge (*stil pandrecht*) as meant in section 3:239 of the Dutch Civil Code. The pledge on the beneficiary rights of the Seller will be a disclosed right of pledge.

#### *Additional Pledge Agreement*

In order to further secure the obligations of the Issuer vis-à-vis the Security Trustee under the Relevant Documents (including obligations towards the Security Trustee as joint and several creditor of the obligations of the Issuer towards the Secured Parties), the Issuer will grant to the Security Trustee a first



preferred right of pledge (*eerste pandrecht*) on all rights of the Issuer under the Relevant Documents, pursuant to the Additional Pledge Agreement. This right of pledge will be notified to the parties to the Relevant Documents and will therefore be a 'disclosed' right of pledge (*openbaar pandrecht*).

*Bank Account Pledge and Repledge Agreement*

Pursuant to the Bank Account Pledge and Repledge Agreement, the Seller shall grant a first ranking disclosed (*openbaar*) right of pledge (*eerste pandrecht*) over the credit balance of the Seller Accounts to the Issuer, who grants a first ranking disclosed (*openbaar*) right of repledge (*eerste recht van herverpanding*) to the Security Trustee.

*Trust Deed*

Pursuant to the provisions of the Trust Deed, the Security Trustee may (i) at any time when the obligations under the Notes have become due and payable at its discretion and without further notice, take such steps and/or institute such proceedings as it may think fit to enforce the provisions of the Notes and (ii) at any time after the security rights created by the Security Documents have become enforceable (subject to the relevant provisions of the Security Documents and the Dutch Civil Code), at its discretion and without notice to the Issuer, take such steps and/or institute such proceedings as it may think fit to enforce the security rights created by the Security Documents. In the event notification as referred to in the Repledge Agreement, has been made, the Security Trustee shall collect or, as the case may be, transfer all monies received or recovered pursuant to the Repledge Agreement, the Additional Pledge Agreement and the Bank Account Pledges to the Trustee Account and payments will be made in accordance with and subject to the Priority of Payments upon Enforcement.

#### 14. THE SECURITY TRUSTEE

Stichting Security Trustee Castle I MBS (the 'Security Trustee') is a foundation (*'stichting'*) incorporated under the laws of the Netherlands on 2 August 2000. It has its registered office in Amsterdam, the Netherlands.

The objects of the Security Trustee are (a) to act as agent and/or trustee; (b) to act as joint and several creditor of the obligations of the Issuer towards the Noteholders, as well as towards other creditors of the Issuer; (c) to acquire security rights as agent and/or trustee and/or for itself; (d) to hold, administer and to enforce the security rights mentioned under (c); (e) to borrow money and perform 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., having its registered office at Frederik Roeskestraat 123, 1076EE Amsterdam, the Netherlands.

## 15. TERMS AND CONDITIONS OF THE NOTES

*If definitive notes are issued, the Terms and Conditions (the 'Conditions' and any reference to a 'Condition' shall be construed accordingly) will be as set forth below. The conditions will be endorsed on each definitive note issued. Whilst the notes remain in global form, the same terms and conditions will govern the Notes, except to the extent the conditions are not appropriate for Notes in global form. See 'The global notes' below.*

The Euro 189,000,000 Class A Senior Mortgage Backed Notes 2000 due 2031 (the 'Senior Notes'), the Euro 8,000,000 Class B Mezzanine Mortgage Backed Notes 2000 due 2031 (the 'Mezzanine Notes') and the Euro 3,000,000 Class C Junior Mortgage Backed Notes 2000 due 2031 (the 'Junior Notes' and together with the Mezzanine Notes the 'Subordinated Notes', and, together with the Senior Notes, the 'Notes') in each case in denominations of EUR 500,000 are issued under a paying agency agreement dated 7 August 2000 between Castle I MBS B.V. (the 'Issuer'), Stichting Security Trustee Castle I MBS (the 'Security Trustee') and ABN AMRO Bank N.V. ('ABN AMRO'), as paying agent (the 'Paying Agent') and ABN AMRO as reference agent (the 'Reference Agent') (the 'Agency Agreement').

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of (i) the Agency Agreement (which will include the form of the Global Notes), (ii) a mortgage receivables purchase agreement (the 'Mortgage Receivables Purchase Agreement') dated , 2000 between the Seller, the Security Trustee and the Issuer, (iii) a trust deed (the 'Trust Deed') to be dated 9 August, 2000 between the Security Trustee and the Issuer, (iv) a pledge agreement (the 'Pledge Agreement') dated 7 August, 2000 between the Seller, the Issuer, and the Insurance Company (v) a repledge agreement (the 'Repledge Agreement') dated 7 August, 2000 between the Issuer, the Security Trustee and the Insurance Company, (vi) an additional pledge agreement (the 'Additional Pledge Agreement') dated 7 August, 2000 between, inter alia, the Issuer and the Security Trustee (vii) the bank account pledge agreements (the "Bank Account Pledges") dated 7 August, 2000 between the Seller, the Security Trustee and the Banks mentioned therein (the Pledge Agreement, the Additional Pledge Agreement, the Repledge Agreement and the Bank Account Pledges collectively to be referred to as the 'Security Documents'), (viii) a servicing agreement (the 'Servicing Agreement') dated 7 August, 2000 between Stater Nederland BV as servicer (the 'Servicer'), ABN AMRO Trust Company (Nederland) B.V. as calculation agent (the 'Calculation Agent'), the Issuer and the Security Trustee, (ix) a master definitions agreement between all relevant parties (the 'Master Definitions Agreement') dated 7 August, 2000, (x) a guaranteed investment contract (the 'Guaranteed Investment Contract') dated 7 August, 2000 between the Issuer, the Security Trustee, the Servicer and ABN AMRO as GIC Provider, (xi) a swap agreement (the 'Swap Agreement') dated 7 August 2000 between ABN AMRO as Swap Counterparty and the Issuer, (xii) a transfer agreement (the 'Transfer Agreement') between the Seller, the Issuer and the Insurance Company dated 7 August, 2000 and (xiii) certain other agreements (all aforementioned agreements, including such modifications as from time to time enacted in accordance with the provisions therein contained and any other document expressed to be supplemental thereto as from time to time so modified, such agreements collectively to be referred to as the 'Relevant Documents').

Certain words and expressions used in these Conditions are defined in the Master Definitions Agreement and shall, except where the context requires otherwise, have the same meanings in these Conditions. If the terms or definitions in the Master Definitions Agreement would conflict with terms or definitions used herein, as regards the holders of the Notes (the 'Noteholders' as more fully defined in Condition 1(a)), the terms and definitions of these Conditions shall prevail. As used herein, 'Class' means either the Senior Notes, the Mezzanine Notes or the Junior Notes.

Copies of the deed of incorporation of the Issuer, the Mortgage Receivables Purchase Agreement, the Agency Agreement, the Trust Deed, the Security Documents, the Servicing Agreement, the Guaranteed Investment Contract, the Swap Agreement and the Master Definitions Agreement are available for inspection by the Noteholders at the specified office of the Paying Agent and the office for the time being of the Security Trustee, being at the date hereof Frederik Roeskestraat 123, (1067 EE) Amsterdam, the Netherlands. The Noteholders are entitled to the benefit of, are bound by and are deemed to have notice of and to be fully aware of, all the provisions of and definitions contained in the Master Definitions Agreement, the Agency Agreement, the Trust Deed, and the Security Documents and the documents referred to in each of them.

The issue of the Notes was authorised by a resolution of the board of managing directors of the Issuer passed on 7 August 2000.

## 1. Form, Denomination and Title

The Notes shall be in denominations of Euro 500,000 each. Except as set forth hereinafter, each Class of Notes will be represented by a global note in bearer form (each a 'Global Note'), without coupons, in the principal amount of Euro 189,000,000 for the Senior Notes, Euro 8,000,000 for the Mezzanine Notes and Euro 3,000,000 for the Junior Notes. Each Global Note will be deposited with a common depository for Morgan Guaranty Trust Company of New York, Brussels office, as operator of the Euroclear System ('Euroclear') and/or Clearstream Banking, société anonyme ('Clearstream, Luxembourg'). Each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer and the Agent as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on the Notes, for which purpose the bearer of the relevant Global Note shall be treated by the relevant Issuer and the Agent as the holder of such Notes in accordance with and subject to the terms of the relevant Global Note (and the expressions 'Noteholder' and 'holder of Notes' and related expressions shall be construed accordingly). The Notes will be transferable only in accordance with the rules and procedures for the time being of Euroclear or of Clearstream, Luxembourg, as the case may be. Each Global Note may be exchanged in whole or in part (free of charge), for Definitive Notes only upon the occurrence of any Exchange Event. An "Exchange Event" means (a) the Issuer has been notified that Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or has announced an intention permanently to cease business or has in fact done so and no alternative clearing system is available; or (b) an Event of Default has occurred and is still continuing. The Issuer, the Security Trustee and the Agent may, to the fullest extent permitted by law, treat the holder of any Definitive Note with the Coupons appertaining thereto as its absolute owner for all purposes. The signature on the Notes will be in facsimile.

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

- (a) The Senior Notes constitute direct and unconditional obligations of the Issuer and rank *pari passu* and rateably without any preference or priority amongst themselves. Each of the Mezzanine and Junior Notes constitute direct and unconditional obligations of the Issuer and rank *pari passu* and rateably without preference amongst themselves but the Senior Notes (and any other senior debt of the Issuer) will rank in priority to the Subordinated Notes and the Mezzanine Notes rank in priority to the Junior Notes. Prior to enforcement of the Security, payments of principal and interest on the Subordinated Notes are subordinated to, *inter alia*, payments of principal and interest on the Senior Notes and payments of principal and interest on the Junior Notes are subordinated to, *inter alia*, payments of principal and interest on the Mezzanine Notes as provided herein.
- (b) The Trust Deed (Clause 3) contains a provision that the Security Trustee shall be the joint and several creditor (*actief hoofdelijk schuldeiser*) of each obligation of the Issuer towards the Seller, the Noteholder(s) the Swap Counterparty, the Directors, the Shareholder, the Servicer and the Calculation Agent (the "Secured Parties"), under the Trust Deed and any other Relevant Document and the Notes and that accordingly, the Security Trustee has its own independent right to demand performance by the Issuer of any of those obligations. However, (i) any discharge of any such obligation of the Issuer to either the Security Trustee or any of the Secured Parties shall, to the same extent, discharge the corresponding obligation owing to the other; and (ii) the Secured Parties (including the Noteholders) or the Security Trustee shall not, by virtue of that Clause 3, be entitled to pursue the Issuer concurrently for the same obligation.
- (c) The security for the obligations of the Issuer towards the Secured Parties and the Security Trustee (in its capacity as joint and several creditor) (the 'Security') will be created pursuant to, and on

the terms set out in the Trust Deed and the Security Documents, which will create, *inter alia*, the following security rights:

- (i) a right of pledge (*pandrecht*) by the Seller to the Issuer of the Mortgage Receivables and all rights ancillary thereto and of the beneficiary rights of the Seller under the Savings Insurance Policies;
  - (ii) a right of repledge (*recht van herverpanding*) by the Issuer to the Security Trustee of the Mortgage Receivables and all rights ancillary thereto and of the beneficiary rights of the Seller under the Savings Insurance Policies;
  - (iii) a right of pledge (*pandrecht*) by the Issuer to the Security Trustee of the Issuer's rights:
    - (1) against the Seller under or in connection with the Mortgage Receivables Purchase Agreement;
    - (2) against the Servicer and the Calculation Agent under or in connection with the Servicing Agreement;
    - (3) against the GIC Provider under or in connection with the Guaranteed Investment Contract and in respect of the Transaction Account;
    - (4) against the Swap Counterparty under the Swap Agreement.
  - (iv) a right of pledge (*pandrecht*) by the Seller to the Issuer over certain of the Seller's bank accounts;
  - (v) a right of repledge (*recht van herverpanding*) by the Issuer to the Security Trustee over certain of the Seller's bank accounts.
- (d) In the event of the Security being enforced (*executie*), the Issuer's obligations under the Senior Notes will rank in priority to the Issuer's obligations under the Subordinated Notes as further set out in Condition 9 and the Mezzanine Notes will rank in priority to the Issuer's obligations under the Junior Notes as further set out in Condition 9.
- (e) The Trust Deed contains provisions requiring the Security Trustee to have regard to the interests of the Senior Noteholders, the Mezzanine Noteholders and the Junior 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 interest of the Senior Noteholders, if, in the Security Trustee's opinion, there is a conflict of interest between any of the Senior Noteholders on one hand and the Mezzanine Noteholders and the Junior Noteholders on the other hand and, if no Senior Notes are outstanding, to have regard only to the interests of the Mezzanine Noteholders, if, in the Security Trustee's opinion, there is a conflict between the interests of the Mezzanine Noteholders on the one hand and the Junior Noteholders on the other hand. In case of conflicts of interest between the Secured Parties in general the Security Trustee shall first have regards to the interest of the highest ranking Secured Party under the Priority of Payments set forth in the Trust Deed.

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

Except with the prior written consent of the Security Trustee or unless otherwise provided in or envisaged by these Conditions or the Relevant Documents, so long as any of the Notes remain outstanding the Issuer shall not:

- (a) carry out any business other than as described in the Offering Circular dated 7 August 2000 relating to the issue of the Notes;
- (b) incur or permit to subsist any indebtedness in respect of borrowed money whatsoever or give any guarantee or indemnity in respect of any indebtedness or of any obligation of any other person;
- (c) create, promise to create or permit to subsist any mortgage, charge, pledge, lien or other security interest whatsoever over any of its assets, present or future or transfer, sell, lend, part with or

otherwise dispose of or deal with, or grant any option present or future or to acquire a present or future right over any of its assets;

- (d) consolidate or merge with any other person or convey or transfer its properties or assets substantially or as an entirety to any other person;
- (e) permit the validity or effectiveness of the Trust Deed, the Security Documents, or the priority of the Security 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;
- (f) have any employees or premises or have any subsidiary or subsidiary undertaking (as defined in section 24a of Book 2 of the Dutch Civil Code);
- (g) have an interest in any bank account other than the Transaction Account;
- (h) amend, supplement or otherwise modify its articles of association or other constitutive documents;
- (i) pay any dividend or make any other distribution to its shareholder(s) or issue any further shares; and/or
- (j) engage in any activity whatsoever which is not incidental to or necessary in connection with, any of the activities which the Relevant Documents provide or envisage that the Issuer will engage in.

#### **4. Interest**

##### *(a) Period of Accrual*

Each Note shall bear interest on its Principal Amount Outstanding (as defined in Condition 6) from and including the Closing Date onwards. 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 as well as 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 to the holder thereof (either in accordance with Condition 14 or individually) that, upon presentation thereof being duly made, such payment will be made, provided that upon such presentation, payment is in fact made.

##### *(b) Interest Periods and Payment Dates*

Interest on the Notes will be calculated on the basis of the actual number of days elapsed and a 360 day year. The resulting figure of any such calculation will be rounded to the nearest Euro 0.01 (0.005 being rounded upwards).

Interest on the Notes is payable by reference to successive Interest Periods, quarterly in arrears in Euro in respect of the Principal Amount Outstanding of each Class of Notes on the 29th day of March, June, September and December in each year starting with 29th September 2000 or, if such a day is not a day on which banks are open for general business in Amsterdam (including dealing in foreign exchange and foreign currency deposits), provided that such day is also a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System or any successor thereof is operating credit or transfer instructions in respect of payments in Euro (a 'Business Day'), the next succeeding Business Day unless such Business Day falls in the next succeeding calendar month in which event the immediately preceding Business Day). Each date on which interest is payable on the Notes in accordance with the foregoing is hereinafter referred to as a 'Payment Date'. In these Conditions, 'Interest Period' shall mean each period from and including a Payment Date until but excluding the next succeeding Payment Date. For the avoidance of doubt, the first Interest Period will commence on (and include) the Closing Date and ends on, (but excludes), 29 September, 2000.

(c) *Interest on the Notes*

Subject to Condition 4 (j) below, the rates of interest payable on the Notes shall be equal to the sum of the Euro zone inter-bank offered rate ('EURIBOR') for three month deposits in Euros (determined in accordance with paragraph (e) below) (or, in respect of the first interest payment, the rate that represents the interpolation of EURIBOR for two-months deposits in Euros) plus up to the earlier of (i) the Mandatory Interest Reset Date as defined in Condition 4(j), (ii) the Clean Up Call Date as defined in Condition 6(d) and (iii) 29 December 2009 Date in respect of the Senior Notes a margin of 0.26 per cent. per annum, in respect of the Mezzanine Notes a margin of 0.45 per cent. per annum and in respect of the Junior Notes a margin of 0.75 per cent. per annum (together, the 'Floating Rates of Interest').

(d) *Determination of EURIBOR*

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

- (i) The Reference Agent will obtain for each Interest Period the rate equal to the sum of EURIBOR for three months deposits in Euros. The Reference Agent shall use the EURIBOR rate as determined and published jointly by the European Banking Federation and ACI – The Financial Market Association and which appears for information purposes on the Telerate Page 248 (or, if not available, any other display page on any screen service maintained by any registered information vendor (including, without limitation, the Reuter Monitor Money Rate Service, the Dow Jones Telerate Service and the Bloomberg Service) for the display of the EURIBOR rate selected by the Reference Agent) 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 Interest Period (each an 'Interest Determination Date').
- (ii) If, on the relevant Interest Determination Date, such EURIBOR rate is not determined and published jointly by the European Banking Association and ACI – The Financial Market Association, or if it is not otherwise reasonably practicable to calculate the rate under (i) above, the Reference Agent will:
  - (A) request the principal Euro-zone office of each of four major banks in the Euro-zone interbank market (the 'Reference Banks') to provide a quotation for the rate at which three months Euro deposits are offered by it in the Euro-zone interbank market at approximately 11.00 a.m. (Central European Time) on the relevant Interest Determination Date to prime banks in the Euro-zone interbank market in an amount that is representative for a single transaction at that time; and
  - (B) determine the arithmetic mean (rounded, if necessary, to the fifth decimal place with 0.000005 being rounded upwards) of such quotation as is provided; and
- (iii) if fewer than two such quotations are provided as requested, the Reference Agent will determine the arithmetic mean (rounded, if necessary to the fifth decimal place with 0.000005 being rounded upwards) of the rates quoted by major banks, of which there shall be at least two in number, in the Euro-zone, selected by the Reference Agent, at approximately 11.00 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 the EURIBOR for such Interest Period shall be the rate per annum equal to the Euro interbank offered rate for Euro deposits as determined in accordance with this paragraph (d) provided that if the Reference Agent is unable to determine EURIBOR in accordance with the above provisions in relating to any Interest Period, EURIBOR applicable to the relevant Class of Notes during such Interest Period will be EURIBOR last determined in relation thereto.

(e) *Determination of Floating Rates of Interest and Calculation of Floating Interest Amount*

The Reference Agent will, as soon as practicable after 11.00 am (Amsterdam Time), on each Interest Determination Date determine the Floating Rates of Interest and calculate the amount of interest payable in respect of each Class of Notes (each a 'Floating Interest Amount') for the relevant Interest Period. The determination of the relevant Floating Rates of Interest and each Floating Interest Amount by the Reference Agent shall (in the absence of manifest error) be final and binding on all parties.

(f) *Notification of Floating Rates of Interest and Floating Interest Amount*

The Reference Agent will cause the relevant Floating Rates of Interest and the relevant Floating Interest Amounts for each Interest Period and the relevant Payment Date to be notified to the Issuer, the Security Trustee, the Paying Agent and any stock exchange on which the Notes are for the time being listed and to the Noteholders in accordance with Condition 14 as soon as possible after their determination. Each Interest Amount and Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period.

(g) *Determination or Calculation by Security Trustee*

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

(h) *Certificates to be final*

Notwithstanding Clause 4(d), all certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4 by the Reference Agent shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Security Trustee, the Paying Agent and all Noteholders and (in the absence as aforesaid) no liability to the Issuer, the Security Trustee, the Paying Agent or the Noteholders shall attach to the Reference Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(i) *Accrual of Interest*

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

- (1) the date on which all amounts due in respect of such Note have been paid; and
- (2) five days after the date on which the full amount of the moneys payable has been received by the Agent and notice to that effect has been given to the Noteholders in accordance with Condition 14.

(j) *Floating Interest Rates following Mandatory Interest Reset Date and Issuer Call Dates*

Upon the earlier of (i) the Mandatory Interest Reset Date (as defined below), (ii) the Clean Up Call Date (as defined hereinafter in Condition 6(d)) or (iii) 29 December 2009, the respective Floating Rate of Interest payable on the Notes will be increased. As of such Mandatory Interest Reset Date or Issuer Call Date, the Floating Rate of Interest will be 3 month EURIBOR plus 0.52 per cent. per annum for the Senior Notes, 3 month EURIBOR plus 0.90 per cent. per annum for the Mezzanine Notes and 3 month EURIBOR plus 1.50 per cent. per annum for the Junior Notes. The 'Mandatory Interest Reset Date' means the first Payment Date following the elapse of a 90 days period after the Interest Reset Date of one or more Reset Mortgage Receivable that has not been sold and transferred by the Issuer to a third party.

## 5. **Payment**

- (a) Payment of principal and interest in respect of Notes represented by any Global Note will (subject as provided below) be made in the manner specified in this Condition 5 and otherwise in the manner specified in the relevant Global Note against presentation or surrender, as the case may be, of such Global Note at the specified office of the Paying Agent. A record of each payment



made against presentation or surrender of such Global Note, distinguishing between any payment of principal and any payment of interest, will be made on such Global Note by the Paying Agent and such record shall be *prima facie* evidence that the payment in question has been made.

- (b) The holder of a Global Note shall be the only person entitled to receive payment in respect of Notes represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg, as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the relevant Issuer to, or to the order of, the holder of such Global Note. No person other than the holder of such Global Note shall have any claim against the Issuer in respect of any payment due on that Global Note.
- (c) If the relevant Payment Date is not a day on which banks are open for business in the place of presentation of the relevant Global Note, the holder thereof shall not be entitled to payment until the next following on which banks are open for business in the place of presentation of the relevant Global Note, or to any interest or other payment in respect of such delay, provided that in the case of payment by transfer to an Euro account as referred to above, the Paying Agent shall not be obliged to credit such account until the day on which banks are open for business in the place of presentation of the relevant Global Note.

## 6. Redemption

### (a) Final Redemption

If and to the extent not otherwise redeemed, as provided below, the Issuer will redeem the Notes at their respective Principal Amount Outstanding on 29 December 2031 (the 'Final Maturity Date').

### (b) Mandatory Redemption

Provided that no Enforcement Notice has been served in accordance with Condition 10 and subject to Condition 9, the Issuer shall on each Payment Date redeem:

- (a) the Senior Notes with (i) the Senior Principal Amount and (ii) the Senior Defaulting Loan Amount;
- (b) the Mezzanine Notes with (i) the Mezzanine Principal Amount and (ii) the Mezzanine Defaulting Loan Amount and
- (c) the Junior Notes with (i) the Junior Principal Amount and (ii) the Junior Defaulting Loan Amount,

(collectively the "Principal Redemption Amount") each at their respective Principal Amounts Outstanding in accordance with the provisions of the Trust Deed and the Priority of Payments Prior to Enforcement set forth in the Trust Deed.

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

The 'Principal Amount Outstanding' of a Senior Note, Mezzanine Note or Junior Note, respectively, on any Calculation Date shall be the principal amount of such Note upon issue less the aggregate amount of all respective Principal Redemption Amounts in respect of such Note that have become due and payable prior to such Calculation Date.

'Senior Principal Amount' means A. prior to the Enhancement Trigger Date (i) the Unscheduled Principal Amount, *plus* (ii) the Senior Scheduled Principal Proportion *plus* (iii) the Senior Realised Losses Proportion; and B. as per the Enhancement Trigger Date: (i) the Unscheduled Principal Amount, (ii) the Scheduled Principal Amount *plus* (iii) the Realised Losses Amount until the Senior Notes have been fully redeemed.

'Mezzanine Principal Amount' means A. prior to the Enhancement Trigger Date (i) the Unscheduled Principal Amount after the Senior Notes have been fully redeemed, *plus* (ii) the Mezzanine Scheduled Principal Proportion *plus* (iii) the Mezzanine Realised Losses Proportion

and B. as per the Enhancement Trigger Date but only if the Senior Notes have been fully redeemed (i) the *Unscheduled Principal Amount plus* — (ii) the *Scheduled Principal Amount plus* (iii) the *Realised Losses Amount* until the Mezzanine Notes have been fully redeemed.

'Junior Principal Amount' means A. prior to the Enhancement Trigger Date (i) the *Unscheduled Principal Amount* after the Mezzanine Notes have been fully redeemed, *plus* (ii) the *Junior Scheduled Principal Proportion plus* (iii) the *Junior Realised Losses Proportion* and B. as per the Enhancement Trigger Date and only after the Mezzanine Notes have been fully redeemed: (i) the *Unscheduled Principal Amount, plus* (ii) the *Scheduled Principal Amount plus* (ii) the *Realised Losses Amount* until the Junior Notes have been fully redeemed.

'Enhancement Trigger Date' means the Payment Date on which the Principal Amount Outstanding on the Notes is less than 9.9 per cent. of the Principal Amount Outstanding on the Notes on the Closing Date.

'Unscheduled Principal Amount' means any and all amounts received by the Issuer in connection with (i) partial prepayments of principal in respect of Savings Mortgage Loans and a pro rata share of full prepayments thereof and partial and full prepayments in connection with other Mortgage Loans and (ii) repurchases of Mortgage Receivables pursuant to the Mortgage Receivables Purchase Agreement, to the extent relating to principal.

'Scheduled Principal Amount' means any and all amounts received by the Issuer in connection with the Mortgage Receivables to the extent relating to (a) repayments of principal (including Savings Parts as defined in the Master Definitions Agreement); (b) post-foreclosure proceeds, if any, to the extent relating to principal; (c) repurchases of Mortgage Receivables pursuant to the Mortgage Receivables Purchase Agreement, to the extent relating to principal; (d) sales of Reset Mortgage Receivables, to the extent relating to principal and (e) the Savings Part Purchase Prices (as defined in the Master Definition Agreement) and (f) sales of Mortgage Receivables.

'Senior Scheduled Principal Proportion' means 94.5 per cent of the Scheduled Principal Amount.

'Mezzanine Scheduled Principal Proportion' means 4 per cent. of the Scheduled Principal Amount.

'Junior Scheduled Principal Proportion' means 1.5 per cent. of the Scheduled Principal Amount.

'Realised Losses Amount' means an amount equal to (a) the difference between the total amounts outstanding in principal, interest, costs and expenses on all Mortgage Receivables on which the Servicer on behalf of the Issuer has foreclosed during the relevant Calculation Period and the Net Proceeds of such foreclosures and (b) with respect to any Mortgage Receivables sold during the Calculation Period, the positive difference, if any, between (i) the total amounts outstanding of principal, interest, costs and expenses on such Mortgage Receivables and (ii) the purchase price received by the Issuer for the Mortgage Receivables sold.

'Net Proceeds' means any and all amounts received relating to (a) the proceeds of a foreclosure on a Mortgage Receivable, (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, (but excluding amounts received from the Insurance Company as pledgee, beneficiary or payee as per instruction under the Savings Insurance Policies to the extent such amounts are to be repaid as Savings Parts Repurchase Price (as defined in the Conditions)), (d) the proceeds of any guarantees, and (e) the proceeds of foreclosure on any other assets of the relevant Borrower, after deduction of foreclosure costs (as defined in the Conditions) after deduction of the interest in arrears on that Mortgage Receivable.

'Senior Realised Losses Proportion' means an amount equal to 94.5 per cent. of the Realised Losses Amount.

'Mezzanine Realised Losses Proportion' means an amount equal to 4 per cent. of the Realised Losses Amount.

'Junior Realised Losses Proportion' means an amount equal to 1.5 per cent. of the Realised Losses Amount.

'Defaulting Loan Amount' means, with respect to an Interest Period, the lesser of (i) an amount equal to the balance standing to the debit of the Defaulting Loan Ledger and (ii) the amount of the Available Amount remaining after items (a) up to and including (j) of the Priority of Payments prior to Enforcement have been met.

'Senior Defaulting Loan Amount' means (i) prior to the Enhancement Trigger Date, 94.5 per cent. of the Defaulting Loan Amount, or (ii) as per the Enhancement Trigger Date, the Defaulting Loan Amount until the Senior Notes have been fully redeemed.

'Mezzanine Defaulting Loan Amount' means (i) prior to the Enhancement Trigger Date, 4 per cent. of the Defaulting Loan Amount, or (ii) as per the Enhancement Trigger Date, and only after the Senior Notes have been redeemed in full, the Defaulting Loan Amount.

'Junior Defaulting Loan Amount' means (i) prior to the Enhancement Trigger Date, 1.5 per cent. of the Defaulting Loan Amount, or (ii) as per the Enhancement Trigger Date, and only after the Mezzanine Notes have been redeemed in full, the Defaulting Loan Amount.

'Margin' means, with respect to an Interest Period, an amount equal to 1.52 per cent. of the then outstanding principal amount of the Mortgage Receivables minus any Interests in Arrears which did not result in Net Excess in Arrears as set forth in the Swap Agreement.

'Swap Interest Amount' means the amount received with respect to an Interest Period relating to interest from the Swap Counterparty under the Swap Agreement.

'Fee Amount' means, with respect to an Interest Period, an amount equal to the fees and expenses payable to the Counterparties under the Relevant Documents in such Interest Period.

'Available Amount' means, in respect of an Interest Period the sum of (a) the Scheduled Principal Amount and (b) the Net Proceeds and (c) the Unscheduled Principal Amount all received from the Swap Counterparty on the Payment Date immediately following such Interest Period and (d) the Swap Interest Amount and (e) the Reserve Fund Balance and (f) prepayment penalties and arrears penalties received by the Issuer in connection with the Mortgage Loans (g) the Fee Amount (h) the Margin and (i) interest received on the Transaction Account relating to such Interest Period.

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

- (i) On each Calculation Date, the Issuer shall determine (or cause the Calculation Agent to determine) (x) the amount of the Principal Redemption Amount due for the relevant Class of Notes on the Payment Date and (y) the Principal Amount Outstanding of a Senior Note, a Mezzanine Note and a Junior Note on the first day following the 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 on each Calculation Date cause each determination of the Principal Redemption Amounts and the Principal Amounts Outstanding of the Notes to be notified forthwith to the Security Trustee, the Paying Agent and to the AEX Stock Exchange.
- (iii) If the Issuer does not at any time determine (or cause the Calculation Agent to determine) a Principal Redemption Amount or the Principal Amount Outstanding of the Notes, such Principal Redemption Amount or such Principal Amount Outstanding shall be determined by the Security Trustee in accordance with this Condition 6 (c) and Condition 6 (a) and (b) above and each such determination or calculation shall be deemed to have been made by the Issuer.
- (iv) On each Calculation Date, the Calculation Agent shall for the benefit of the Noteholders publish the Principal Redemption Amount, if any, and the Principal Amount Outstanding of the Notes of each Class, if any, on Reuters Page 3750 and, as long as the Senior Notes and/or the Subordinated

Notes are listed on the AEX Stock Exchange in the Official Price List of Amsterdam Exchanges N.V. (*Officiële Prijscourant*) in Amsterdam.

(d) *Optional Redemption*

The Issuer may at its option (without any obligation to do so) redeem all (but not some only) of the Notes at their Principal Amount Outstanding together with accrued interest on the earlier of (i) the Payment Date on which the aggregate Principal Amount Outstanding under the Notes is less than or equal to 10% of the aggregate Principal Amount Outstanding of the Notes on the Closing Date (the 'Clean Up Call,' such Payment Date a 'Clean Up Call Date') and (ii) on 29 December 2009 or, in the case of either (i) or (ii), each Payment Date thereafter (each such date an 'Issuer Call Date').

(e) *Tax redemption*

In the event of certain tax changes affecting the Notes, including 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 any additional amounts in respect of such withholding or deduction), the Issuer may (but is not obliged to) redeem on the next Payment Date all (but not some only) of the Notes at their Principal Amount Outstanding together with interest accrued thereon up to and including the date of redemption, subject to and in accordance with these Conditions. 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.

**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 State of the Netherlands, any authority therein or thereof having power to tax unless the withholding or deduction of such taxes, duties, assessments or charges are required by law. In that event, the Issuer will make the required withholding or deduction of such taxes, duties, assessments or charges for the account of the Noteholders, as the case may be, and shall not pay any additional amounts to such Noteholders.

**8. Prescription**

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

**9. Subordination**

- (a) Interest and principal on the Notes shall be payable in accordance with the provisions of Condition 4 and Condition 6 respectively, subject to the terms of this Condition, and to the provisions of the Trust Deed.

*Senior Principal Shortfall Ledger*

In the event that on any Calculation Date the Available Amount is not sufficient for the Issuer to satisfy in full its obligations in respect of the Senior Principal Amount due on the Senior Notes on the next Payment Date, the Available Amount (if any) shall be applied to payment on a *pro rata* basis to the Senior Principal Amount due on such Payment Date to the holders of the Senior Notes. In the event of a shortfall, the Issuer shall credit a ledger (the 'Senior Principal Shortfall Ledger') with an amount equal to the amount by which the aggregate Senior Principal Amount actually paid on the Senior Notes on any Payment Date in accordance with Condition 6, falls short of the aggregate Senior Principal Amount that is payable on the Senior Notes on that date. Such shortfall shall not be treated as due on that date for the purposes of Condition 6. Per Senior Note a *pro rata* share of such shortfall shall be aggregated with the amount of, and treated for the purpose of Condition 6 as if it were due, subject to this Condition, on such Note on the next succeeding Payment Date.

#### *Mezzanine Interest Shortfall Ledger*

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

#### *Mezzanine Principal Shortfall Ledger*

In the event that on any Calculation Date the Available Amount is not sufficient for the Issuer to satisfy in full its obligations in respect of the Mezzanine Principal Amount due on the Mezzanine Notes on the next Payment Date in accordance with the Conditions, the Available Amount (if any) shall be applied *pro rata* to the Mezzanine Principal Amount due on such Payment Date to the holders of the Mezzanine Notes. In the event of a shortfall, the Issuer shall credit a ledger (the 'Mezzanine Principal Shortfall Ledger') with an amount equal to the amount by which the aggregate Mezzanine Principal Amount paid on the Mezzanine Notes on any Payment Date in accordance with Condition 6, falls short of the aggregate Mezzanine Principal Amount payable on the Mezzanine Notes on that date. Such shortfall shall not be treated as due on that date for the purposes of Condition 6. Per Mezzanine Note a *pro rata* share of such shortfall shall be aggregated with the amount of, and treated for the purpose of Condition 6 as if it were due, subject to this Condition, on such Note on the next succeeding Payment Date.

#### *Junior Interest Shortfall Ledger*

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

#### *Junior Principal Shortfall Ledger*

In the event that on any Calculation Date the Available Amount is not sufficient for the Issuer to satisfy in full its obligations in respect of the Junior Principal Amount due on the Junior Notes on the next Payment Date, the Available Amount (if any) shall be applied to payment on a *pro rata* basis to the Junior Principal Amount due on such Payment Date to the holders of the Junior Notes. In the event of a shortfall, the Issuer shall credit a ledger (the 'Junior Principal Shortfall Ledger') with an amount equal to the amount by which the aggregate Junior Principal Amount actually paid on the Junior Notes on any Payment Date in accordance with Condition 6, falls short of the aggregate Junior Principal Amount that is payable on the Junior Notes on that date. Such shortfall shall not be treated as due on that date for the purposes of Condition 6. Per Junior Note a *pro rata* share of such shortfall shall be aggregated with the amount of, and treated for the purpose of Condition 6 as if it were due, subject to this Condition, on such Note on the next succeeding Payment Date.

- (b) In the event of a winding-up (*vereffening*), bankruptcy (*faillissement*), moratorium or suspension of payments (*surséance van betaling*) of the Issuer, all payments to the Subordinated Noteholders shall

only be made after all Senior Notes and all other obligations under the Relevant Documents ranking in priority above the Subordinated Notes admissible in such winding-up, bankruptcy or moratorium of payments of the Issuer have been satisfied in full or a settlement or composition (*akkoord*) has been made with the holders of the Senior Notes and all other creditors on the basis of the Relevant Documents pursuant to which they have granted full and final discharge (*finale kwijting*) against payment of their claims or part thereof. In the event that the Security in respect of the Notes has been fully enforced and the proceeds of such enforcement, after payment of all other claims ranking under the Trust Deed in priority to the Subordinated Notes, are insufficient to pay in full all principal and interest and other amounts whatsoever due in respect of the Mezzanine and/or the Junior Notes, the Mezzanine Noteholders and/or the Junior Noteholders, as the case may be, shall have no further claim against the Issuer in respect of any such unpaid amounts.

## 10. Events of Default

### (a) Senior Noteholders

The Security Trustee at its absolute discretion may, and if so directed by an Extraordinary Resolution of the Senior Noteholders shall give notice (an 'Enforcement Notice') to the Issuer declaring that the obligations under the Relevant Documents and/or the Notes are, and shall become, immediately due and repayable, in the case of the Notes at their Principal Amount Outstanding, together with accrued interest, if any of the following events (each an 'Event of Default') shall occur:

- (i) default is made for a period of 15 days or more in the payment on the due date of any amount due in respect of obligations under the Swap Agreement and/or the Notes of the Relevant Class; or
- (ii) default is made by the Issuer in the performance or observance of any of its other obligations binding on it under the Notes, the Trust Deed, the Servicing Agreement, the Agency Agreement, the Swap Agreement or the Security Documents and, in any such case, except where such failure, in the reasonable opinion of the Security Trustee, is incapable of remedy, such default continues for a period of 30 days following written notice by the Security Trustee to the Issuer requiring the same to be remedied; or
- (iii) 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 30 days; or
- (iv) any order is made by any competent court or other authority or a resolution is 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 arrangement for the benefit of, or enters into any general arrangement (*akkoord*) with, its creditors; or
- (vi) the Issuer files a petition for a suspension of payments (*surséance van betaling*), or for bankruptcy (*faillissement*) or is declared bankrupt;

provided that, in the case of the occurrence of any of the events mentioned in (ii) above the Security Trustee shall have certified in writing to the Issuer that such an event is, in its opinion, materially prejudicial to the Senior Noteholders.

As long as Senior Notes are outstanding, no Enforcement Notice may or shall be given by the Security Trustee to the Issuer in respect of the Subordinated Notes irrespective of whether an Extraordinary Resolution is passed by the Subordinated Noteholders, unless an Enforcement Notice in respect of the Senior Notes has also 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 Notes, the Security Trustee shall not have regard to the interests of the Subordinated Noteholders.

### (b) Mezzanine Noteholders

If there are no Senior Notes outstanding, the Security Trustee at its absolute discretion may, and if so directed by an Extraordinary Resolution of the Mezzanine Noteholders shall give an Enforcement

Notice to the Issuer declaring that the obligations under the Swap Agreement and/or the Notes are, and shall become, immediately due and repayable, in the case of the Notes at their Principal Amount Outstanding, together with accrued interest, if any of the following shall occur:

- (i) default is made for a period of 15 days or more in the payment on the due date of any amount due in respect of obligations under the Swap Agreement and/or the Mezzanine Notes; or
- (ii) the occurrence of any of the events in Condition 10 (a) (ii), (iii), (iv), (v) and (vi) above, provided that the reference therein to Senior Notes shall be read as a reference to Mezzanine Notes;

provided that in the case of the occurrence of any of the events mentioned in Condition 10 (a)(ii) above the Security Trustee shall have certified in writing to the Issuer that such an event is, in its opinion, materially prejudicial to the Mezzanine Noteholders.

*(c) Junior Noteholders*

If there are no Mezzanine Notes outstanding, the Security Trustee at its absolute discretion may, and if so directed by an Extraordinary Resolution of the Junior Noteholders shall give an Enforcement Notice to the Issuer declaring that the obligations under the Swap Agreement and/or the Notes are, and shall become, immediately due and repayable, in the case of the Notes at their Principal Amount Outstanding, together with accrued interest, if any of the following shall occur:

- (iii) default is made for a period of 15 days or more in the payment on the due date of any amount due in respect of obligations under the Swap Agreement and/or the Junior Notes; or
- (iv) the occurrence of any of the events in Condition 10 (a) (ii), (iii), (iv), (v) and (vi) above, provided that the reference therein to Senior Notes shall be read as a reference to Junior Notes;

provided that in the case of the occurrence of any of the events mentioned in Condition 10 (a) (ii) above the Security Trustee shall have certified in writing to the Issuer that such an event is, in its opinion, materially prejudicial to the Junior Noteholders.

## **11. Enforcement**

- (a) At any time after the Notes of any Class have become due and payable, the Security Trustee may in its capacity as joint and several creditor under the Notes, at its discretion and without further notice, take such steps and/or institute such proceedings as it may think fit to enforce (i) the provisions of the Notes, including the making of a demand for payment thereunder and (ii) the Trust Deed and may, at any time after the Security has become enforceable (subject to the relevant provisions of the Security Documents and the Dutch Civil Code), at its discretion and without notice, take such steps and/or institute such proceedings as it may think fit to enforce the Security, but it is under no obligation to take any such steps, and/or institute such proceedings unless it shall have been so directed by an Extraordinary Resolution of the Senior Noteholders or, if all amounts due in respect of the Senior Notes have been fully paid, the Subordinated Noteholders.
- (b) Notwithstanding Condition 11 (a) above, if the payment obligations under the Relevant Documents and/or the Notes have become due and payable pursuant to Condition 10 otherwise than by reason of a default in payment of any amount due pursuant to the obligations under the Swap Agreement and/or the Senior Notes, the Security Trustee will not be entitled to dispose of the assets repledged or pledged to it pursuant to the Security Documents, unless either a sufficient amount would be realised to allow discharge in full of, all amounts owing to (i) Directors, the Security Trustee, the Shareholder, the Servicer, the Calculation Agent and the the Swap Counterparty or (ii) the Senior Noteholders or if the Security Trustee is of the opinion, reached after considering the advice of a financial adviser selected by the Security Trustee for the purpose of giving such advice, that the cash flow prospectively receivable by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other relevant actual, contingent or prospective liabilities of the Issuer, to discharge in full in due course all amounts owing to the parties referred under (i) or the Senior Noteholders.

- (c) The Noteholders may not 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.
- (d) Neither the Noteholders nor the Security Trustee may institute against, or join any person in instituting against, the Issuer any bankruptcy, winding-up, reorganisation, arrangement, insolvency or liquidation proceeding until the expiry of a period of at least one year after the latest maturing Note has been paid in full.
- (e) If the net proceeds of realisation of, or enforcement with respect to, the Security are not sufficient to make all payments due in respect of the Notes, no other assets of the Issuer (if any), will be available for payment of any shortfall arising therefrom. Each Noteholder, by subscribing for or purchasing Notes, is deemed to accept and acknowledge that it is fully aware that, save as aforesaid, in the event of a shortfall (i) its right to obtain repayment in full is limited to the Security, subject to the Priority Payments Upon Enforcement set forth in the Trust Deed and (ii) the Issuer has duly and entirely fulfilled its repayment obligation by making available to the Noteholder its relevant part of the proceeds of realisation or enforcement with respect to the Security in accordance with the Security Documents and the Trust Deed and waives any rights or claims (*afstand van recht*) in respect of such unpaid amounts as a result of which all claims in respect of each such shortfall shall be extinguished.
- (f) In the event that the Security Trustee, acting in its capacity as joint and several creditor, has enforced the Security in accordance with these Conditions, the Security Trustee shall pay the proceeds thereof to the Secured Parties in accordance with the provisions of the Trust Deed.

## **12. Paying Agent**

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 agent provided that no paying agent located in the United States of America will be appointed and that the Issuer will at all times maintain a paying agent having a specified office in a European city which city, as long as the Notes are listed on the AEX Stock Exchange, shall be located in the Netherlands. Notice of any such variation, termination or appointment and of any changes in the specified office of the Paying Agent will be given to the Noteholders in accordance with Condition 14.

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

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

## **14. Notices**

With the exception of the publications by the Calculation Agent as described in Condition 6 (c) (iv), all notices to the Noteholders will only be valid if published in at least one daily newspaper of wide circulation in the Netherlands and, as long as the Senior Notes and/or the Subordinated Notes are listed on the AEX Stock Exchange, in the Official Price List of Amsterdam Exchanges N.V. (*'Officiële Prijscourant'*) in Amsterdam. Any such notice shall be deemed to have been given on the first date of such publication.

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

- (a) The Trust Deed contains provisions for convening meetings of the Senior Noteholders Mezzanine Noteholders and the Junior Noteholders to consider matters affecting the interests, including the sanctioning by Extraordinary Resolution, of such Noteholders of the relevant Class of a change to any of these Conditions or any provisions of the Relevant Documents, provided that no change of certain terms by any of the Noteholders of any Class including the date of maturity of the Notes in the relevant Class, the payment dates or a change which would have the effect of postponing any day for payment of interest in respect of such Notes, reducing or cancelling the amount of principal payable in respect of such Notes or altering the majority required to pass an Extraordinary Resolution or any alteration of the date or priority of redemption of such Notes (any



such change in respect of any such class of Notes referred to below as a 'Basic Terms Change') shall be effective except that, if the Security Trustee is of the opinion that such a Basic Terms Change is being proposed by the Issuer as a result of, or in order to avoid, an Event of Default, such Basic Terms Change may be sanctioned by an Extraordinary Resolution of any of the Noteholders of the relevant Class of Notes as described below.

A meeting as referred to above may be convened by the Noteholders of any Class holding not less than 15 per cent of the Principal Amount Outstanding of the Notes of such Class. The quorum for any meeting convened to consider an Extraordinary Resolution for any Class of Notes will be 75 per cent. 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 75 per cent majority of the validly cast votes, and 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 validity cast votes at that Extraordinary Resolution. If at such meeting the aforesaid quorum is not represented, a second meeting of the Noteholders will be held within one month, with due observance of the same formalities for convening the meeting which governed the convening of the first meeting; at such second meeting an Extraordinary Resolution is adopted with not less than a 75 per cent. majority of the validly cast votes, and for an Extraordinary Resolution including a sanctioning of a Basic Terms Change the majority required shall be 75 per cent. of the validity 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 Notes, or as the case may be, the Mezzanine Notes, or as the case may be, the Junior Notes or any date for payment of interest thereon, increasing the amount of principal or the rate of interest payable in respect of the Senior Notes or, as the case may be, the Mezzanine Notes, or as the case may be, the Junior Notes shall take effect unless it shall have been sanctioned with respect to the Senior Notes by an Extraordinary Resolution of the Mezzanine Noteholders and/ or Junior Noteholders.

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

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

- (b) The Security Trustee may agree, without the consent of the Noteholders, to (i) any modification of any of the provisions of the Relevant Documents which is of a formal, minor or technical nature or is made to correct a manifest error (ii) any other modification (except if prohibited in the Relevant Documents) and (iii) any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Relevant Documents which is in the opinion of the Security Trustee not materially prejudicial to the interests of the Noteholders, provided that (x) the Security Trustee has notified the Rating Agencies and (y) the Rating Agencies have confirmed that the then current rating of the Notes will not be adversely affected by any such modification, authorisation or waiver. Any such modification, authorisation or waiver shall be binding on the Noteholders and, if the Security Trustee so requires, such modification shall be notified to the Noteholders in accordance with Condition 14 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 Noteholders and the Mezzanine Noteholders and the Junior 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.

#### **16. Replacement 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 Principal Paying Agent in Amsterdam upon payment by the claimant of the expenses incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered, in the case of Notes together with all unmatured Coupons appertaining thereto, in the case of Coupons together with the Note and all unmatured Coupons to which they appertain (*mantel en blad*), before replacements will be issued.

#### **17. Governing Law and Jurisdiction**

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

#### **18. Additional obligations**

As long as any Notes are listed on the AEX Stock Exchange, the Issuer will comply with the provisions set forth in Article 2.1.20 Sections a-g of Schedule B of the Rules and Regulations (*Fondsenreglement*) of Amsterdam Exchanges N.V. or any amended form of the said provisions as in force at the date of the issue of the Notes.

#### **19. The Global Notes**

Each Class of the Notes shall be initially represented by (i) in the case of the Senior Notes a Temporary Global Note in bearer form, without coupons, in the principal amount of Euro 189,000,000, (ii) in the case of the Mezzanine Notes a Temporary Global Note in bearer form, without coupons, in the principal amount of Euro 8,000,000 and (iii) in the case of the Junior Notes a Temporary Global Note in bearer form, without coupons, in the principal amount of Euro 3,000,000. Each Temporary Global Note will be deposited with Société Générale Bank & Trust, société anonyme, as common depository for Morgan Guaranty Trust Company of New York, Brussels office, as operator of Euroclear and Clearstream, Luxembourg on or about 9 August 2000. Upon deposit of each Temporary Global Note, Euroclear, and Clearstream, Luxembourg will credit each purchaser of Notes represented by such Temporary Global Note with the principal amount of the relevant Class of Notes equal to the principal amount thereof for which it has purchased and paid. Interests in each Temporary Global Note will be exchangeable (provided certification of non-U.S. beneficial ownership by the Noteholders has been received) not earlier than 40 days after the issue date of the Notes (the 'Exchange Date') for interests in a permanent global note (each a 'Permanent Global Note'), in bearer form, without coupons, in the principal amount of the Notes of the relevant Class (the expression 'Global Notes' meaning the Temporary Global Notes of each Class and the Permanent Global Notes of each Class and the expression 'Global Note' means any of them, as the context may require). On the exchange of a Temporary Global Note for a Permanent Global Note of the relevant Class, the Permanent Global Note will remain deposited with the common depository.

The Global Notes will be transferable by delivery. Each Permanent Global Note will be exchangeable for Definitive Notes only in the circumstances described below. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a Note will be entitled to receive any payment made in respect of that Note in accordance with the respective rules and procedures of Euroclear or, as the case may be, Clearstream, Luxembourg. Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes, which must be made by the holder of a Global Note, for so long as such Global Note is outstanding. Each person must give a certificate as to non-U.S. beneficial ownership as the

date on which the Issuer is obliged to exchange a Temporary Global Note for a Permanent Global Note, which date shall be no earlier than the Exchange Date, in order to obtain any payment due on the Notes.

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

For so long as all of the Notes are represented by the Global Notes and such Global Notes are held on behalf of Euroclear and/or Clearstream, Luxembourg, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg (as the case may be) for communication to the relative accountholders rather than by publication as required by Condition 14 (provided that, so long as the Note are listed on the AEX Stock Exchange and the rules of the AEX Stock Exchange so require, notices shall also be published in the Official Price List of Amsterdam Exchanges N.V. (*Officiële Prijscourant*) in Amsterdam). Any such notice shall be deemed to have been given to the Noteholders on the seventh day after the day on which such notice is delivered to Euroclear and/or Clearstream, Luxembourg (as the case may be) as foresaid.

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

If after the Exchange Date (i) the Notes become immediately due and payable by reason of accelerated maturity following an Event of Default, or (ii) either Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business and no alternative clearance system satisfactory to the Security Trustee is available then the Issuer will at its sole cost and expense, issue:

- (i) Senior Notes in definitive form in exchange for the whole outstanding interest in the Permanent Global Note in respect of the Senior Notes; and
- (ii) Mezzanine Notes in definitive form in exchange for the whole outstanding interest in the Permanent Global Note in respect of the Mezzanine Notes; and
- (iii) Junior Notes in definitive form in exchange for the whole outstanding interest in the Permanent Global Notes in respect of the Junior 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.

## 16. DUTCH TAXATION

*This summary describes the principal tax consequences that will generally apply in case of an investment in Notes under Dutch law in force and in effect as of the date hereof, and is subject to changes in Dutch law, including changes that could have retroactive effect. Not every potential tax consequence of such investment under the laws of The Netherlands will be addressed. Prospective investors should consult their professional tax advisors regarding their particular personal tax consequences of acquiring, owning and disposing of Notes. In this summary the assumption is made that each transaction entered into is at arm's length.*

### A. Current Dutch Taxation Rules

#### I Withholding Tax

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

#### II Taxes on Income and Capital Gains

A holder of Notes will not be subject to any Dutch taxes on income or capital gains in respect of any payment under the Notes or in respect of any gain realised on the disposal of the Notes, provided that:

- (i) such holder is neither resident nor deemed to be resident in the Netherlands; and
- (ii) such holder does not have an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands and to which enterprise or part of an enterprise, as the case may be, the Notes are attributable; and
- (iii) such holder does not have a substantial interest or a deemed substantial interest in the Issuer or, if such holder does have such an interest, it forms part of the assets of an enterprise.

Generally, a holder of Notes will not have a substantial interest if he, his spouse, certain other relatives (including foster children) or certain persons sharing his household, do not hold, alone or together, whether directly or indirectly, the ownership of, or certain other rights over, shares representing five per cent or more of the total issued and outstanding capital (or the issued and outstanding capital of any class of shares) of the Issuer, or rights to acquire shares, whether or not already issued, that represent at any time (and from time to time) five per cent or more of the total issued and outstanding capital (or the issued and outstanding capital of any class of shares) of the Issuer or the ownership of certain profit participating certificates that relate to five per cent or more of the annual profit of the Issuer and/or to five per cent or more of the liquidation proceeds of the Issuer. A deemed substantial interest is present if (part of) a substantial interest has been disposed of, or is deemed to have been disposed of, on a non-recognition basis.

#### III Gift and Inheritance Taxes

No gift or inheritance taxes will arise in the Netherlands with respect to an acquisition of Notes by way of a gift by, or on the death of, a holder of Notes who is neither resident nor deemed to be resident in the Netherlands, unless:

- (i) such holder at the time of the gift has or at the time of his 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 enterprise or part of an enterprise, as the case may be, the Notes are or were attributable; or
- (ii) in the case of a gift of Notes by an individual who at the date of the gift was neither resident nor deemed to be resident in the Netherlands, such individual dies within 180 days after the date of the gift, while (at the time of his death) being resident or deemed to be resident in the Netherlands.

#### **IV Turnover Tax**

No Dutch turnover tax will arise in respect of any payment in consideration for the issue of the Notes or with respect to any payment by the Issuer of principal or interest on the Notes.

#### **V Capital Tax**

No Dutch capital tax will be payable in respect of or in connection with the issue of the Notes or the performance by the Issuer of its obligations thereunder.

#### **VI Other Taxes and Duties**

No Dutch registration tax, custom duty, transfer tax, stamp duty or any other similar documentary tax or duty, other than court fees, will be payable in the Netherlands in respect of or in connection with the issue of the Notes and/or enforcement by legal proceedings (including the enforcement of any foreign judgement in the Courts of the Netherlands) of the Notes or the performance by the Issuer of its obligations thereunder.

#### **B. Dutch Tax Reform 2001**

Recently, the Individual Income Tax Act 2001 (*Wet inkomstenbelasting 2001*) was enacted (Act of May 11, 2000 *Staatsblad 215*), to replace the Individual Income Tax Act 1964 (*Wet op de inkomstenbelasting 1964*). In a separate Act, certain transitional provisions were enacted and a number of changes were made to other tax acts (*Invoeringswet Wet inkomstenbelasting 2001*), Act of May 11, 2000, *Staatsblad 216*). The new legislation will become effective as of January 1, 2001. Amendments may still be made before that date, through Supplemental Acts. The new legislation will substantially change the taxation of investment income in The Netherlands.

## 17. SUBSCRIPTION AND SALE

Pursuant to a subscription agreement expected to be dated 7 August 2000 among the Lead Manager and the Issuer, the Lead Manager has agreed with the Issuer, subject to certain conditions, to subscribe for the Notes at their issue price. The Issuer has agreed to indemnify each of the respective Managers against certain liabilities and expenses in connection with the issue of each of the respective Class of Notes. The Issuer has agreed to pay the Lead Manager a combined subscription, management and selling commission of (i) 0.25 per cent. of the aggregate principal amount of the Service Notes on the Closing Date, (ii) 0.30 per cent. of the aggregate principal amount of the Mezzanine Notes on the Closing Date and (iii) 0.40 per cent. of the aggregate principal amount of the Junior Notes on the Closing Date. The Seller shall bear these costs by paying the Issuer the same on the Closing Date.

The Lead Manager has 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 business 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 Act 1986 with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom and (iii) it has only issued or passed on and will only issue or pass on in the United Kingdom any document received by it in connection with the issue of the Notes to a person who is of a kind described in Article 11(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1996 (as amended) or is a person to whom such document may otherwise lawfully be issued or passed on.

The Notes have not been and will not be registered under the United States Securities Act of 1933 (as amended)(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 except pursuant to an exemption from, or in a transaction not subject to, 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 distribution of this Offering Circular and the offering of the Notes in certain jurisdictions may be restricted by law; persons into whose possession this Offering Circular comes, are required by the Issuer and the Lead Manager to inform themselves about and to observe any such restrictions. This Offering Circular does not constitute an offer or an invitation to subscribe for, or purchase any Notes.

## 18. GENERAL INFORMATION

1. The issue of the Notes has been authorised by a resolution of the managing director of the Issuer passed on 7 August, 2000.
2. The Senior Notes, the Mezzanine Notes and the Junior Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg and through the Securities Clearing Corporation of the AEX Stock Exchange. The Senior Notes will bear Common Code 11509932, ISIN XS 0115099326 and Fondscode 12885. The Mezzanine Notes will bear Common Code 11509959, ISIN XS 0115099599 and Fondscode 12881. The Junior Notes will bear Common Code 11509975, ISIN XS 0115099755 and Fondscode 12883.
3. Ernst & Young Accountants have given and have not withdrawn their written consent to the issue of this Offering Circular with their report included herein in the form and context in which it appears.
4. Since its incorporation, the Issuer is not involved in any legal or arbitration proceedings which may have a significant effect on the Issuer's financial position nor, so far as the Issuer is aware, are any such proceedings pending or threatened against it.
5. Copies of the following documents may be inspected at the specified offices of the Security Trustee and the Paying Agent during normal business hours within a period of 14 days after the date of this document:
  - (i) the Deed of Incorporation of the Issuer
  - (ii) the Mortgage Receivables Purchase Agreement
  - (iii) the Subscription Agreement
  - (iv) the Agency Agreement
  - (v) the Trust Deed
  - (vi) the Pledge Agreement
  - (vii) the Additional Pledge Agreement
  - (viii) the Repledge Agreement
  - (ix) the Bank Account Pledge and Repledge Agreement
  - (x) the Servicing Agreement
  - (xi) the Management Agreements
  - (xii) the Swap Agreement
  - (xiii) the Transfer Agreement
  - (xiv) the Master Definitions Agreement
  - (xv) the Guaranteed Investment Contract
6. The articles of association of the Issuer are incorporated into this Offering Circular by reference. Copies of the articles of association of the Issuer are available free of charge at the offices of the Issuer.
7. The audited financial statements of the Issuer prepared annually will be made available, free of charge, at the specified offices of the Paying Agent.

## 19. ANNEX 1 – AVERAGE LIFE

The Issuer has estimated the average life of the Notes to be as follows given different prepayment rate assumptions.

Prepayment Rate	Senior Notes	Mezzanine Notes	Junior Notes	Date of Call	Clean Up vs 2009
0% .. .. .	5.61	5.61	5.61	29 Dec 09	2009
6% .. .. .	4.37	6.04	6.04	29 Dec 09	Clean Up
8% .. .. .	4.05	6.10	6.10	29 Sep 08	Clean Up
10% .. .. .	3.73	5.98	5.98	29 Mar 08	Clean Up
15% .. .. .	3.09	5.62	5.62	29 Mar 07	Clean Up

The average lives above have been calculated as of the Cut Off Date based on the following assumptions:

- (a) the Mortgage Loans are subject to prepayments at an annualised constant rate equal to 0%, 6%, 8%, 10%, or 15% per annum of the principal amounts outstanding of the Mortgage Loans;
- (b) no Mortgage Loans are in default or arrears;
- (c) no Mortgage Loan has been substituted or repurchased by the Seller other than for the purposes of (d) below;
- (d) the Issuer exercises its right to sell each Reset Mortgage Receivable;
- (e) the Issuer exercises its right to redeem the Notes (i) on the Payment Date on which the aggregate Principal Amount Outstanding of the Senior Notes is equal or less than 10% of the aggregate Principal Amount Outstanding on the Closing Date or (ii) on 29 December 2009.

The Average Lives of the Notes are subject to factors largely outside the control of the Issuer and consequently no assurance can be given that the estimates and assumptions will prove in any way to be realistic. The estimated average lives must therefore be viewed with considerable caution and the Noteholders should make their own assessment thereof.



## 20. ANNEX 2: AMORTISATION TABLES

Schedule 1 shows the amortisation table assuming that the Mortgage Loans are subject to prepayments at an annualised constant rate equal to 8% per annum of the principal amounts outstanding of the Mortgage Loans. Schedule 2 shows the amortisation table assuming that the Mortgage Loans are subject to prepayments at an annualised constant rate equal to 0% per annum of the principal amounts outstanding of the Mortgage Loans.

Both Schedule 1 and Schedule 2 have been calculated based on the following assumptions:

- (a) no Mortgage Loans are in default or arrears;
- (b) no Mortgage Loan has been substituted or repurchased by the Seller other than for the purposes of (c) below;
- (c) the Issuer exercises its right to sell each Reset Mortgage Receivable;
- (d) the Issuer exercises its right to redeem the Notes (i) on the Payment Date on which the aggregate Principal Amount Outstanding of the Senior Notes is equal or less than 10% of the aggregate Principal Amount Outstanding on the Closing Date or (ii) on 29 December 2009.

Payment Date	Schedule 1 8% CPR			Schedule 2 0% CPR			Schedule 1 8% CPR			Schedule 2 0% CPR		
	Senior Notes	Mezzanine Notes	Junior Notes	Senior Notes	Mezzanine Notes	Junior Notes	Senior Notes	Mezzanine Notes	Junior Notes	Senior Notes	Mezzanine Notes	Junior Notes
Initial Balance	189,000,000	8,000,000	3,000,000	0	0	0	189,000,000	8,000,000	3,000,000	0	0	0
2000/09	185,512,079	7,976,017	2,991,006	3,487,921	23,983	8,994	188,431,417	7,975,933	2,990,975	568,583	24,067	9,025
2000/12	180,373,541	7,940,107	2,977,540	5,138,539	35,910	13,466	187,565,100	7,939,264	2,977,224	866,316	36,669	13,751
2001/03	175,344,948	7,904,276	2,964,103	5,028,593	35,832	13,437	186,682,377	7,901,900	2,963,212	882,723	37,364	14,011
2001/06	170,424,024	7,868,521	2,950,696	4,920,924	35,754	13,408	185,782,932	7,863,828	2,948,935	899,446	38,072	14,277
2001/09	165,608,537	7,832,845	2,937,317	4,815,486	35,677	13,379	184,866,441	7,825,035	2,934,388	916,491	38,793	14,547
2001/12	160,395,827	7,775,895	2,915,961	5,212,710	56,950	21,356	183,368,788	7,761,642	2,910,616	1,497,652	63,393	23,772
2002/03	155,124,927	7,711,532	2,891,824	5,270,900	64,363	24,136	181,644,344	7,688,649	2,883,244	1,724,444	72,992	27,372
2002/06	149,483,238	7,626,487	2,859,933	5,641,690	85,045	31,892	179,315,696	7,590,082	2,846,281	2,328,648	98,567	36,963
2002/09	144,100,265	7,547,214	2,830,205	5,382,973	79,273	29,727	177,102,277	7,496,393	2,811,147	2,213,419	93,690	35,134
2002/12	138,355,308	7,447,431	2,792,787	5,744,957	99,783	37,419	174,256,580	7,375,940	2,765,977	2,845,697	120,453	45,170
2003/03	132,865,339	7,353,315	2,757,493	5,489,969	94,116	35,293	171,514,318	7,259,865	2,722,449	2,742,262	116,075	43,528
2003/06	125,877,953	7,189,750	2,696,156	6,987,385	163,565	61,337	166,648,897	7,053,922	2,645,221	4,865,421	205,944	77,229
2003/09	116,636,977	6,923,039	2,596,140	9,240,976	266,711	100,017	158,540,613	6,710,714	2,516,518	8,108,283	343,208	128,703
2003/12	103,837,178	6,494,347	2,435,380	12,799,799	428,692	160,760	145,243,616	6,147,878	2,305,454	13,296,997	562,836	211,063
2004/03	92,776,690	6,128,051	2,298,019	11,060,488	366,296	137,361	133,638,556	5,656,658	2,121,247	11,605,060	491,219	184,207
2004/06	77,899,797	5,586,470	2,094,926	14,876,893	541,581	203,093	116,138,313	4,915,907	1,843,465	17,500,244	740,751	277,782
2004/09	70,936,810	5,370,016	2,013,756	6,962,987	216,454	81,170	109,011,057	4,614,225	1,730,334	7,127,256	301,683	133,131
2004/12	65,976,149	5,233,472	1,962,552	4,960,660	136,544	51,204	104,408,623	4,419,413	1,657,280	4,602,434	194,812	73,055
2005/03	61,505,109	5,113,329	1,917,499	4,471,041	120,142	45,053	100,270,385	4,244,249	1,591,593	4,138,238	175,164	65,686
2005/06	57,173,093	4,994,933	1,873,100	4,332,016	118,396	44,399	96,104,400	4,067,911	1,525,467	4,165,985	176,338	66,127
2005/09	54,363,268	4,937,509	1,851,566	2,809,825	57,424	21,534	94,048,013	3,980,868	1,492,826	2,056,388	87,043	32,641
2005/12	51,584,406	4,879,039	1,829,640	2,778,862	58,470	21,926	91,900,854	3,889,983	1,458,744	2,147,159	90,885	34,082
2006/03	45,078,178	4,657,212	1,746,455	6,506,228	221,827	83,185	83,616,313	3,539,315	1,327,243	8,284,542	350,668	131,501
2006/06	41,159,580	4,540,494	1,702,685	3,918,598	116,719	43,770	79,163,363	3,350,830	1,256,561	4,452,949	188,485	70,682
2006/09	38,033,279	4,454,196	1,670,323	3,126,301	86,298	32,362	75,797,701	3,208,368	1,203,138	3,365,662	142,462	53,423
2006/12	34,737,860	4,357,736	1,634,151	3,295,420	96,460	36,173	71,953,855	3,045,666	1,142,125	3,843,846	162,702	61,013
2007/03	30,965,378	4,237,685	1,589,132	3,772,482	120,051	45,019	67,066,081	2,838,776	1,064,541	4,887,774	206,890	77,584
2007/06	27,000,737	4,105,374	1,539,515	3,964,641	132,311	49,617	61,578,525	2,606,498	977,437	5,487,556	232,278	87,104
2007/09	24,463,441	4,030,703	1,511,514	2,537,296	74,671	28,002	58,413,377	2,472,524	927,196	3,165,148	133,975	50,240
2007/12	21,502,409	3,935,418	1,475,782	2,961,032	95,285	35,732	54,288,083	2,297,908	861,716	4,125,294	174,616	65,481
2008/03	18,692,510	3,843,910	1,441,466	2,809,899	91,508	34,315	50,236,946	2,126,432	797,412	4,051,138	171,477	64,304
2008/06	15,288,154	3,723,995	1,396,498	3,404,356	119,915	44,968	44,822,877	1,897,265	711,474	5,414,069	229,167	85,938
2008/09	0	0	0	15,288,154	3,723,995	1,396,498	38,299,497	1,621,143	607,929	6,523,380	276,122	103,546
2008/12	0	0	0	0	0	0	33,825,416	1,431,764	536,911	4,474,081	189,379	71,017
2009/03							30,524,649	1,292,049	484,518	3,300,767	139,715	52,393
2009/06							26,535,971	1,123,216	421,206	3,988,678	168,833	63,312
2009/09							24,310,343	1,029,009	385,878	2,225,627	94,206	35,327
2009/12							0	0	0	24,310,343	1,029,009	385,878

Note: Both schedules are based on projections of the pool as of the Cut Off Date.

No assurance can be given that the estimates and assumptions will prove to be correct. The estimates must therefore be viewed with considerable caution and the Noteholders should make their own assessment thereof.

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