

# Securitized Guaranteed Mortgage Loans I B.V.

(incorporated with limited liability in the Netherlands with its statutory seat in Amsterdam, the Netherlands)

**euro 850,000,000 floating rate Senior Class A Mortgage-Backed Notes 2006 due 2055, issue price 100 per cent.**

**euro 6,000,000 floating rate Subordinated Class B Notes 2006 due 2055, issue price 100 per cent.**

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Application has been made to the Irish Financial Services Regulatory Authority (the "**IFSRA**"), as competent authority under Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading (the "**Prospectus Directive**") for the for this Prospectus to be approved. Application has been made to the Irish Stock Exchange for the euro 850,000,000 floating rate Senior Class A Mortgage-Backed Notes 2006 due 2055 (the "**Senior Class A Notes**") and the euro 6,000,000 floating rate Subordinated Class B Notes 2006 due 2055 (the "**Subordinated Class B Notes**") and together with the Senior Class A Notes, the "**Notes**"), to be issued by Securitized Guaranteed Mortgage Loans I B.V. (the "**Issuer**") to be admitted to the Official List and trading on its regulated market This document constitutes a Prospectus within the meaning of the Prospectus Directive and is issued in compliance with the Prospectus Directive and relevant implementing measures in Ireland for the purpose of giving information with regard to the issue of Notes. The Notes are expected to be issued on 29 November 2006.

The Notes will carry floating rates of interest payable quarterly in arrear on each Quarterly Payment Date. The rate of interest for the Notes will be three months Euribor plus the Relevant Margin. Up to the first Optional Redemption Date, the Relevant Margin will be 0.03 per cent. per annum for the Senior Class A Notes and 0.35 per cent. per annum for the Subordinated Class B Notes. If on the first Optional Redemption Date the Notes have not been redeemed in full, subject to and in accordance with the terms and conditions of the Notes (the "**Conditions**"), then the Relevant Margin will be reset and will be 0.50 per cent. per annum for the Senior Class A Notes and 1.00 per cent. per annum for the Subordinated Class B Notes.

The Notes are scheduled to mature on the Quarterly Payment Date falling in October 2055 (the "**Final Maturity Date**"). On the Quarterly Payment Date falling in January 2007 and on each Quarterly Payment Date thereafter the Senior Class A Notes will be subject to mandatory partial redemption in the circumstances set out in, and subject to and in accordance with the Conditions through the application of the Notes Redemption Available Amount remaining on such date. As the Notes Redemption Available Amount is up to the first Optional Redemption Date the amount remaining of the Principal Available Amount after the purchase of Substitute NHG Mortgage Receivables and Further Advance Receivables and less any Reserved Amount, such Notes Redemption Available Amount on any Quarterly Payment Date may be nil. On the Quarterly Payment Date falling in January 2007 and each Quarterly Payment Date thereafter the Subordinated Class B Notes will be subject to mandatory partial redemption in the circumstances set out in, subject to and in accordance with the Conditions through the application of the amount remaining of the Notes Interest Available Amount after all payments ranking higher in priority in the Interest Priority of Payments on such date have been made in full. On the Quarterly Payment Date falling in October 2014 and each Quarterly Payment Date thereafter (each an "**Optional Redemption Date**") the Issuer will have the option to redeem all (but not some only) of the Senior Class A Notes at their Principal Amount Outstanding, in the circumstances set out in, subject to and in accordance with the Conditions. Furthermore, the Senior Class A Notes may be subject to redemption in full or if the Issuer exercises any of its call options as provided for in Condition 6. Where the withholding or deduction of taxes, duties, assessments or charges are required by law in respect of payments of principal and/or interest of the Notes, such withholding or deduction will be made without an obligation of the Issuer to pay any additional amount to the Noteholders.

It is a condition precedent to issuance that the Senior Class A Notes, on issue, be assigned an "AAA" rating by Fitch Ratings Ltd. ("**Fitch**") and the Subordinated Class B Notes, on issue, be assigned at least a rating of "BBB+" by Fitch. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. For a discussion of some of the risks associated with an investment in the Notes, see chapter *Risk Factors* herein.

The Notes will be indirectly secured by a right of pledge over the NHG Mortgage Receivables and the Beneficiary Rights and a right of pledge over (most of) the other assets of the Issuer. The right to payment of interest and principal on the Subordinated Class B Notes will be subordinated and may be limited as more fully described herein.

The Notes of each Class will initially be represented by a temporary global note in bearer form (each a "**Temporary Global Note**"), without coupons, which are expected to be deposited with a common depository for Euroclear Bank S.A./N.V. as operator of the Euroclear System ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**") on or about the Closing Date. Interests in each

Temporary Global Note will be exchangeable for interests in a permanent global note of the relevant Class (each a '**Permanent Global Note**'), without coupons (the expression '**Global Notes**' means the Temporary Global Note of each Class and the Permanent Global Note of each Class and the expression '**Global Note**' means each Temporary Global Note or each Permanent Global Note, as the context may require) not earlier than forty (40) days after the Closing Date upon certification as to non-U.S. beneficial ownership. Interests in each Permanent Global Note will, in certain limited circumstances, be exchangeable for Notes in definitive bearer form as described in the Conditions.

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 Arranger, the Manager, the Liquidity Facility Provider, the Floating Rate GIC Provider, the Participant, the Directors, the Issuer Administrator, the Pool Servicer, the Interest Swap Counterparty, the Paying Agents, the Reference Agent or the Security Trustee. Furthermore, none of the Seller, the Arranger, the Manager, the Liquidity Facility Provider, the Floating Rate GIC Provider, the Participant, the Directors, the Issuer Administrator, the Pool Servicer, the Interest Swap Counterparty, the Paying Agents, the Reference Agent, the Security Trustee or any other person, in whatever capacity acting, will accept any liability whatsoever to the Noteholders in respect of any failure by the Issuer to pay any amounts due under the Notes. None of the Seller, the Arranger, the Manager, the Liquidity Facility Provider, the Floating Rate GIC Provider, the Participant, the Directors, the Issuer Administrator, the Pool Servicer, the Interest Swap Counterparty, the Paying Agents, the Reference Agent or the Security Trustee will be under any obligation whatsoever to provide additional funds to the Issuer (save in the limited circumstances described herein).

Capitalised terms used in this Prospectus, unless otherwise indicated, have the meanings as set out in this Prospectus. For the page reference of capitalised terms used herein see *Index of Defined Terms*.

**Arranger, Manager and Sole Bookrunner**  
**ING WHOLESALE BANKING**

The date of this Prospectus is 29 November 2006

## IMPORTANT INFORMATION

Only the Issuer is responsible for the information contained in this Prospectus, other than the information for which the Seller is responsible as referred to in the following paragraph. To the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case) the information (except for the information for which either the Seller is responsible as referred to in the following paragraph) contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information. Any information from third-parties contained in this Prospectus (except for the information for which the Seller is responsible as referred to in the following paragraph) has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from information published by such third parties, does not omit anything likely to render the reproduced information inaccurate or misleading. The Issuer accepts responsibility accordingly.

The Seller is responsible solely for the information contained in the following sections of this Prospectus: "*Dutch Residential Mortgage Market*", "*Eureko B.V.*", "*Achmea Hypotheekbank N.V.*", "*Description of Mortgage Loans*", "*NHG Guarantee Programme*" and "*Mortgage Loan Underwriting and Servicing*". To the best of the knowledge and belief of the Seller (having taken all reasonable care to ensure that such is the case) the information contained in these paragraphs is in accordance with the facts and does not omit anything likely to affect the import of such information. Any information from third-parties contained in these paragraphs has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from information published by such third parties, does not omit anything likely to render the reproduced information inaccurate or misleading. The Seller accepts responsibility accordingly.

This Prospectus is to be read in conjunction with the articles of association of the Issuer which can be obtained at the office of the Issuer (see chapter *General Information* below). Neither this Prospectus nor any part thereof constitutes an offer or an invitation 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.

The IFSRA has only approved of this document in relation to the Notes which are to be listed on the Irish Stock Exchange or any other EU Regulated Market and the IFSRA has neither reviewed nor approved this document in relation to unlisted Notes.

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

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

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

Neither the delivery of this Prospectus at any time nor any sale made in connection with the offering of the Notes shall imply that the information contained herein is correct at any time subsequent to the date of this Prospectus. Neither the Issuer nor any party has any obligation to update this Prospectus, after completion of the offer of the Notes.

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

The Notes have not been approved or disapproved by the US Securities and Exchange Commission, any state securities commission or any other regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of this offering or the accuracy or adequacy of this Prospectus. Any representation to the contrary is unlawful.

The Notes have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the "**Securities Act**") and include Notes in bearer form that are subject to United States tax law requirements. The Notes may not be offered, sold or delivered within the United States or to United States persons as defined in Regulation S under the Securities Act, except in certain transactions permitted by US tax regulations and the Securities Act (see chapter *Purchase and Sale* below).

In connection with the issue of the Notes, ING Bank (the '**Stabilising Manager**') or any duly appointed person acting for the Stabilising Manager may over-allot (provided that the aggregate principal amount of the Notes allotted does not exceed 105 per cent. of the aggregate Principal Amount Outstanding of the Notes) or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail for a limited period. However, there may be no obligation on the Stabilising Manager (or any agent of the Stabilising Manager) to do this. Such stabilising, if commenced, may be discontinued at any time, but it must end not later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Such stabilising shall be in compliance with all applicable laws, rules and regulations.

All references to 'Euro' and 'euro' refer to the single currency which was introduced at the start of the third stage of the European Economic and Monetary Union pursuant to the Treaty establishing the European Community (as amended by the Treaty on European Union).

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## SUMMARY

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

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

### **The transaction**

The Issuer will purchase and, on the Closing Date, accept the assignment from the Seller of the NHG Mortgage Receivables (i.e. the rights under or in connection with certain pre-selected Mortgage Loans originated by the Seller (or its legal predecessors) which have the benefit of NHG Guarantees) and the Beneficiary Rights relating thereto by means of a registered deed of assignment as a result of which legal title to the NHG Mortgage Receivables and the Beneficiary Rights relating thereto is transferred to the Issuer. Furthermore, the Issuer will on the Closing Date issue the Notes and use the net proceeds of the Senior Class A Notes to pay to the Seller (part of) the Initial Purchase Price for the NHG Mortgage Receivables pursuant to the Mortgage Receivables Purchase Agreement (see further chapter *Mortgage Receivables Purchase Agreement*). The proceeds of the issue of the Subordinated Class B Notes will be credited to the Reserve Account.

On each Quarterly Payment Date up to the Quarterly Payment Date immediately preceding the Final Maturity Date, the Issuer will purchase from the Seller Further Advance Receivables and the Beneficiary Rights relating thereto subject to the fulfilment of certain conditions. Furthermore, on each Quarterly Payment Date up to the Quarterly Payment Date immediately preceding the first Optional Redemption Date the Issuer will purchase from the Seller Substitute NHG Mortgage Receivables and the Beneficiary Rights relating thereto subject to the fulfilment of certain conditions and to the extent offered by the Seller. Broadly, for such purchases the Issuer shall apply all amounts of principal received in respect of the NHG Mortgage Receivables (including in connection with repurchase or sale of NHG Mortgage Receivables).

The Issuer will use receipts of principal and interest in respect of the NHG Mortgage Receivables together with amounts it receives under the Liquidity Facility Agreement, the Floating Rate GIC, the Sub-Participation Agreement and the Interest Swap Agreement and drawings made under the Reserve Account, to make payments of, *inter alia*, principal and interest due in respect of the Notes. The obligations of the Issuer in respect of the Notes will rank below the obligations of the Issuer in respect of certain items set forth in the applicable priority of payments (see chapter *Credit Structure*) and the right to payment of interest and principal on the Subordinated Class B Notes will be subordinated to the Senior Class A Notes and limited as more fully described herein under the chapters *Credit Structure* and *Terms and Conditions of the Notes*.

Pursuant to the Liquidity Facility Agreement the Issuer will be entitled to make drawings if, after application of amounts available on the Reserve Account and without taking into account any drawing under the Liquidity Facility, there is a shortfall in the Notes Interest Available Amount to meet certain items of the Interest Priority of Payments in full (see chapter *Credit Structure* below).

Pursuant to the Floating Rate GIC, the Floating Rate GIC Provider will agree to pay a guaranteed rate of interest determined by reference to Euribor on the balance standing from time to time to the credit of the Master Collection Account and the Reserve Account (see chapter *Credit Structure*).

Pursuant to the Administration Agreement, the Pool Servicer will – *inter alia* – provide administration and management services in relation to the Mortgage Loans on a day-to-day basis, including, without limitation, the collection of payments of principal, interest and all other amounts in respect of the Mortgage Loans and the

implementation of arrears procedures including, if applicable, the enforcement of Mortgage and the Issuer Administrator will agree to provide certain administration, calculation and cash management services to the Issuer on a day-to-day basis, including without limitation, all calculations to be made in respect of the Notes pursuant to the Conditions (see further chapter *Administration Agreement*).

To mitigate the risk between the rate of interest to be received by the Issuer in respect of the NHG Mortgage Receivables and the rate of interest payable by the Issuer on the Senior Class A Notes, the Issuer will enter into the Interest Swap Agreement (see chapter *Credit Structure*).

### **Security**

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

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

The Trust Deed sets out the priority of the claims of the Secured Parties. For a more detailed description see chapters *Credit Structure* and *Description of Security* below.

### **Interest on the Notes**

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

### **Redemption of the Notes**

Unless previously redeemed, the Issuer will, subject to Condition 9(b), redeem all of the Notes at their respective Principal Amount Outstanding on the Quarterly Payment Date falling in October 2055.

On the Quarterly Payment Date falling in January 2007 and on each Quarterly Payment Date thereafter the Issuer will be obliged to apply the Notes Redemption Available Amount, which broadly consists of all amounts of principal received (i) as repayment or pre-payment on the NHG Mortgage Receivables or (ii) in connection with a repurchase or sale of the NHG Mortgage Receivables, less amounts used for the purchase of Substitute NHG Mortgage Receivables (up to and including the Quarterly Payment Date immediately preceding the first Optional Redemption Date) and Further Advance Receivables and the Reserve Amount, to (partially) redeem the Senior Class A Notes. The Subordinated Class B Notes will be (partially) redeemed on Quarterly Payment Date falling in January 2007 and on each Quarterly Payment Date thereafter in accordance with Condition 6(e).

The Issuer will have the option to redeem all of the Senior Class A Notes, but not some only, on each Optional Redemption Date at their Principal Amount Outstanding. Also, the Issuer will have the option to redeem the Notes for tax reasons. Finally, the Issuer will redeem the Notes if the Seller exercises its Clean-Up Call Option.

For a more detailed description see chapter *Terms and Conditions of the Notes*.

### **Listing**

Application has been made to list the Notes on the Irish Stock Exchange.

### **Rating**

It is a condition precedent that the Senior Class A Notes, on issue, be assigned an "AAA" rating by Fitch and the Subordinated Class B Notes, on issue, be assigned at least a "BBB+" rating by Fitch.

**Risk factors**

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

## RISK FACTORS

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

### RISK FACTORS REGARDING THE ISSUER

#### **The Notes will be solely the obligations of the Issuer**

The Notes will be solely the obligations of the Issuer. The Notes will not be obligations or responsibilities of, or guaranteed by, any other entity or person, in whatever capacity acting, including, without limitation, the Seller, the Manager, the Arranger, the Liquidity Facility Provider, the Floating Rate GIC Provider, the Participant, the Directors, the Issuer Administrator, the Pool Servicer, the Interest Swap Counterparty, the Paying Agents, the Reference Agent or the Security Trustee. Furthermore, none of the Seller, the Arranger, the Manager, the Liquidity Facility Provider, the Floating Rate GIC Provider, the Participant, the Directors, the Issuer Administrator, the Pool Servicer, the Interest Swap Counterparty, the Paying Agents, the Reference Agent, the Security Trustee or any other person in whatever capacity acting, will accept any liability whatsoever to Noteholders in respect of any failure by the Issuer to pay any amounts due under the Notes. None of the Seller, the Manager, the Arranger, the Liquidity Facility Provider, the Floating Rate GIC Provider, the Participant, the Directors, the Issuer Administrator, the Pool Servicer, the Interest Swap Counterparty, the Paying Agents, the Reference Agent and the Security Trustee will be under any obligation whatsoever to provide additional funds to the Issuer (save in the limited circumstances described herein).

#### **The Issuer has limited resources available to meet its obligations**

The ability of the Issuer to meet its obligations in full to pay principal of and interest on the Notes will be dependent on the receipt by it of funds in respect of the NHG Mortgage Receivables, the proceeds of the sale of any NHG Mortgage Receivables and the Sub-Participation Agreement, the receipt by it of payments under the Interest Swap Agreement and the receipt by it of interest in respect of the balances standing to the credit of the Transaction Accounts. In addition, the Issuer will have available to it the balances standing to the credit of the Reserve Account and the amount available to be drawn under the Liquidity Facility for certain of its payment obligations (see further chapter *Credit Structure*).

#### **The Issuer has counterparty risk exposure**

Counterparties to the Issuer may not perform their obligations under the Relevant Documents (as defined in the chapter *Terms and Conditions of the Notes*), which may result in the Issuer not being able to meet its obligations under the Notes. It should be noted that there is a risk that (a) Achmea Hypotheekbank in its capacity of the Seller, the Issuer Administrator and the Pool Servicer will not perform its obligations *vis-à-vis* the Issuer under the Mortgage Receivables Purchase Agreement and the Administration Agreement respectively, (b) ING Bank as the Liquidity Facility Provider and the Interest Swap Counterparty will not perform its respective obligations under the Liquidity Facility Agreement and the Interest Swap Agreement respectively, (c) ABN AMRO Bank as the Floating Rate GIC Provider will not perform its obligations under the Floating Rate GIC, (d) the Participant will not perform its obligations under the Sub-Participation Agreement, (e) Bank of New York in its capacity of Principal Paying Agents and Reference Agent will not perform its obligations under the Paying Agency Agreement, (f) NCB will not perform its obligations under the Paying Agency Agreement and (f) the Directors will not perform their respective obligations under the relevant Management Agreements.

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

Under or pursuant to the Pledge Agreements, various Dutch law pledges will be granted by the Issuer to the Security Trustee. On the basis of these pledges the Security Trustee can exercise the rights afforded by Netherlands law to pledgees as if there were no bankruptcy or suspension of payments of the Issuer. The Issuer is a special purpose vehicle and is therefore unlikely to become insolvent. However, any bankruptcy or suspension of payments involving the Issuer would affect the position of the Security Trustee as pledgee in some respects, the most important of which are: (i) payments made by the Borrowers to the Issuer prior to notification but after bankruptcy or suspension of payments will be part of the bankruptcy estate of the Issuer, although the Security Trustee has the right to receive such amounts by preference after deduction of certain costs, (ii) a mandatory 'cool-off' period of up to four months may apply in case of bankruptcy or suspension of payments involving the Issuer, which, if applicable would delay the exercise ("*uitwinnen*") of the right of pledge on the NHG Mortgage Receivables, but not the collection ("*innen*") thereof and (iii) the Security Trustee 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 Issuer.

To the extent the receivables pledged by the Issuer to the Security Trustee are future receivables, such assets are no longer capable of being pledged after a bankruptcy or suspension of payments of the Issuer takes effect. The Issuer has been advised that the assets pledged to the Security Trustee under the Security Trustee Pledge Agreement II should probably be regarded as future receivables. This would for example apply to amounts paid to the Transaction Accounts following the Issuer's bankruptcy or suspension of payments.

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

Under Netherlands law it is uncertain whether a security right can be validly created in favour of a party which is not the creditor of the claim which the security right purports to secure. Consequently, in order to secure the valid creation of the rights of pledge in favour of the Security Trustee, the Issuer has in the Parallel Debt Agreement, as a separate and independent obligation, by way of parallel debt, undertaken to pay to the Security Trustee amounts equal to the amounts due by it to the Secured Parties. There is no statutory law or case law available on parallel debts such as the Parallel Debt and the question whether a parallel debt constitutes a valid basis for the creation of security rights, such as rights of pledge. The Issuer has been advised that such a parallel debt creates a claim of the Security Trustee thereunder which can be validly secured by a right of pledge such as the rights of pledge created by the Security Trustee Pledge Agreement I and the Security Trustee Pledge Agreement II (see also chapter *Description of Security*).

Any payments in respect of the Parallel Debt and any proceeds received by the Security Trustee are, in the case of an insolvency of the Security Trustee, not separated from the Security Trustee's other assets. The Secured Parties therefore have a credit risk on the Security Trustee. However, the Security Trustee is a special purpose vehicle and is therefore unlikely to become insolvent.

### **License requirement under the Financial Services Act**

Under the new Financial Services Act ("*Wet financiële dienstverlening*"), which entered into force on 1 January 2006, a special purpose vehicle which services ("*beheert*") and administers ("*uitvoert*") loans granted to consumers, such as the Issuer, must have a license under that Act. An exemption from the license requirement is available, if the special purpose vehicle outsources the servicing of the loans and the administration thereof to an entity holding a license under the Financial Services Act. The Issuer has outsourced the servicing and administration of the Mortgage Loans to the Pool Servicer. The Pool Servicer holds a license under the Financial Services Act and the Issuer thus benefits from the exemption. However, if the Administration Agreement is terminated, the Issuer will need to outsource the servicing and administration of the Mortgage Loans to another licensed entity or it needs to apply for and hold a license itself. In the latter case, the Issuer will have to comply with the applicable requirements under the Financial Services Act. If the Administration Agreement is terminated and the Issuer has not outsourced the servicing and administration of the Mortgage Loans to a licensed entity and, in such case, it will not hold a license itself, the Issuer will have to terminate its activities and settle ("*afwickelen*") its existing agreements.

### **Risk related to the termination of the Swap Agreement**

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

The Interest Swap Agreement will be terminable by one party if- *inter alia* - (i) an event of default occurs in relation to the other party, (ii) it becomes unlawful for either party to perform its obligations under the Interest Swap Agreement or (iii) an Enforcement Notice is served or (iv) the remedy period for a Tax Event has expired. Events of default in relation to the Issuer will be limited to (i) non-payment under the Interest Swap Agreement and (ii) insolvency events in respect of the Issuer. If the Interest Swap Agreement terminates the Issuer will be exposed to changes in the relevant rates of interest. As a result, unless a replacement swap is entered into, the Issuer may have insufficient funds to make payments under the Notes.

### **RISK FACTORS REGARDING THE NHG MORTGAGE RECEIVABLES**

#### **Risk related to payments received by the Seller prior to notification to the Borrowers of the assignment of the NHG Mortgage Receivables to the Issuer**

Under Netherlands law, assignment of the legal title of claims, such as the NHG Mortgage Receivables, can be effectuated by means of a notarial or registered deed of assignment, without notification of the assignment to the debtors being required ("*stille cessie*"). The legal title of the NHG Mortgage Receivables will be assigned on the Closing Date and, in respect of Substitute NHG Mortgage Receivables on each Quarterly Payment Date up to (but excluding) the first Optional Redemption Date and, in respect of Further Advance Receivables, on each Quarterly Payment Date by the Seller to the Issuer through a registered deed of assignment. The Mortgage Receivables Purchase Agreement will provide that the assignment of the NHG Mortgage Receivables by the Seller to the Issuer will not be notified by the Seller or, as the case may be, the Issuer to the Borrowers except if certain events occur (see for a description of these notification events chapter *Mortgage Receivables Purchase Agreement*).

Until notification of the assignment has been made to the Borrowers, the Borrowers under the NHG Mortgage Receivables can only validly pay to the Seller in order to fully discharge their payment obligations ("*bevrijdend betalen*"). The Seller has undertaken in the Mortgage Receivables Purchase Agreement to pay on each Mortgage Payment Date to the Issuer any amounts received in respect of the NHG Mortgage Receivables during the immediately preceding Mortgage Collection Period. However, receipt of such amounts by the Issuer is subject to the Seller actually making such payments. In case the Seller is declared bankrupt or subject to emergency regulations ("*Noodregeling*") as referred to in Chapter X of the Netherlands Act on the Supervision of the Credit System 1992 ("*Wtk*") ('**Emergency Regulations**') prior to making such payments, the Issuer has no right of any preference in respect of such amounts.

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

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

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

The conditions applicable to the Mortgage Loans originated by Avéro Hypotheken B.V. and FBTO Hypotheken B.V. or by the Seller under the names (a) Avéro Achmea and (b) FBTO Hypotheken, provide that payments by the Borrowers should be made without set-off. Although this clause is intended as a waiver by the Borrowers of their set-off rights vis-à-vis the Seller, under Netherlands law it is uncertain whether such waiver will be valid. Should such waiver be invalid, the Borrowers will have the set-off rights described in this paragraph.

After assignment of the NHG Mortgage Receivables to the Issuer and notification thereof to a Borrower, such Borrower will also have set-off rights vis-à-vis the Issuer, provided that the legal requirements for set-off are met (see above), and further provided that (i) the counterclaim of the Borrower results from the same legal relationship as the relevant NHG Mortgage Receivable, or (ii) the counterclaim of the Borrower has been originated and become due prior to the assignment of the NHG Mortgage Receivable and notification thereof to the relevant Borrower. The question whether a court will come to the conclusion that the NHG Mortgage Receivable and the claim of the Borrower against the Seller result from the same legal relationship will depend on all relevant facts and circumstances involved. But even if these would be held to be different legal relationships, set-off will be possible if the counterclaim of the Borrower has originated ("*opgekomen*") and become due ("*opeisbaar*") prior to notification of the assignment, and, further, provided that all other requirements for set-off have been met (see above).

In view thereof, the Seller will represent and warrant that it has not accepted any deposits from the Borrowers and it currently does not have any account relationships with the Borrowers.

In respect of Mortgage Loans granted by the Seller to any employees within its Group (**Employee Mortgage Loans**) the Borrower, which is also an employee of the Seller, has set-off rights vis-à-vis the Issuer for claims resulting from its employment relationship, provided that the conditions for set-off after notification of assignment, set out above, are met. Consequently, counterclaims resulting from the employment relationship which have become due prior to notification, can be set-off against the relevant Mortgage Receivable. For counterclaims which are not due at the time of notification, the question is whether the counterclaim results from the same legal relationship as the Employee Mortgage Loan. The Issuer has been informed by the Seller that its employees have the right to a reduced interest on a mortgage loan taken out with the Seller as part of their employment conditions. On this basis it could be argued that the Employee Mortgage Loan is part of the employment relationship and could on this basis be regarded as resulting from the same legal relationship. However, the Issuer has been advised that the better view is that the Employee Mortgage Loan and the employment relationship should not be regarded as the same legal relationship, since the Issuer has been informed by the Seller that (i) the only connection between the Employee Mortgage Loan and the employment relationship is the right to reduced interest on the Employee Mortgage Loan and (ii) no actual set-off of amounts due under the Employee Mortgage Loan with salary payments is agreed or actually effectuated. There is no case law or literature supporting this view.

If notification of the assignment of the NHG Mortgage Receivables is made after the bankruptcy or Emergency Regulations of the Seller having become effective, it is defended in legal literature that the Borrower will, irrespective of the notification of the assignment, continue to have the broader set-off rights afforded to it in the Netherlands Bankruptcy Code. Under the Netherlands Bankruptcy Code a person which is both debtor and creditor of the bankrupt entity can set off its debt with its claim, if each claim (i) came into existence prior to the moment at which the bankruptcy become effective or (ii) resulted from transactions with the bankrupt entity concluded prior to the bankruptcy becoming effective. A similar provision applies in case of Emergency Regulations.

For specific set-off issues relating to the Life Mortgage Loans or, as the case may be, Savings Mortgage Loans, reference is made to risk factor *Risk of set-off or defences by Borrowers in case of insolvency of Insurance Companies*.

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

All NHG Mortgage Receivables sold and assigned to the Issuer and originated by Avéro Hypotheken B.V., Woonfonds Nederland B.V. and by the Seller, other than set out below, will be secured by mortgage rights which not only secure the loan granted to the Borrower for the purpose of acquiring the mortgaged property, but also other liabilities and moneys that the Borrower, now or in the future, may owe to the Seller ('**Bank Mortgages**'). All NHG Mortgage Receivables sold and assigned to the Issuer and originated by FBTO Hypotheken B.V. and Centraal Beheer Hypotheken B.V., Centraal Beheer Woninghypotheken B.V. and by the Seller under the names (i) Centraal Beheer Achmea, (ii) Avéro Achmea, (iii) FBTO Hypotheken and/or (iv) Woonfonds Hypotheken will be secured by mortgage rights created under a mortgage deed in which the Borrower has given security over the Mortgaged Assets in excess of the amount of the initial Mortgage Loans. The mortgage deeds relating to such Mortgage Loans provide that any Further Advances granted by the Seller to the relevant Borrower are secured by the same mortgage right. It is likely that such Mortgage Loans should be regarded as "*krediethypotheken*" ('**Credit Mortgages**'). The views set out below on Bank Mortgages apply *mutatis mutandis* to Credit Mortgages.

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

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

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

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

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

Furthermore, it is noted that if the Issuer does not have the benefit of the mortgage right, it also will not be entitled to claim under any NHG Guarantee.

The above applies *mutatis mutandis* in the case of the pledge of the NHG Mortgage Receivables by the Issuer to the Security Trustee under the Security Trustee Pledge Agreement I.

### **Risk related to co-held Bank Mortgages and Credit Mortgages by the Seller, the Issuer and the Security Trustee**

If the Bank Mortgages and Credit Mortgages have (partially) followed the NHG Mortgage Receivables upon their assignment, the mortgage rights will be co-held by the Issuer and the Seller and would secure both the NHG Mortgage Receivables held by the Issuer (or the Security Trustee, as pledgee) and any claims against the relevant Borrowers owned by the Seller (the “**Other Claims**”). In that case the rules applicable to co-ownership (“*gemeenschap*”) apply. The Netherlands Civil Code provides for various mandatory rules which apply to such co-held rights. In the Mortgage Receivables Purchase Agreement the Seller, the Issuer and the Security Trustee will agree that the Issuer and/or the Security Trustee (as applicable) will manage and administer such co-held rights. It is uncertain whether the foreclosure of the mortgage right will be considered as day-to-day management, and consequently, the consent of the Seller's bankruptcy trustee (in case of bankruptcy) or administrator (in case of Emergency Regulations) may be required for such foreclosure. The Seller, the Issuer and/or the Security Trustee will agree that in case of foreclosure the share (*'aandeel'*) in each co-held mortgage right of the Security Trustee and/or the Issuer will be equal to the Outstanding Principal Amount, increased with interest and costs, if any, and the Seller's share will be equal to the Net Proceeds less the Outstanding Principal Amount of the relevant NHG Mortgage Receivable, increased with interest and costs, if any. The Issuer has been advised that although a good argument can be made that this arrangement will be enforceable against the Seller or, in case of its bankruptcy or Emergency Regulations, its trustee (“*curator*”) or administrator (“*bewindvoerder*”), as the case may be, this is not certain. Furthermore it is noted that this arrangement may not be effective against the Borrower. In view hereof, the Seller will represent and warrant that on the Cut-Off Date it had no Other Claims and it will undertake in the Mortgage Receivables Purchase Agreement that, until the Notes have been redeemed in accordance with the Conditions and the Issuer has no further obligation under any of the other Relevant Documents, it shall not grant or acquire any Other Claims against a Borrower, other than a Further Advance, provided that the relevant Further Advance Receivable will be purchased by the Issuer on the immediately preceding Quarterly Payment Date following the date on which such Further Advance has been granted.

### **Risks that the mortgage rights on long leases cease to exist**

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

A long lease will, *inter alia*, end as a result of expiration of the long lease term (in case of lease for a fixed period), or termination of the long lease by the leaseholder or the landowner. The landowner can terminate the long lease in the event the leaseholder has not paid the remuneration due for a period exceeding two consecutive years or seriously breaches (“*in ernstige mate tekortschieten*”) other obligations under the long lease. In case the long lease ends, the landowner will have the obligation to compensate the leaseholder. In such event the mortgage right will, by operation of law, be replaced by a right of pledge on the claim of the (former) leaseholder on the landowner for such compensation. The amount of the compensation will, *inter alia*, be determined by the conditions of the long lease and may be less than the market value of the long lease.

When underwriting a Mortgage Loan to be secured by a mortgage right on a long lease, the Seller and each of the other Originators has taken into consideration the conditions, including the term of the long lease. The acceptance conditions used from time to time provide that in such event the Mortgage Loan shall have a maturity that is shorter than or equal to the term of the long lease. Furthermore, the general terms and conditions of the Mortgage Loans provide that the Mortgage Loan becomes immediately due and payable in the event that, *inter alia*, (i) the leaseholder has not paid the lease rental, (ii) the conditions of the long lease are changed, (iii) the leaseholder breaches any obligation under the long lease, or (iv) the long lease is dissolved or terminated.

### **Risk that the Borrower Insurance Pledge will not be effective**

The Seller has the benefit of a right of pledge on all rights of a Borrower under the Insurance Policies (**'Borrower Insurance Pledge'**). However, the Issuer has been advised that it is probable that the right to receive payment, including the commutation payment ("*afkoopsom*"), under the Insurance Policies will be regarded by a Netherlands court as a future right. The pledge of a future right is, under Netherlands law, not effective if the pledgor is declared bankrupt or is granted a suspension of payments (Emergency Regulations), prior to the moment such right comes into existence. This means that it is uncertain whether such pledge will be effective. Even if the pledge on the rights on the Insurance Policies were effective, it would be uncertain whether such right of pledge would pass to the Issuer or, as the case may be, the Security Trustee upon the assignment or pledge of the NHG Mortgage Receivables, in those cases where the pledge secures the same liabilities as the Bank Mortgages (and should therefore be regarded as **'bank pledges'**) and the Credit Mortgages (and should therefore be regarded as **'credit pledges'**) and consequently the uncertainty as to the Bank Mortgages and Credit Mortgages following the NHG Mortgage Receivables upon their assignment described above applies equally in respect of Borrower Insurance Pledge.

### **Risks related to Beneficiary Rights and Insurance Policies**

In the case of (i) Mortgage Loans originated by Avéro Hypotheken B.V., FBTO Hypotheken B.V. and the Seller under the names Avéro Achmea and FBTO, the relevant Originator or the Seller has appointed itself as beneficiary of the proceeds under the Savings Insurance Policies for all amounts owed by the Borrower to the relevant Originator and (ii) Mortgage Loans originated by Woonfonds Nederland B.V., Centraal Beheer Hypotheken B.V., Centraal Beheer Woninghypotheken B.V. and the Seller under the names Woonfonds Hypotheken, Avéro Achmea and Centraal Beheer, the relevant Originator or the Seller has been appointed as beneficiary of the proceeds under the Insurance Policies up to the amount provided for in the mortgage deed (the **'Beneficiary Rights'**), except that any other beneficiary appointed will rank ahead, provided that in such event the relevant Insurance Company is irrevocably authorised by such beneficiary to apply the insurance proceeds in satisfaction of the NHG Mortgage Receivable (the **'Borrower Insurance Proceeds Instruction'**). It is unlikely that the Beneficiary Rights will follow the NHG Mortgage Receivables upon assignment thereof to the Issuer. Therefore, the Issuer will accept the assignment of the Beneficiary Rights, to the extent necessary and possible, from the Seller. In addition, the Issuer will grant a first-ranking undisclosed right of pledge over the Beneficiary Rights to the Security Trustee. However, the Issuer has been advised that it is uncertain whether this assignment and pledge will be effective.

In the circumstances that no such Borrower Insurance Proceeds Instruction exists and/or the assignment and/or pledge of the Beneficiary Rights is not effective, the Issuer will enter into a beneficiary waiver agreement (the **'Beneficiary Waiver Agreement'**) with the Security Trustee, the Participant and the Seller, under which the Seller without prejudice to the rights of the Issuer as assignee and the rights of the Security Trustee as pledgee and subject to the condition precedent of the occurrence of an Assignment Notification Event, waives its rights as beneficiary under the Insurance Policies with the Participant and appoints as first beneficiary (i) the Issuer subject to the dissolving condition ("*ontbindende voorwaarde*") of the occurrence of a Trustee Notification Event and (ii) the Security Trustee under the condition precedent ("*opschortende voorwaarde*") of the occurrence of a Trustee Notification Event. It is, however, uncertain whether such waiver, and unlikely that such appointment will be effective. For the event that such waiver and appointment are not effective in respect of the Insurance Policies with the Participant and, furthermore, in respect of the Life Insurance Policies with any of the Life Insurance Companies, the Seller and the Participant (but only in respect of any Insurance Policies with it) will undertake in the Beneficiary Waiver Agreement that upon the occurrence of an Assignment Notification Event, they will use their best efforts to obtain the co-operation from all relevant parties to (a) waive its rights as beneficiary and (b) appoint (i) the Issuer subject to the dissolving condition of the occurrence of a Trustee Notification Event or (ii) the Security Trustee under the condition precedent of the occurrence of a Trustee Notification Event, as the case may be, as first beneficiary under the Insurance Policies. Where a Borrower Insurance Proceeds Instruction exists, the Seller and, in respect of the Insurance Policies with the Participant only, the Participant will in the Beneficiary Waiver Agreement undertake to use its best efforts, following an Assignment Notification Event to obtain the co-operation from all relevant parties to change the payment instruction in favour of (i) the Issuer subject to the dissolving condition of the occurrence of a Trustee Notification Event and (ii) the Security Trustee under the condition precedent of the occurrence of a Trustee Notification Event. It is uncertain whether such co-operation will be forthcoming.

If the Issuer or the Security Trustee, as the case may be, has not become beneficiary of the Insurance Policies and

the assignment and/or pledge and the waiver of the Beneficiary Rights are not effective, any proceeds under the Insurance Policies will be payable to the Seller or to another beneficiary, instead of the Issuer or the Security Trustee, as the case may be. If the proceeds are paid to the Seller, it will be obliged to pay the amount involved to the Issuer or the Security Trustee, as the case may be. If the proceeds are paid to the Seller and the Seller does not pay the amount involved to the Issuer or the Security Trustee, as the case may be, e.g. in the case of bankruptcy of the Seller, or if the proceeds are paid to another beneficiary instead of the Issuer or the Security Trustee, as the case may be, this may result in the amount paid under the Insurance Policies not being applied in reduction of the relevant NHG Mortgage Receivable. This may lead to the Borrower trying to invoke set-off or defences against the Issuer or, as the case may be, the Security Trustee, for the amounts so received by the Seller as further discussed under risk factor *Risk of set-off or defences by Borrowers in case of insolvency of Insurance Companies*, which may adversely affect the payment of the Notes.

### **Risk of set-off or defences by Borrowers in case of insolvency of Insurance Companies**

The Savings Mortgage Loans have the benefit of Saving Insurance Policies with the Participant and the Life Mortgage Loans have the benefit of Life Insurance Policies (together with the Savings Insurance Policies, the 'Insurance Policies') taken out with any of the Insurance Companies. Under the Insurance Policies the Borrowers pay premium consisting of a risk element and a savings or investment element. The intention of the Insurance Policies is that at maturity of the relevant Mortgage Loan, the proceeds of the savings or investments can be used to repay the relevant Mortgage Loan, whether in full or in part. If any of the Insurance Companies is no longer able to meet its obligations under the Insurance Policies, for example as a result of bankruptcy or having become subject to Emergency Regulations, this could result in the amounts payable under the Insurance Policies are not applied as a reduction of the NHG Mortgage Receivable, the Borrower may try to invoke a right of set-off of the amount due under the NHG Mortgage Receivable with amounts payable under or in connection with the relevant Insurance Policy which may have the result that the NHG Mortgage Receivables will be, fully or partially, extinguished ("*teniet gaan*") or cannot be recovered for other reasons, which could lead to losses under the Notes.

As set out in risk factor *Set-off by Borrowers may affect the proceeds under the NHG Mortgage Receivables*, some of the Borrowers have waived their set-off rights, but it is uncertain whether such waiver is effective. If the waiver is not effective or in the case of Borrowers having not waived their set-off rights the Borrowers will in order to invoke a right of set-off, need to comply with the applicable legal requirements for set-off. One of these requirements is that the Borrower should have a claim which corresponds to his debt to the same counterparty. The Insurance Policies are contracts between the relevant Insurance Company and the Borrowers and the Mortgage Loans are contracts between the Seller and the Borrowers. Therefore, in order to invoke a right of set-off the Borrowers would have to establish that the Seller and the relevant Insurance Company should be regarded as one legal entity or possibly, based upon interpretation of case law that set-off is allowed, even in the absence of a single legal entity, since the Insurance Policies and the Mortgage Loans are to be regarded as one inter-related relationship. Another requirement is that the Borrowers should have a counterclaim. If the relevant Insurance Company is declared bankrupt or has become subject to Emergency Regulations, the Borrower will have the right to unilaterally terminate the Insurance Policy and to receive a commutation payment ("*afkoopson*"). These rights are subject to the Borrower Insurance Pledge. However, despite this pledge it may be argued that the Borrower will be entitled to invoke a right of set-off for the commutation payment, subject, however, to what is stated above under risk factor *Risk that the Borrower Insurance Pledge will not be effective*. However, apart from the right to terminate the Insurance Policies, the Borrowers are also likely to have the right to rescind the Insurance Policies and to claim restitution of premiums paid and/or supplementary damages. It is uncertain whether such claim is subject to the Borrower Insurance Pledge. If not, the Borrower Insurance Pledge would not obstruct a right of set-off with such claim by Borrowers.

Set-off vis-à-vis the Issuer after notification of the assignment would be subject to additional requirements for set-off being met (see risk factor *Set-off by Borrowers may affect the proceeds under the NHG Mortgage Receivables*).

In case of the Savings Mortgage Loans (one of) these requirements is likely to be met, since it is likely that the Savings Mortgage Loans and the Savings Insurance Policies are to be regarded as one legal relationship. If the Savings Mortgage Loan and the Savings Insurance Policy are regarded as one legal relationship, the assignment will not interfere with the set-off. In case of the Life Mortgage Loans, the fact that the Life NHG Mortgage Receivables are assigned to the Issuer is likely to obstruct such set-off, after notification of the assignment, since it is unlikely

that one of the requirements for set-off following assignment or pledge is met (see risk factor *Set-off by Borrowers may affect the proceeds under the NHG Mortgage Receivables*).

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

#### *Life Mortgage Loans with any of the Life Insurance Companies*

In respect of the risk of such set-off or defences being successful, as described above, if, in case of bankruptcy or Emergency Regulations of any of the Life Insurance Companies, the Borrowers/insured will not be able to recover their claims under their Life Insurance Policies, the Issuer has been advised that, in view of the preceding paragraphs and the representation by the Seller that with respect to Mortgage Loans to which a Life Insurance Policy with a Life Insurance Company is connected (i) there is no connection, whether from a legal or a commercial point of view, between the Life Mortgage Loan and the relevant Life Insurance Policy other than the relevant Borrower Insurance Pledge and the relevant Life Beneficiary Rights, (ii) the Life Mortgage Loans and the Life Insurance Policies are not marketed as one product or under one name and (iii) the Borrowers were free to choose the relevant Life Insurance Company, it is unlikely that a court would honour set-off or defences of the Borrowers, as described above.

#### *Life Mortgage Loans with the Participant*

In respect of Life Mortgage Loans between the Seller and a Borrower with a Life Insurance Policy between the Participant and such Borrower, the Issuer has been advised that the possibility cannot be disregarded ("*kan niet worden uitgesloten*") that the courts will honour set-off or defences of Borrowers. This advice is based on the preceding paragraphs and the factual circumstances involved, *inter alia*, that both the Seller and the Participant carry Achmea in their legal names (but different promotional names) since September 2000 and that both the Seller and the Participant belong to the same group of companies and notwithstanding the representation of the Seller that, besides the fact that an insurance policy is a condition precedent for granting a Life Mortgage Loan, (i) there is no connection, whether from a legal or a commercial point of view, between the relevant Life Mortgage Loan and any Life Insurance Policy, other than the right of pledge securing the Life NHG Mortgage Receivable and the Life Beneficiary Rights, (ii) the Life Mortgage Loan and the relevant Life Insurance Policies were not marketed as one product and (iii) the Borrower was free to choose the relevant Life Insurance Company.

#### *Savings Mortgage Loans*

In respect of Savings Mortgage Loans the Issuer has been advised that there is a considerable risk ("*een aanmerkelijk risico*") that such a set-off or defence would be successful in view - *inter alia* - of the close connection between the Savings Mortgage Loan and the Savings Insurance Policy and the wording of the mortgage documentation used by the Seller and other Originators.

The Sub-Participation Agreement will - *inter alia* - provide that should a Borrower invoke a defence, including but not limited to a right of set-off or counterclaim, or if, for whatever reason, the Participant does not pay the insurance proceeds when due and payable, whether in full or in part, in respect of the relevant Savings Insurance Policy and, as a consequence thereof, the Issuer will not have received any amount which was in respect of such Savings NHG Mortgage Receivable outstanding prior to such event, the Participation of the Participant in respect of such Savings NHG Mortgage Receivable, will be reduced by an amount equal to the amount which the Issuer has failed to receive as a result of such defence.

The amount of the Participation is equal to the amount of Savings Premium received by the Issuer plus the accrued yield on such amount (see further chapter *Sub-Participation Agreement*) provided that Participant will have paid all amounts due under the Sub-Participation Agreement to the Issuer. Therefore, normally the Issuer would not suffer any damages if the Borrower would invoke any such right of set-off or defence, if and to the extent that the amount for which the Borrower would invoke set-off or defences does not exceed the amount of the Participation. However, the amount for which the Borrower can invoke set-off or defences may, depending on the circumstances, exceed the amount of the Participation.

**Risk that interest rate reset rights will not follow the NHG Mortgage Receivables**

The interest rate of each of the Mortgage Loans is to be reset from time to time. The Issuer has been advised that good argument can be made that the right to reset the interest rate should be considered as an ancillary right and if this view is correct the interest rate reset rights would pass to the Issuer upon completion of the assignment of the NHG Mortgage Receivables. However, the Issuer will in principle be bound by the relevant provisions of the Mortgage Conditions relating to the reset of interest rates. The Mortgage Conditions contain provisions relating to the interest rates and the interest periods to be offered to the Borrowers.

Furthermore, in the Mortgage Conditions of one Originator, it is provided that three (3) months prior to the interest rate reset date the Mortgage Loan (the Mortgage Conditions refer to the mortgage, but probably the Mortgage Loan is meant and not the mortgage right) will be terminated. This wording suggests that at the interest rate reset date the Mortgage Loan is novated ("*schuldvernieuwing*"), although a more likely interpretation is that the Mortgage Loan will terminate, unless extended by the Seller and the Borrower. If novation would take place prior to partial termination, this would mean that a new receivable would be created and the Mortgage Loan should be considered to be prepaid, but the relevant Bank Mortgage would then secure the new receivable. The Seller has advised the Issuer that the approach adopted by the Seller in practice when administering these Mortgage Loans is to treat each Mortgage Loan (and related mortgage security) as being extended (and not novated or terminated) on an interest rate reset date and to only treat a Mortgage Loan (but not the related mortgage security) as being terminated on an interest reset date where a Borrower has not agreed to the rate offered by the Seller. A Borrower must formally accept, in writing, the new interest rate and period prior to the interest rate reset date. The Seller has been advised by its internal legal counsel that this approach is consistent with the proper and reasonable interpretation of the Mortgage Conditions of the Seller. In addition, the Seller has advised the Issuer that in practice the Seller has not encountered any claim by any Borrower which conflicts with the approach described above.

**Reduced value of investments may affect the proceeds under certain types of Mortgage Loans**

The value of investments made by one of the Insurance Companies in connection with the Life Insurance Policies may not be sufficient for the Borrower to fully redeem the related NHG Mortgage Receivables at its maturity.

In addition, if the value of the investments under the Life Mortgage Loans has reduced considerably, a Borrower may invoke set-off or defences against the Issuer arguing that he has not been properly informed of the risks involved in the investments. The merits of any such claim will, to a large extent, depend on the manner in which the Life Mortgage Loans have been marketed and the promotional material provided to the Borrower. Moreover, there is a risk that a Borrower will invoke set off with the relevant Mortgage Receivable or invoke any other defence against the Issuer or the Security Trustee based upon alleged defects in the structuring and selling of the Unit-Linked Insurance Policy. In this respect it should be noted that the AFM has issued a report on this subject and there have been publications that civil law suit or a class action against certain insurance companies might be prepared. Any such set-off or defences may lead to losses under the Mortgage Receivables and thus to losses under the Notes. The analysis in respect of such a right of set-off or defences is similar to the analysis regarding insolvency of the Insurance Companies (see risk factor *Set-off or defences in the case of default under Insurance Policies*).

**Risk related to prepayments on the Mortgage Loans**

The maturity of the Notes of each Class will depend on, *inter alia*, the amount and timing of payment of principal (including full and partial prepayments) on the Mortgage Loans. The average maturity of the Notes may be adversely affected by a higher or lower than anticipated rate of prepayments on the Mortgage Loans. The rate of prepayment of Mortgage Loans is influenced by a wide variety of economic, social and other factors, including prevailing market interest rates, changes in tax law (including but not limited to amendments to mortgage interest

tax deductibility), local and regional economic conditions and changes in Borrower's behaviour (including but not limited to home-owner mobility). No guarantee can be given as to the level of prepayment that the Mortgage Loans may experience, and variation in the rate of prepayments of principal of the Mortgage Loans may affect each Class of Notes differently. Consequently, no assurance can be given that any estimates and assumptions with respect to the average maturity of the Notes will prove in any way to be realistic.

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

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

**Risks of Losses associated with declining values of Mortgaged Assets**

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

**Risks related to the NHG Guarantee**

All Mortgage Loans will have the benefit of an NHG Guarantee. Pursuant to the terms and conditions ("voorwaarden en normen") of the NHG Guarantee the 'Stichting Waarborgfonds Eigen Woningen' ('WEW') has no obligation to pay any loss (in whole or in part) incurred by a lender after a private or a forced sale of the mortgaged property if such lender has not complied with the terms and conditions of the NHG Guarantee. The Seller will on the Closing Date or in respect of Substitute NHG Mortgage Receivables or Further Advance Receivables, the relevant Quarterly Payment Date, represent and warrant that (i) each NHG Guarantee connected to a Mortgage Loan constitutes legal, valid and binding obligations of the WEW, enforceable in accordance with its terms, (ii) all terms and conditions applicable to the NHG Guarantee at the time of origination of the Mortgage Loan were complied with and (iii) the Seller is not aware of any reason why any claim under any NHG Guarantee should not be met in full and in a timely matter. Furthermore, it will covenant that if a Mortgage Loan no longer has the benefit of a NHG Guarantee as a result of any action taken or omitted to be taken by the Seller, the Issuer Administrator or the Pool Servicer, the Seller shall purchase and accept re-assignment of the relevant NHG Mortgage Receivable on the Quarterly Payment Date immediately following the date on which the Mortgage Loan ceases to have the benefit of the NHG Guarantee.

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

See for a more detailed description of the NHG Guarantees chapter *NHG Guarantee Programme*.

**Maturity risk of certain Mortgage Loans**

The Mortgage Loans which have been originated by Avéro Hypotheken B.V. provide that if the loan is not paid on the legal maturity date, the loan is automatically extended. However, the mortgage conditions relating to these Mortgage Loans contain the provision that grants Avéro Hypotheken B.V. and the Borrowers the right to terminate such Mortgage Loans by giving a three months notice.

**RISK FACTORS REGARDING THE NOTES**

### **European Union Directive on the taxation of savings**

On 3 June 2003 the Council of the European Union adopted a Council Directive on the taxation of savings income in the form of interest payments (the '**Directive**'). The Directive applies to interest payments (as defined in the Directive) made in one Member State to or for individual beneficial owners (as defined in the Directive) who are resident in another Member State and requires all Member States to adopt an information reporting system with regard to such payments. However, for a transitional period, Austria, Belgium, and Luxembourg are permitted to operate a withholding tax system.

Application of the Directive by Member States was conditional on certain European third countries (Switzerland, Andorra, Liechtenstein, Monaco and San Marino) and certain dependent or associated territories (Anguilla, Aruba, British Virgin Islands, Cayman Islands, Guernsey, Isle of Man, Jersey, Netherlands Antilles, Turks and Caicos Islands) applying equivalent or, respectively, the same measures from the same date. On 24 June 2005, the Council confirmed in a "green light note" that all parties (including the EU Member States) will apply the agreed savings tax measures from 1 July 2005. The transitional period commenced on the same date.

Under the information reporting system, a Member State will automatically communicate to the beneficial owner's Member State of residence information regarding interest payments (including the identity and residence of the beneficial owner) made by paying agents (as defined in the Directive) established within the former Member State, without requiring reciprocity. Under the withholding tax system (for Austria, Belgium, and Luxembourg), a Member State will levy a withholding tax in respect of interest payments made by paying agents established within its territory at a rate of 15 per cent. during the first three years of the transitional period, 20 per cent. for the subsequent three years, and 35 per cent. thereafter. The transitional period will end, and those Member States permitted to levy a withholding tax will, instead, be required to implement an information reporting system at the end of the first fiscal year following agreement regarding information exchange by certain non-EU countries with respect to interest payments. Similar provisions apply to interest payments made by paying agents established in the above-mentioned European third countries and dependent or associated territories to beneficial owners resident in an EU Member State (and in some cases vice versa).

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

The Netherlands has adopted legislation implementing the provisions of the Directive. These provisions came into force in part on 1 January 2004 and the remainder on 1 July 2005. An individual Holder of Notes who is resident in an EU Member State other than the Netherlands or, in certain of the above-mentioned European third countries and dependent or associated territories, may become subject to the automatic supply of information to the jurisdiction in which the individual is resident with regard to interest payments made by (or in certain cases, to) paying agents established in the Netherlands. However, although the above-mentioned legislation provides for the possibility of extending the effective application of the Directive to individuals resident in the above-mentioned European third countries and dependent or associated territories, the legislation has only been extended to individuals resident in Aruba, British Virgin Islands, Guernsey, Isle of Man, Jersey, Montserrat and Netherlands Antilles.

### **Risk that the Issuer will not exercise its right to redeem the Senior Class A Notes at the Optional Redemption Dates**

Notwithstanding the increase in the margin payable in respect of the floating rate of interest on the Notes on and from the first Optional Redemption Date, no guarantee can be given that the Issuer will actually exercise such right to redeem the Senior Class A Notes, on any Optional Redemption Date. The exercise of its right will, *inter alia*, depend on the Issuer having sufficient funds available to redeem the Senior Class A Notes, in full, for example arising from a sale of NHG Mortgage Receivables still outstanding at that time.

The actual amount of revenue received by the Issuer under the Mortgage Receivables Purchase Agreement will vary during the life of the Notes as a result of the level of delinquencies, defaults, substitutions, repayments and prepayments in respect of the NHG Mortgage Receivables. Similarly, the actual amounts payable under the Interest Priority of Payments will vary during the life of the transaction as a result of fluctuations in Euribor and possible variations in certain other costs and expenses of the Issuer. The eventual effect of such variations could lead to drawings, and the replenishment of such drawings, from the Reserve Account and under the Liquidity Facility and to non-payment of certain items under the Interest Priority of Payments.

**The Subordinated Class B Notes bear a greater risk than the Senior Class A Notes**

To the extent set forth in Conditions 6 and 9, the Subordinated Class B Notes are subordinated in right of payment to the Senior Class A Notes. With respect to the Subordinated Class B Notes, such subordination is designed to provide credit enhancement for the Senior Class A Notes which rank higher in priority of payment than the Subordinated Class B Notes.

If, upon default by the Borrowers and after exercise by the Pool Servicer of all available remedies in respect of the applicable Mortgage Loans, the Issuer does not receive the full amount due from such Borrowers, Noteholders may receive by way of principal repayment on the Notes an amount less than the face amount of their Notes and the Issuer may be unable to pay in full interest due on the Notes, to the extent set forth in Condition 9. On any Quarterly Payment Date, any such losses on the Mortgage Loans will be allocated as described in chapter *Credit Structure*.

**Risk related to the limited liquidity of the Notes**

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

**Maturity Risk**

The ability of the Issuer to redeem the Senior Class A Notes in full on each Optional Redemption Date or, as the case may be, on the Final Maturity Date and to pay all amounts due to the Senior Class A Noteholders, including after the occurrence of an Event of Default, may depend upon whether the value of the NHG Mortgage Receivables is sufficient to redeem the Senior Class A Notes.

**No Gross-up for Taxes**

As provided in Condition 7, if withholding of, or deduction for, or an account of any present or future taxes, duties, assessments or charges of whatever nature are imposed by or on behalf of the State of the Netherlands, any authority therein or thereof having power to tax, the Issuer or the Principal Paying Agent will make the required withholding or deduction of such taxes, duties, assessments or charges for the account of the Noteholders, as the case may be, and shall not be obliged to pay any additional amounts to the Noteholders.

**Credit ratings may not reflect all risks**

The rating of the Notes addresses the assessment made by Fitch of the likelihood of full and timely payment of interest and ultimate payment of principal on or before the Final Maturity Date.

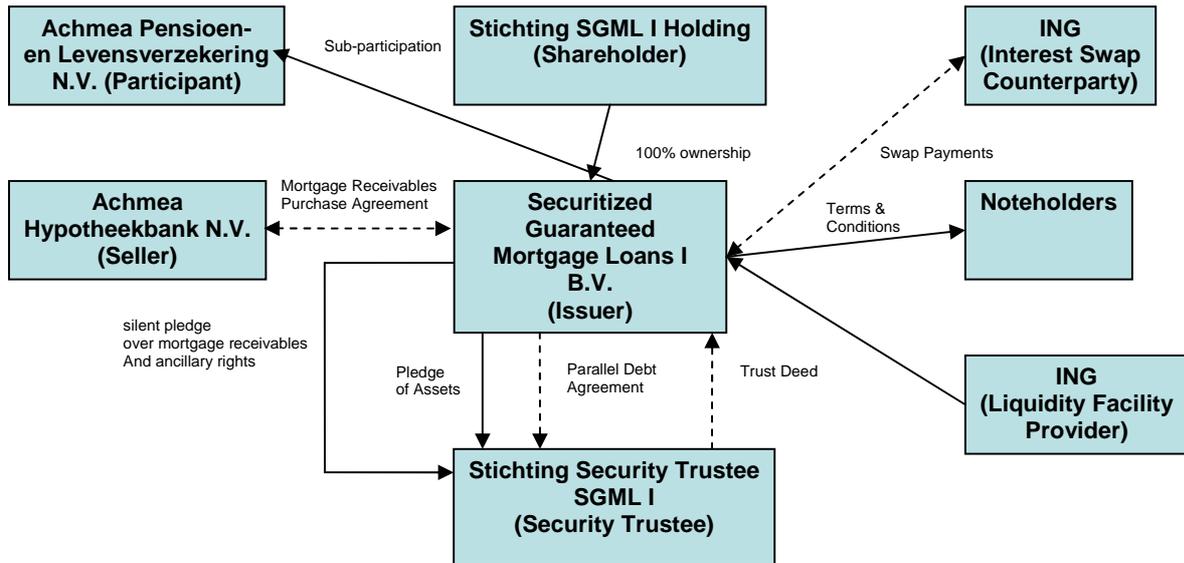
A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation if in its judgement, the circumstances (including a reduction in the credit rating of the Floating Rate GIC Provider, the Interest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

**Forecasts and Estimates**

Forecasts and estimates in this Prospectus are forward looking statements. Such projections are speculative in nature and it can be expected that some or all of the assumptions underlying the projections will not prove to be correct or will vary from actual results. Consequently, the actual result might differ from the projections and such differences might be significant.

## STRUCTURE DIAGRAM

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



## OVERVIEW OF THE PARTIES AND PRINCIPAL FEATURES OF THE TRANSACTION

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

### **THE PARTIES:**

<b>Issuer:</b>	Securitized Guaranteed Mortgage Loans I B.V., incorporated under the laws of the Netherlands as a private company with limited liability (" <i>besloten vennootschap met beperkte aansprakelijkheid</i> "), having its corporate seat in Amsterdam and registered with the Commercial Register of the Chamber of Commerce of Amsterdam under number 34260284.
<b>Seller:</b>	Achmea Hypotheekbank N.V. (' <b>Achmea Hypotheekbank</b> '), incorporated under the laws of the Netherlands as a public company (" <i>naamloze vennootschap</i> ").
<b>Originators:</b>	(i) Avéro Hypotheken B.V., Centraal Beheer Hypotheken B.V., Centraal Beheer Woninghypotheken B.V., FBTO Hypotheken B.V. and Woonfonds Nederland B.V., all incorporated under the laws of the Netherlands as a private company with limited liability (" <i>besloten vennootschap met beperkte aansprakelijkheid</i> ") and as of the 1st September 2000 merged into the Seller and (ii) the Seller.
<b>Issuer Administrator:</b>	Achmea Hypotheekbank.
<b>Pool Servicer:</b>	Achmea Hypotheekbank.
<b>Security Trustee:</b>	Stichting Security Trustee SGML I, established under the laws of the Netherlands as a foundation (" <i>stichting</i> "), having its corporate seat in Amsterdam and registered with the Commercial Register of the Chamber of Commerce of Amsterdam under number 34259787.
<b>Shareholder:</b>	Stichting SGML I Holding, established under the laws of the Netherlands as a foundation (" <i>stichting</i> "), having its corporate seat in Amsterdam and registered with the Commercial Register of the Chamber of Commerce of Amsterdam under number 34258365. The entire issued share capital of the Issuer is owned by the Shareholder.
<b>Directors:</b>	ATC Management B.V., the sole director of the Issuer and the Shareholder and Amsterdamsch Trustee's Kantoor B.V., the sole director of the Security Trustee, having its corporate seat in Amsterdam and registered with the Commercial Register of the Chamber of Commerce of Amsterdam under number 33226415 and number 33001955, respectively. The Directors belong to the same group of companies.
<b>Interest Swap Counterparty:</b>	ING Bank N.V. (' <b>ING Bank</b> ').
<b>Liquidity Facility Provider:</b>	ING Bank.
<b>Floating Rate GIC Provider:</b>	ABN AMRO Bank N.V. (' <b>ABN AMRO</b> ').
<b>Principal Paying Agent:</b>	The Bank of New York, London Branch (" <b>Bank of New York</b> ") and together with the Paying Agent referred to as the " <b>Paying Agents</b> ".
<b>Paying Agent:</b>	NCB Stockbrokers Limited (" <b>NCB</b> ").

**Reference Agent:** Bank of New York.  
**Listing Agent** NCB.  
**Participant:** Achmea Pensioen- en Levensverzekeringen N.V., incorporated under the laws of the Netherlands as a public company ("*naamloze vennootschap*").

**THE NOTES:**

**Notes:** The euro 850,000,000 floating rate Senior Class A Mortgage-Backed Notes 2006 due 2055 (the '**Senior Class A Notes**') and the euro 6,000,000 floating rate Subordinated Class B Notes 2006 due 2055 (the '**Subordinated Class B Notes**'), and together with the Senior Class A Notes, the '**Notes**') will be issued by the Issuer on 29 November 2006 (or such later date as may be agreed between the Issuer and the Manager) (the '**Closing Date**').

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

- (i) the Senior Class A Notes: 100 per cent.; and
- (ii) the Subordinated Class B Notes: 100 per cent.

**Denomination:** The Notes will be issued in denominations of euro 100,000.

**Status and Ranking:** The Notes of each Class rank *pari passu* and rateably without any preference or priority among Notes of the same Class. In accordance with the Conditions and the Trust Deed, payments of principal and interest on the Subordinated Class B Notes are subordinated to, *inter alia*, payments of principal and interest on the Senior Class A Notes. See further *Terms and Conditions of the Notes* below.

**Interest:** Interest on the Notes is payable by reference to successive interest periods (each a '**Floating Rate Interest Period**') in respect of the Principal Amount Outstanding on the first day of such Floating Rate Interest Period and will be payable quarterly in arrear in respect of the Principal Amount Outstanding on the 25<sup>th</sup> day of January, April, July, October (or, if such day is not a Business Day, the next succeeding Business Day, unless such Business Day falls in the next succeeding calendar month in which event the Business Day immediately preceding such 25<sup>th</sup> day) in each year (each such day being a '**Quarterly Payment Date**'). Each successive Floating Rate Interest Period will commence on (and include) a Quarterly Payment Date and end on (but exclude) the next succeeding Quarterly Payment Date, except for the first Floating Rate Interest Period which will commence on (and include) the Closing Date and end on (but exclude) the Quarterly Payment Date falling in January 2007. Interest will be calculated on the basis of the actual number of days elapsed in the Floating Rate Interest Period divided by a year of 360 days. A '**Business Day**' means a day on which banks are open for general business in Amsterdam, provided that such day is also a day on which the Trans-European Automated Real-Time Gross Settlement European Transfer System ("**TARGET System**") or any successor thereto is operating credit or transfer instructions in respect of payments in euro.

Interest on the Notes for each Floating Rate Interest Period will accrue at an annual rate equal to the sum of the euro Interbank Offered Rate ('**Euribor**') for three months deposits in euro (determined in accordance with Condition 4(e)) (or, in respect of the first Floating Rate Interest Period, the rate which represents the linear interpolation of Euribor for one and two months deposits in euro, rounded if necessary, to the 5<sup>th</sup> decimal place with 0.00005, being rounded upwards) plus the margin as set forth below (the '**Relevant Margin**').

**Relevant Margin:** In respect of each Class of Notes the following per cent. per annum:

<b>Class</b>	<b>Up to but excluding the first Optional Redemption Date</b>	<b>Commencing on and subsequent to the first Optional Redemption Date</b>
Senior Class A Notes	0.03 %	0.50 %
Subordinated Class B Notes	0.35 %	1.00 %

**Payment of Principal to Noteholders:**

The Issuer will be obliged to use all amounts received as principal on the NHG Mortgage Receivables - subject to the Conditions and to the extent not applied towards the purchase of Further Advance Receivables on each Quarterly Payment Date and Substitute NHG Mortgage Receivables and less the Reserved Amount on each Quarterly Payment Date up to the Quarterly Payment Date immediately preceding the first Optional Redemption Date - to (partially) redeem the Senior Class A Notes on a pro rata basis. Such amounts will be passed through on each Quarterly Payment Date (the first falling in January 2007) to the holders of the Senior Class A Notes by applying the Notes Redemption Available Amount, until fully redeemed. As a result of further purchases by the Issuer and the Reserved Amount, the Notes Redemption Available Amount may be nil on any Quarterly Payment Date.

Provided that no Enforcement Notice has been served in accordance with Condition 10, the Issuer will be obliged to apply the Notes Interest Available Amount, if and to the extent that all payments ranking above item (j) in the Interest Priority of Payments have been made in full, to redeem (or partially redeem) on a *pro rata* basis the Subordinated Class B Notes on the Quarterly Payment Date falling in January 2007 and each Quarterly Payment Date thereafter.

**Optional Redemption of the Senior Class A Notes:**

On the Quarterly Payment Date falling in October 2014 and each Quarterly Payment Date thereafter (each an '**Optional Redemption Date**') the Issuer has the option (but not the obligation to do so) to redeem (in whole but not in part) the Senior Class A Notes at their Principal Amount Outstanding.

The Subordinated Class B Notes will remain to be redeemed in accordance with Condition 6(d).

**Final Maturity Date:**

Unless previously redeemed as provided above, the Issuer will, subject to Condition 9(b), redeem the Notes, at their respective Principal Amount Outstanding on the Quarterly Payment Date falling in October 2055 (the '**Final Maturity Date**').

**Withholding tax:**

All payments in respect of the Notes will be made without withholding of, or deduction for, or on account of any present or future taxes, duties or charges of whatsoever nature unless the Issuer or the Paying Agents (as applicable) is required by applicable law to make any payment in respect of the Notes subject to any withholding or deduction of such taxes, duties or charges of whatsoever nature. In that event, the Issuer or the Paying Agents (as the case may be) shall make such payment after the required withholding or deduction has been made and shall account to the relevant authorities for the amount so required to be withheld or deducted. Neither the Paying Agents nor the Issuer will be obliged to make any additional payments to the Noteholders in respect of such withholding or deduction. The Issuer undertakes that, if the European Union Directive on the taxation of savings that was adopted on 3 June 2003 or any law implementing or complying with, or introduced in order to conform to, such directive is implemented, it will ensure that it maintains a Paying Agents in an EU Member State that will not be obliged to withhold or deduct tax pursuant to the Directive; provided that the ISE or any other stock exchange would permit that.

**Redemption for tax reasons:**

If the Issuer is or will become obliged to make any withholding or deduction for, or on account of, any taxes, duties or charges of whatsoever nature from payments in respect of any Class of Notes as a result of any change in, or amendment to, the laws or regulations of the Netherlands or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction) (a '**Tax Change**'), which becomes effective on or after the Closing Date and such obligation cannot be avoided by the Issuer taking reasonable measures available to it, the Issuer has the option to redeem the Senior Class A Notes in whole but not in part, on any Quarterly Payment Date at their Principal Amount Outstanding, together with interest accrued up to and including the date of redemption.

The Subordinated Class B Notes will be redeemed in accordance with Condition 6(d).

**Method of Payment:**

For so long as the Notes are represented by a Global Note, payments of principal and interest will be made in euro through Euroclear and Clearstream, Luxembourg, for the credit of the respective accounts of the Noteholders (see *Global Notes* below).

**Use of proceeds:**

The Issuer will use the net proceeds of the issue of the Senior Class A Notes to pay to the Seller part of the Initial Purchase Price for the NHG Mortgage Receivables, pursuant to the provisions of an agreement dated 28 November 2006 (the '**Mortgage Receivables Purchase Agreement**') and made between the Seller, the Issuer and the Security Trustee. See further chapter *Mortgage Receivables Purchase Agreement* below. The net proceeds of the issue of the Subordinated Class B Notes will be credited to the Reserve Account.

**THE NHG MORTGAGE RECEIVABLES:**

**NHG Mortgage Receivables:** Under the Mortgage Receivables Purchase Agreement, the Issuer will purchase and on the Closing Date accept the assignment of any and all rights (the '**NHG Mortgage Receivables**') which will include upon the purchase of any Substitute NHG Mortgage Receivables and Further Advance Receivables, such Substitute

NHG Mortgage Receivables and Further Advance Receivables) of the Seller against certain borrowers (the '**Borrowers**') under or in connection with certain selected Mortgage Loans. The Issuer will be entitled to all interest amounts (including penalty interest) and all principal amounts and prepayment penalties becoming due in respect of the NHG Mortgage Receivables from and including the Cut-Off Date.

**NHG Guarantee:** All Mortgage Loans will have the benefit of guarantees under the '*Nationale Hypotheek Garantie*' ('**NHG Guarantees**'). See further chapters *Description of the Mortgage Loans* and *NHG Guarantee Programme*.

**Purchase of Further Advance Receivables:** The Mortgage Receivables Purchase Agreement will provide that on each Quarterly Payment Date the Seller will sell and, provided that no Enforcement Notice has been served in accordance with Condition 10, the Issuer will purchase all mortgage receivables resulting from Further Advances (as defined below) (the '**Further Advance Receivables**') granted by the Seller in the relevant preceding Quarterly Calculation Period, subject to the fulfilment of certain conditions.

**Purchase of Substitute NHG Mortgage Receivables:** The Mortgage Receivables Purchase Agreement will provide that, provided that no Enforcement Notice has been served in accordance with Condition 10, the Issuer will use on each Quarterly Payment Date up to and including the Quarterly Payment Date immediately preceding the first Optional Redemption Date, the Principal Available Amount less the Further Advance Amount to purchase from the Seller mortgage receivables (the '**Substitute NHG Mortgage Receivables**') subject to the fulfilment of certain conditions and to the extent offered by the Seller. See further chapter *Mortgage Receivables Purchase Agreement* below.

On any Quarterly Payment Date, up to and including the Quarterly Payment Date immediately preceding the first Optional Redemption Date, the Issuer may reserve the positive difference between (i) the Principal Available Amount and (ii) the sum of the Substitution Amount and the Further Advance Amount as calculated on the immediately preceding Quarterly Calculation Date (the '**Reserved Amount**') and such Reserved Amount remains to be deposited in the Master Collection Account or, at the option of the Issuer, will be invested as further described in the chapter *Credit Structure* below. The Reserved Amount may be applied towards the purchase of Substitute NHG Mortgage Receivables on the immediately succeeding Quarterly Payment Date, provided that on such date the Substitution Conditions (except for items (a) and (c)) are met (see chapter *Mortgage Receivables Purchase Agreement*). The Principal Available Amount less the Substitution Amount, the Further Advance Amount and the Reserved Amount, if any, will as Notes Redemption Available Amount be available for redemption of the Senior Class A Notes on such Quarterly Payment Date. See also chapter *Credit Structure*.

**Repurchase of NHG Mortgage Receivables:** In the Mortgage Receivables Purchase Agreement, the Seller will undertake to repurchase and accept re-assignment of an NHG Mortgage Receivable:

- (i) on the Mortgage Payment Date immediately following the expiration of the relevant remedy period, if any, if any of the representations and warranties given by the Seller in respect of such NHG Mortgage Receivable or its related Mortgage Loan, including the representation and warranty that such NHG Mortgage Receivable or its related Mortgage Loan meets certain criteria set forth in the Mortgage Receivables Purchase Agreement, is untrue or incorrect; or
- (ii) if the Seller agrees with a Borrower to grant a further advance under a Mortgage Loan, which is secured by the mortgage right which also secures the

- relevant NHG Mortgage Receivable (the '**Further Advance**') and the relevant Further Advance Receivable is not purchased by the Issuer on the immediately succeeding Quarterly Payment Date immediately following the date on which the Seller has agreed thereto; or
- (iii) on the Mortgage Payment Date immediately following the date on which the Seller has obtained any Other Claim(s) vis-à-vis any Borrower other than a Further Advance Receivable; or
  - (iv) on the Mortgage Payment Date immediately following the date on which the Seller agrees with a Borrower to amend the terms of the relevant Mortgage Loan, which amendment is not a result of a deterioration of the Borrower's creditworthiness, and as a result thereof such Mortgage Loan no longer meets the representation and warranties set forth in the Mortgage Receivables Purchase Agreement; or
  - (v) on the Mortgage Payment Date immediately following the date on which the Participant agrees with the Borrower of a Savings Mortgage Loan to switch whole or part of the premiums accumulated in the relevant Savings Insurance Policy into a Life Insurance Policy or of a Life Mortgage Loan to switch the value of the relevant Life Insurance Policy into a Savings Insurance Policy; or
  - (vi) on the Mortgage Payment Date following the date on which a formal request for payment under the NHG Guarantee has been made and *Stichting Waarborg Eigen Woningen* refuses to pay the full amount so requested; or
  - (vii) if a Mortgage Loan no longer has the benefit of the NHG Guarantee as a result of an action taken or omitted to be taken by the Seller, the Issuer Administrator or the Pool Servicer;

The purchase price for the NHG Mortgage Receivable in such event will be equal to the Outstanding Principal Amount of the NHG Mortgage Receivable, together with interest accrued up to (but excluding) the date of repurchase and re-assignment of the NHG Mortgage Receivable and reasonable costs, if any (including any costs incurred by the Issuer in effecting and completing such purchase and re-assignment).

#### **Mortgage Loans:**

The NHG Mortgage Receivables to be sold by the Seller pursuant to the Mortgage Receivables Purchase Agreement will result from mortgage loans secured by a first-ranking mortgage right or first and sequentially lower ranking mortgage rights over (i) a real property ("*onroerende zaak*"), (ii) an apartment right ("*appartementsrecht*") or (iii) a long lease ("*erfpacht*", together with real property and apartment rights, the '**Mortgaged Assets**') situated in the Netherlands and entered into by the Seller (or one of the other Originators as its predecessors) on the one hand and the relevant Borrowers on the other hand which meet certain criteria set forth in the Mortgage Receivables Purchase Agreement and which will be selected prior to or on the Closing Date or, in case of loans relating to Further Advance Receivables or Substitute NHG Mortgage Receivables, prior to or on the relevant Quarterly Payment Date (the '**Mortgage Loans**').

The Mortgage Loans will be in the form of (a) Interest Only Mortgage Loans ("*aflossingsvrije hypotheken*"), (b) Linear Mortgage Loans ("*lineaire hypotheken*"), (c) Annuity Mortgage Loans ("*annuïteiten hypotheken*"), (d) Life Mortgage Loans ("*levenhypotheken*"), (e) Savings Mortgage Loans ("*spaarhypotheken*") or (f) a combination of these forms. See further chapter *Description of Mortgage Loans* below.

#### **Interest-only Mortgage**

A portion of the Mortgage Loans (or parts thereof) will be in the form of interest-only mortgage loans ("*aflossingsvrije hypotheken*", hereinafter '**Interest-only**

- Loans:** **Mortgage Loans**'). Under an Interest-only Mortgage Loan, the Borrower does not pay principal towards redemption of the Interest-only Mortgage Loan until maturity of such Interest-only Mortgage Loan.
- Linear Mortgage Loans:** A portion of the Mortgage Loans (or parts thereof) will be in the form of linear mortgage loans ("*lineaire hypotheek*", hereinafter '**Linear Mortgage Loans**'). Under a Linear Mortgage Loan, the Borrower pays a constant principal monthly payment, made up of an initially high and subsequently decreasing interest portion and a fixed principal portion, and calculated in such a manner that the Linear Mortgage Loan will be fully redeemed at the maturity of such Linear Mortgage Loan.
- Annuity Mortgage Loans:** A portion of the Mortgage Loans (or parts thereof) will be in the form of annuity mortgage loans ("*annuïteiten hypotheek*", hereinafter '**Annuity Mortgage Loans**'). Under an Annuity Mortgage Loan, the Borrower pays a constant total monthly payment, made up of an initially high and subsequently decreasing interest portion and an initially low and subsequently increasing principal portion, and calculated in such a manner that the Annuity Mortgage Loan will be fully redeemed at the maturity of such Annuity Mortgage Loan.
- Life Mortgage Loans:** A portion of the Mortgage Loans (or parts thereof) will be in the form of life mortgage loans ("*levenhypotheek*", hereinafter '**Life Mortgage Loans**'), which have the benefit of combined risk and capital insurance policies (the '**Life Insurance Policies**') taken out by Borrowers in connection with such Life Mortgage Loan with (i) the Participant or (ii) with any life insurance company established in the Netherlands which is not a group company of the Seller (each a '**Life Insurance Company**' and together with the Participant, the '**Insurance Companies**'). Under a Life Mortgage Loan a Borrower pays no principal towards redemption until maturity of such Life Mortgage Loan. The Borrower has the choice between (i) the Traditional Alternative and (ii) the United-Linked Alternative. '**Traditional Alternative**' means the alternative under which the amount to be received upon pay out of the Life Insurance Policy depends on the performance of certain (bond) investments chosen by the relevant Insurance Company with a guaranteed minimum yield of 3 per cent. (lowered from a guaranteed minimum yield of 4 per cent. per September 1999). '**Unit-Linked Alternative**' means the alternative under which the amount to be received upon pay out of the Life Insurance Policy depends on the performance of certain investment funds chosen by the Borrower. The NHG Mortgage Receivables relating to the Life Mortgage Loans, will hereinafter be referred to as the '**Life NHG Mortgage Receivables**'.
- Savings Mortgage Loans:** A portion of the Mortgage Loans (or parts thereof) will be in the form of savings mortgage loans ("*spaarhypotheek*", hereinafter '**Savings Mortgage Loans**'), which consist of Mortgage Loans entered into by the Seller (or one of the Originators as its predecessor) and the relevant Borrowers combined with a savings insurance policy with the Participant (a '**Savings Insurance Policy**' and together with the Life Insurance Policies, the '**Insurance Policies**'). A Savings Insurance Policy is a combined risk insurance policy (i.e. a policy relating to an insurance which pays out upon the death of the insured) and capital insurance policy. Under a Savings Mortgage Loan no principal is paid by the Borrower until maturity of such Savings Mortgage Loan. Instead, the Borrower/insured pays premium on a monthly basis to the Participant, which consists of a risk element and a savings element (the '**Savings Premium**'). The Savings Premium is calculated in such a manner that, on an annuity basis, the final payment under the Savings Insurance Policy due by the Participant to the relevant Borrower is equal to the amount due by the Borrower to the Seller at maturity of such Savings Mortgage Loan. The NHG Mortgage Receivables resulting

from to the Savings Mortgage Loans will hereinafter be referred to as the '**Savings NHG Mortgage Receivables**'. See for more detail chapters *Risk Factors* and *Description of the Mortgage Loans*.

**Sub-Participation Agreement:**

On the Closing Date, the Issuer will enter into a sub-participation agreement (the '**Sub-Participation Agreement**') with, *inter alia*, the Participant under which the Participant will acquire participations in each of the Savings NHG Mortgage Receivables (each a '**Participation**'). In the Sub-Participation Agreement the Participant will undertake to pay to the Issuer all amounts received as Savings Premium on the Savings Insurance Policies. In return, the Participant is entitled to receive the Participation Redemption Available Amount from the Issuer. The amount of the participation with respect to a Savings NHG Mortgage Receivable will consist of (a) the initial participation at the Closing Date or, in case of the purchase of a Further Advance Receivable or a Substitute NHG Mortgage Receivable which qualifies as a Savings NHG Mortgage Receivable, on the relevant Quarterly Payment Date (which is equal to the sum of all amounts due up to the first day of the month wherein such Quarterly Payment Date falls as Savings Premium and accrued interest), being, in case of the Initial Participation at the Closing Date, the amount of euro 55,148,035, (b) increased on a monthly basis by the sum of (i) the Savings Premium received by the Participant and paid to the Issuer and (ii) a *pro rata* part, corresponding to the Participation in the relevant Savings NHG Mortgage Receivable, of the interest paid by the Borrower in respect of such Savings NHG Mortgage Receivable. See further chapter *Sub-Participation Agreement* below.

**Sale of NHG Mortgage Receivables:**

The Issuer will (i) on any Optional Redemption Date or (ii) upon the occurrence of a Tax Change have the right to sell and assign all NHG Mortgage Receivables to a third party, provided that the Issuer shall apply the proceeds of such sale, to the extent relating to principal, to redeem the Senior Class A Notes. Furthermore, the Seller has the obligation to repurchase the NHG Mortgage Receivables upon the exercise of the Clean-Up Call Option by the Issuer. The purchase price of the NHG Mortgage Receivables shall be equal to the Outstanding Principal Amount, together with interest due or interest accrued but unpaid, if any, except that with respect to any NHG Mortgage Receivables which are in arrears for a period exceeding ninety (90) days or in respect of which an instruction has been given to the civil-law notary to start foreclosure proceedings, the purchase price shall be at least the lesser of (i) the sum of (a) an amount equal to the foreclosure value of the corresponding Mortgaged Assets or, if no valuation report of less than twelve (12) months old is available, the indexed foreclosure value and (b) the amount claimable under the NHG Guarantee, or (ii) the sum of the Outstanding Principal Amount together with interest due or interest accrued but unpaid, if any, and any other amount due under such NHG Mortgage Receivable. In addition, pursuant to the Mortgage Receivables Purchase Agreement, the Seller has the obligation to repurchase certain NHG Mortgage Receivables in certain other events at a price set forth on page 28 (see above under *Repurchase of Mortgage Receivables*).

**Security for the Notes:**

The Notes will be secured (i) by a first ranking pledge by the Issuer to the Security Trustee over (a) the NHG Mortgage Receivables and (b) the Beneficiary Rights; and (ii) by a first ranking pledge by the Issuer to the Security Trustee over the Issuer's rights under or in connection with the Mortgage Receivables Purchase Agreement, the Interest Swap Agreement, the Sub-Participation Agreement, the Administration Agreement, the Liquidity Facility Agreement and the Floating Rate GIC and in respect of the Transaction Accounts. The amount payable to the Noteholders and the other Secured Parties will be limited to the amounts available for such purpose to the Security Trustee which, *inter alia*, will consist of amounts recovered by the

Security Trustee in respect of such rights of pledge and amounts received by the Security Trustee as creditor under the Parallel Debt Agreement. Payments to the Secured Parties will be made in accordance with the Priority of Payments upon Enforcement (each as defined in Credit Structure below). See further chapters *Credit Structure* and *Description of Security* below.

## **CASH FLOW STRUCTURE:**

### **Liquidity Facility:**

On the Closing Date, the Issuer will enter into a maximum 364 day term liquidity facility agreement with the Liquidity Facility Provider (the '**Liquidity Facility Agreement**') whereunder the Issuer will be entitled to make drawings in order to meet certain shortfalls in its available revenue receipts. See chapter *Credit Structure* below.

### **Master Collection Account:**

The Issuer shall maintain with the Floating Rate GIC Provider an euro account (the '**Master Collection Account**') to which on each Mortgage Payment Date all amounts of interest, prepayment penalties and principal received in respect of the NHG Mortgage Receivables will be transferred by the Seller or the Pool Servicer on its behalf, in accordance with the Administration Agreement.

### **Reserve Account:**

The net proceeds of the Subordinated Class B Notes will be credited to an account (the '**Reserve Account**' and together with the Master Collection Account, the '**Transaction Accounts**') held with the Floating Rate GIC Provider. The purpose of the Reserve Account will be to enable the Issuer to meet the Issuer's payment obligations under items (a) up to and including (f) in the Interest Priority of Payments in the event the Notes Interest Available Amount (excluding item (vi) thereof) is not sufficient to enable the Issuer to meet such payment obligations on a Quarterly Payment Date. If and to the extent that the Notes Interest Available Amount on any Quarterly Payment Date exceeds the aggregate amount applied in satisfaction of items (a) up to and including (h) in the Interest Priority of Payments, the excess amount will be used to deposit on or, as the case may be, to replenish the Reserve Account by crediting such amount to the Reserve Account up to the Reserve Account Required Amount. The '**Reserve Account Required Amount**' shall on any Quarterly Payment Date be equal to:  
(i) 0,70 per cent. of the aggregate Principal Amount Outstanding of the Senior Class A Notes on the Closing Date or (ii) zero on the Optional Redemption Date whereon the Senior Class A Notes, have been or are to be redeemed in full, subject to the Conditions.

To the extent that the balance standing to the credit of the Reserve Account on any Quarterly Calculation Date exceeds the Reserve Account Required Amount, such excess shall be drawn from the Reserve Account on the immediately succeeding Quarterly Payment Date and shall form part of the Notes Interest Available Amount on that Quarterly Payment Date and be available, subject to the Interest Priority of Payments for redemption of the Subordinated Class B Notes.

### **Floating Rate GIC:**

The Issuer and the Floating Rate GIC Provider will enter into a guaranteed investment contract (the '**Floating Rate GIC**') on the Closing Date, whereunder the Floating Rate GIC Provider will agree to pay a guaranteed rate of interest determined by reference to Euribor on the balance standing from time to time to the credit of the Transaction Accounts.

**Interest Swap Agreement:** On the Closing Date, the Issuer will enter into a interest swap agreement with the Interest Swap Counterparty and the Security Trustee (the '**Interest Swap Agreement**') to mitigate the risk between the rate of interest to be received by the Issuer on the NHG Mortgage Receivables and the floating rate of interest payable by the Issuer on the Senior Class A Notes. The risk between the rate of interest accruing on the balance standing to the credit of the Reserve Account and the floating rate of interest payable by the Issuer on the Subordinated Class B Notes will not be hedged. See further chapter *Credit Structure* below.

**OTHER:**

**Management Agreements:** On the Closing Date, each of the Issuer, the Shareholder and the Security Trustee will enter into a management agreement with the relevant Director (together, the '**Management Agreements**'), whereunder 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.

**Administration Agreement:** Under an administration agreement to be entered into on the Closing Date (the '**Administration Agreement**') between the Issuer, the Issuer Administrator, the Pool Servicer and the Security Trustee, the Pool Servicer will agree to provide (i) administration and management services in relation to the Mortgage Loans on a day-to-day basis, including, without limitation, the collection of payments of principal, interest and all other amounts in respect of the Mortgage Loans and the implementation of arrear procedures including, if applicable, the enforcement of mortgages (see further section *Mortgage Loan Underwriting and Servicing* below) and (ii) the Issuer Administrator will agree to provide certain administration, calculation and cash management services for the Issuer on a day-to-day basis, including without limitation, all calculations to be made in respect of the Notes pursuant to the Conditions.

**Listing:** Application has been made for the Notes to be listed on the Irish Stock Exchange.

**Ratings:** It is a condition precedent to issuance that (i) the Senior Class A Notes, on issue, be assigned a rating of "AAA" by Fitch and (ii) the Subordinated Class B Notes, on issue, be assigned a rating of "BBB+" by Fitch.

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

## CREDIT STRUCTURE

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

### **Mortgage Loan Interest Rates**

The interest rate of each Mortgage Loan is either fixed, subject to a reset from time to time, or variable. On the Cut-Off Date the weighted average interest rate of the Mortgage Loans is expected to be 5.00 per cent. Interest rates vary between individual Mortgage Loans. The range of interest rates is described further in *Description of the Mortgage Loans* below.

The actual amount of revenue received by the Issuer under the Mortgage Receivables Purchase Agreement will vary during the life of the Notes as a result of the level of delinquencies, defaults, substitutions, repayments and prepayments in respect of the NHG Mortgage Receivables. Similarly, the actual amounts payable under the Interest Priority of Payments will vary during the life of the transaction as a result of fluctuations in Euribor and possible variations in certain other costs and expenses of the Issuer. The eventual effect of such variations could lead to drawings, and the replenishment of such drawings, from the Reserve Account and under the Liquidity Facility and to non-payment of certain items under the Interest Priority of Payments.

### **Cash Collection Arrangements**

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

If the rating of the short-term, unsecured and unguaranteed debt obligations of the Seller or any of the banks where the Seller Collection Accounts are held falls below "F1" by Fitch (the '**Required Minimum Rating**'), then the Seller will within thirty (30) days and at its own cost, to maintain the then current ratings assigned to the Notes, either: (i) ensure that payments to be made in respect of amounts received on the Seller Collection Accounts relating to the Mortgage Loans will be guaranteed by a party having at least the Required Minimum Rating; or (ii) implement any other actions agreed at that time with Fitch.

On each 12<sup>th</sup> day of each calendar month or if this is not a business day the next succeeding business day (each a '**Mortgage Payment Date**') all amounts of principal, interest (including penalty interest) and prepayment penalties received by the Seller during the immediately preceding Mortgage Calculation Period, in respect of the Mortgage Loans will be transferred by the Seller, or the Pool Servicer on its behalf, in accordance with the Administration Agreement, to the Master Collection Account or on such other day of each calendar month as required to maintain the then current ratings assigned to the Notes or, alternatively, in order to ensure that the then current ratings assigned to the Notes are maintained (i) have a party having at least the Required Minimum Rating guarantee the payments to be made in respect of amounts received on the Seller Collection Accounts relating to the Mortgage Loans; or (ii) implement any other actions agreed at that time with Fitch.

For these purposes a '**Mortgage Calculation Period**' is the period commencing on (and including) the 6th day of a calendar month and ending on (and including) the 5th day of the next calendar month, except for the first Mortgage Calculation Period which shall commence on (and include) the Cut-Off Date and end on (and include) 5 December 2006.

### **Master Collection Account**

The Issuer will maintain with the Floating Rate GIC Provider the Master Collection Account to which all amounts received (i) in respect of the Mortgage Loans, (ii) from the Participant pursuant to the Sub-Participation Agreement and (iii) from the other parties to the Relevant Documents will be paid.

The Issuer Administrator will identify all amounts paid into the Master Collection Account by crediting such amounts to ledgers established for such purpose. Payments received on each Mortgage Payment Date in respect of

the Mortgage Loans will be identified as principal or revenue receipts and credited to a principal ledger (the '**Principal Ledger**') or a revenue ledger (the '**Revenue Ledger**'), as the case may be.

On each Quarterly Payment Date, the Issuer has the option to deposit the Reserved Amount in the Master Collection Account or to invest the Reserved Amount in euro denominated securities with a maturity not beyond the next succeeding Quarterly Payment Date provided that such securities have been assigned the Required Minimum Rating.

Payments may be made from the Master Collections Account other than on a Quarterly Payment Date only to satisfy (i) amounts due to third parties (other than pursuant to the Relevant Documents) and under obligations incurred in connection with the Issuer's business and (ii) amounts due to the Participant under the Sub-Participation Agreement.

The Issuer will also maintain with the Floating Rate GIC Provider the Reserve Account (see below).

If at any time the short-term unsecured, unsubordinated and unguaranteed debt obligations of the Floating Rate GIC Provider are assigned a rating of less than the Required Minimum Rating or such rating is withdrawn by Fitch, the Floating Rate GIC Provider will use its best efforts within thirty (30) days of any such event and at its own cost (a) to obtain a third party, having at least the required minimum rating to guarantee the obligations of the Floating Rate GIC Provider or (b) to find an alternative Floating Rate GIC Provider acceptable to Fitch and the Security Trustee or (c) to find any other solution acceptable to Fitch to maintain the then current ratings of the Notes.

If any collateral in the form of cash is provided by the Interest Swap Counterparty to the Issuer, the Issuer will be required to open a separate account in which such cash provided by the Interest Swap Counterparty will be held. If any collateral in the form of securities is provided, the Issuer will be required to open a custody account in which such securities provided by the Interest Swap Counterparty will be held. No payments or deliveries may be made in respect of such accounts other than in relation to the provision of collateral or the return of Excess Swap Collateral, unless pursuant to the termination of the Interest Swap Agreement, an amount is owed by the Interest Swap Counterparty to the Issuer. Such collateral owed to the Issuer upon a termination and Excess Swap Collateral may be applied in accordance with the Trust Deed. '**Excess Swap Collateral**' means an amount equal to the value of any collateral transferred and accrued to the Issuer by the Interest Swap Counterparty under the Interest Swap Agreement that is in excess of the Interest Swap Counterparty's liability to the Issuer thereunder (i) as at the date such Interest Swap Agreement is terminated or (ii) as at any other date of valuation in accordance with the terms of the Interest Swap Agreement. Any amounts remaining on such accounts upon termination of the Interest Swap Agreement which are not owed to the Issuer by the Interest Swap Counterparty shall be transferred directly to the Interest Swap Counterparty on the termination date under the Interest Swap Agreement.

## **I Priority of Payments prior to the Enforcement Date**

### **A. Priority of Payments in respect of interest**

Prior to the delivery of an Enforcement Notice by the Security Trustee, the sum of the following amounts, calculated at each Quarterly Calculation Date as being received during the Quarterly Collection Period immediately preceding such Quarterly Calculation Date (items (i) up to and including (xii) being hereafter referred to as the '**Notes Interest Available Amount**')

- (i) as interest on the NHG Mortgage Receivable less, with respect to each Savings NHG Mortgage Receivable, an amount calculated in respect of each Mortgage Calculation Period falling in such Quarterly Calculation Period as follows:  $R \times P / \text{SMR}$ , whereby  $R$  = the interest received on such Savings NHG Mortgage Receivable in the relevant Mortgage Calculation Period,  $P$  = Participation in such Savings NHG Mortgage Receivable on the first day of such Mortgage Calculation Period and  $\text{SMR}$  = the Outstanding Principal Amount of such Savings NHG Mortgage Receivable on the first day of such Mortgage Calculation Date ( $P/\text{SMR}$  being the '**Participation Fraction**');
- (ii) as interest received on the Transaction Accounts;
- (iii) as prepayment and interest penalties under the Mortgage Loans;

- (iv) as Net Proceeds on any NHG Mortgage Receivables to the extent such proceeds do not relate to principal less, with respect to amounts which relate to interest in respect of a Savings Mortgage Loan, an amount equal to such amount received multiplied by the Participation Fraction;
- (v) as amounts to be drawn under the Liquidity Facility (other than Liquidity Facility Stand-by Drawings) on the immediately succeeding Quarterly Payment Date;
- (vi) as amounts to be drawn from the Reserve Account on the immediately succeeding Quarterly Payment Date;
- (vii) as amounts to be received from the Interest Swap Counterparty under the Interest Swap Agreement on the immediately succeeding Quarterly Payment Date, but excluding any amounts provided by the Interest Swap Counterparty as collateral, if any;
- (viii) as amounts received in connection with a repurchase of NHG Mortgage Receivables or any other amount received pursuant to the Mortgage Receivables Purchase Agreement to the extent such amounts do not relate to principal less, with respect to amounts which relate to interest in respect of a Savings Mortgage Loan, an amount equal to such amount received multiplied by the Participation Fraction;
- (ix) as amounts received in connection with a sale of NHG Mortgage Receivables pursuant to the Trust Deed to the extent such amounts do not relate to principal less, with respect to amounts which relate to interest in respect of a Savings Mortgage Loan, an amount equal to such amount received multiplied by the Participation Fraction;
- (x) the Pre-Closing Proceeds to the extent not relating to principal;
- (xi) as amounts received as post-foreclosure proceeds on the NHG Mortgage Receivables; and
- (xii) any (remaining) amounts standing to the credit of the Master Collection Account on the Quarterly Payment Date on which the Senior Class A Notes are redeemed in full;

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

- (a) *first*, in or towards satisfaction, *pro rata* and *pari passu*, according to the respective amounts thereof, of the fees or other remuneration due and payable to the Directors in connection with the Management Agreements and any costs, charges, liabilities and expenses incurred by the Security Trustee under or in connection with any of the Relevant Documents;
- (b) *second*, in or towards satisfaction, *pro rata* and *pari passu*, according to the respective amounts thereof, of fees and expenses due and payable to the Issuer Administrator and the Pool Servicer under the Administration Agreement;
- (c) *third*, in or towards satisfaction, *pro rata* and *pari passu*, according to the respective amounts thereof, (i) of any amounts due and payable to third parties under obligations incurred in the Issuer's business (other than under the Relevant Documents), including, without limitation, in or towards satisfaction of sums due or provisions for any payment of the Issuer's liability, if any, to tax, fees and expenses of Fitch, any legal advisor, auditor and accountant appointed by the Issuer and/or, as the case may be, the Security Trustee and (ii) fees and expenses due to the Paying Agents and the Reference Agent under the Paying Agency Agreement and (iii) the commitment fee payable to the Liquidity Facility Provider under the Liquidity Facility Agreement (the '**Liquidity Facility Commitment Fee**');
- (d) *fourth*, in or towards satisfaction of any amounts due and payable to the Liquidity Facility Provider under the Liquidity Facility Agreement (but excluding the Liquidity Facility Commitment Fee and any gross up amounts or additional amounts due under the Liquidity Facility Agreement and payable under (l) below) or, following a Liquidity Facility Stand-by Drawing, in or towards satisfaction of sums to be credited to the Liquidity Facility Stand-by Ledger;
- (e) *fifth*, in or towards satisfaction of amounts, if any, due but unpaid under the Interest Swap Agreement, including any termination payment, other than any termination payment due or payable as a result of the occurrence of (i) an Event of Default (as defined therein) or (ii) an Additional Termination Event (as defined therein) relating to a Rating Event (as defined therein) where the Interest Swap Counterparty is the Defaulting Party or the sole Affected Party (as defined therein) (an '**Interest Swap Counterparty Default Payment**') payable under (k) below and excluding, for the avoidance of doubt, any amount relating to Excess Swap Collateral;

- (f) *sixth*, in or towards satisfaction, *pro rata* and *pari passu*, of interest due or interest accrued but unpaid on the Senior Class A Notes;
- (g) *seventh*, in or towards making good, any shortfall reflected in the Principal Deficiency Ledger until the debit balance, if any, on the Principal Deficiency Ledger is reduced to zero;
- (h) *eighth*, in or towards satisfaction of interest due or accrued but unpaid on the Subordinated Class B Notes;
- (i) *ninth*, in or towards satisfaction of any sums required to be deposited on the Reserve Account or, as the case may be, to replenish the Reserve Account up to the amount of the Reserve Account Required Amount;
- (j) *tenth*, in or towards satisfaction of principal due on the Subordinated Class B Notes until the Subordinated Class B Notes are fully redeemed;
- (k) *eleventh*, in or towards satisfaction of any Interest Swap Counterparty Default Payment payable to the Interest Swap Counterparty under the terms of the Interest Swap Agreement and excluding, for the avoidance of doubt, any amount relating to Excess Swap Collateral;
- (l) *twelfth*, in or towards satisfaction, *pro rata*, according to the respective amounts thereof, of gross-up amounts or additional amounts due, if any, to the Liquidity Facility Provider pursuant to the Liquidity Facility Agreement; and
- (m) *thirteenth*, in or towards satisfaction of a Deferred Purchase Price Instalment to the Seller.

#### **B. Priority of Payments in respect of principal**

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

- (i) as amounts of repayment and prepayment in full of principal under the NHG Mortgage Receivables, from any person, but, for the avoidance of doubt, excluding prepayment penalties, if any, less with respect to each Savings NHG Mortgage Receivable, the Participation in such Savings NHG Mortgage Receivable;
- (ii) as Net Proceeds on any NHG Mortgage Receivable to the extent such proceeds relate to principal less, with respect to each Savings Mortgage Loan, the Participation in such Savings NHG Mortgage Receivable;
- (iii) as amounts received in connection with a repurchase of NHG Mortgage Receivables pursuant to the Mortgage Receivables Purchase Agreement and any other amounts received pursuant to the Mortgage Receivables Purchase Agreement to the extent such amounts relate to principal less, with respect to each Savings Mortgage Loan, the Participation in such Savings NHG Mortgage Receivable;
- (iv) as amounts to be received in connection with a sale of NHG Mortgage Receivables pursuant to the Trust Deed to the extent such amounts relate to principal from any person, whether by set off or otherwise, but, for the avoidance of doubt, excluding prepayment penalties, if any, less, with respect to each Savings Mortgage Loan, the Participation in such Savings NHG Mortgage Receivable;
- (v) as amounts to be credited to the Principal Deficiency Ledger on the immediately succeeding Quarterly Payment Date in accordance with item (g) of the Interest Priority of Payments;
- (vi) as Monthly Participation Increase and as amounts to be received as Initial Participation pursuant to the Sub-Participation Agreement;
- (vii) as partial prepayment in respect of Mortgage Loans;
- (viii) the Reserved Amount;
- (ix) the Pre-Closing Proceeds to the extent relating to principal;
- (x) as any part of the Notes Redemption Available Amount calculated on the immediately preceding Quarterly Calculation Date which has not been applied towards redemption of the Senior Class A Notes on the immediately preceding Quarterly Payment Date;

less on such Quarterly Calculation Date, in respect of item (xi) and (xiii) only, until the Quarterly Calculation Date immediately preceding the first Optional Redemption Date the sum of:

- (xi) any amount applied to the purchase of the relevant Substitute NHG Mortgage Receivables on such Quarterly Payment Date (the '**Substitution Amount**');
- (xii) any amount applied to the purchase of the relevant Further Advance Receivables on such Quarterly Payment

- Date (the '**Further Advance Amount**'); and
- (xiii) the positive difference between (i) the Principle Available Amount less (ii) the Substitution Amount and the Further Advance Amount as calculated on the immediately preceding Quarterly Calculation Period (the '**Reserved Amount**') which amount is to be applied towards the purchase of Substitute NHG Mortgage Receivables on the next succeeding Quarterly Payment Date.

will be applied by the Issuer on each Quarterly Payment Date in or towards satisfaction of principal amounts due under the Senior Class A Notes until fully redeemed.

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

Following delivery of an Enforcement Notice any amounts payable by the Security Trustee under the Trust Deed, other than in respect of the Participations held by the Participant, will be paid to the Secured Parties (including the Noteholders but excluding the Participant) in the following order of priority (after deduction of costs incurred by the Security Trustee, which will include - *inter alia* - fees and expenses of Fitch and any legal adviser, accountant or auditor appointed by the Security Trustee) (and in each case only if and to the extent payments of a higher priority have been made in full) (the '**Priority of Payments upon Enforcement**')

- (a) *first*, in or towards satisfaction, of the repayment of any Liquidity Facility Stand-By Drawing under the Liquidity Facility Agreement;
- (b) *second*, in or towards satisfaction, *pro rata* and *pari passu*, according to the respective amounts thereof, of (i) the fees or other remuneration due to the Directors (ii) the fees and expenses of the Paying Agents and the Reference Agent incurred under the provisions of the Paying Agency Agreement and (iii) the fees and expenses of the Issuer Administrator and the Pool Servicer under the Administration Agreement;
- (c) *third*, in or towards satisfaction of any sums due or accrued but unpaid under the Liquidity Facility Agreement, but excluding any gross-up amounts or additional amounts due under the Liquidity Facility Agreement payable under (j) below;
- (d) *fourth*, in or towards satisfaction, *pro rata* and *pari passu*, according to the respective amounts thereof, of amounts, if any, due but unpaid under the Interest Swap Agreement including any termination payment other than any Interest Swap Counterparty Default Payment payable to the Interest Swap Counterparty under the terms of the Interest Swap Agreement payable under subparagraph (i) below and excluding, for the avoidance of doubt, any amount relating to Excess Swap Collateral;
- (e) *fifth*, in or towards satisfaction of all amounts of interest due or accrued but unpaid in respect of the Senior Class A Notes;
- (f) *sixth*, in or towards satisfaction of all amounts of principal and any other amount but unpaid in respect of the Senior Class A Notes;
- (g) *seventh*, in or towards satisfaction of all amounts of interest due or accrued but unpaid in respect of the Subordinated Class B Notes;
- (h) *eighth*, in or towards satisfaction of all amounts of principal and any other amount but unpaid in respect of the Subordinated Class B Notes;
- (i) *ninth*, in or towards satisfaction of any Interest Swap Counterparty Default Payment payable to the Interest Swap Counterparty under the terms of the Interest Swap Agreement and excluding, for the avoidance of doubt, any amount relating to Excess Swap Collateral;
- (j) *tenth*, in or towards satisfaction of gross-up amounts or additional amounts due, if any, to the Liquidity Facility Provider pursuant to the Liquidity Facility Agreement; and
- (k) *eleventh*, in or towards satisfaction of the Deferred Purchase Price to the Seller.

### **Liquidity Facility**

On the Closing Date, the Issuer will enter into the Liquidity Facility Agreement with the Liquidity Facility Provider. The Issuer will be entitled on any Quarterly Payment Date (other than on (i) a Quarterly Payment Date if and to the extent that on such date the Senior Class A Notes are redeemed in full or (ii) the Final Maturity Date) to make drawings under the Liquidity Facility up to the Liquidity Facility Maximum Amount. Any such drawing shall be credited to the Master Collection Account. The Liquidity Facility Agreement is for a maximum term of 364 days. The commitment of the Liquidity Facility Provider is extendable at its option. Any drawing under the Liquidity Facility by the Issuer shall only be made on a Quarterly Payment Date if and to the extent that, after the application of amounts available in the Reserve Account and before any drawing under the Liquidity Facility, there is a shortfall in the Notes Interest Available Amount to meet items (a) to (f) (inclusive) in the Interest Priority of Payments in full on that Quarterly Payment Date. Certain payments to the Liquidity Facility Provider will rank in priority to payments and security to, *inter alia*, the Noteholders.

If, at any time, (i) the short-term unsecured, unsubordinated and unguaranteed debt obligations of the Liquidity Facility Provider are assigned a rating of less than the Required Minimum Rating or such rating is withdrawn by Fitch and (ii) the Liquidity Facility Provider is not within thirty (30) days replaced by the Issuer with a suitably rated alternative liquidity facility provider or a third party having the required ratings has not guaranteed the obligations of the Liquidity Facility Provider or another solution acceptable to Fitch is not found and (iii) the then current ratings assigned to the Notes are materially adversely affected as a result thereof, the Issuer will be required forthwith to draw down the entirety of the undrawn portion of the Liquidity Facility (a '**Liquidity Facility Stand-By Drawing**') and credit such amount to the Master Collection Account with a corresponding credit to the liquidity facility stand-by ledger. Amounts so credited to the Master Collection Account may be utilised by the Issuer in the same manner as a drawing under the Liquidity Facility. A Liquidity Facility Stand-By Drawing shall also be made if the Liquidity Facility is not renewed by the Liquidity Facility Provider following its commitment termination date.

For these purposes, '**Liquidity Facility Maximum Amount**' means, on any Quarterly Calculation Date 0.25 per cent. of the aggregate Principal Amount Outstanding of the Senior Class A Notes on the Closing Date.

### **Reserve Account**

The net proceeds of the issue of the Subordinated Class B Notes will be credited to the Reserve Account. Amounts credited to the Reserve Account will be available on any Quarterly Payment Date to meet items (a) to (h) (inclusive) of the Interest Priority of Payments.

If and to the extent that the Notes Interest Available Amount on any Quarterly Calculation Date exceeds the amounts required to meet items (a) to (h) (inclusive) in the Interest Priority of Payments, the excess amount will be applied to deposit on or, as the case may be, replenish the Reserve Account up to the Reserve Account Required Amount. The '**Reserve Account Required Amount**' shall on any Quarterly Calculation Date be equal to:

- (i) 0.70 per cent. of the aggregate Principal Amount Outstanding of the Senior Class A Notes on the Closing Date or
- (ii) zero, on the Quarterly Payment Date whereon the Senior Class A Notes have been or are to be redeemed in full, subject to the Conditions.

To the extent that the balance standing to the credit of the Reserve Account on any Quarterly Calculation Date exceeds the Reserve Account Required Amount, such excess shall be drawn from the Reserve Account on the immediately succeeding Quarterly Payment Date and shall form part of the Notes Interest Available Amount on that Quarterly Payment Date and be available, subject to the Interest Priority of Payments, for redemption of the Subordinated Class B Notes.

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

### **Principal Deficiency Ledger**

A ledger known as the **'Principal Deficiency Ledger'** will be established by or on behalf of the Issuer in order to record any Realised Losses on the NHG Mortgage Receivables, including Realised Losses on the sale of NHG Mortgage Receivables (the **'Principal Deficiency'**). Any Principal Deficiency shall be debited to the Principal Deficiency Ledger (such debit items being reccredited, to the extent that payments are made, at item (g) of the Interest Priority of Payments to the extent any part of the Notes Interest Available Amount is available for such purpose).

**'Realised Losses'** means, on any Quarterly Payment Date, the sum of (a) the difference, if any, between (i) the aggregate Outstanding Principal Amount of all NHG Mortgage Receivables, less, with respect to Savings NHG Mortgage Receivables, the Participations, in respect of which the Seller, the Pool Servicer on behalf of the Issuer, the Issuer or the Security Trustee has foreclosed from the Closing Date up to and including such Quarterly Payment Date and (ii) the amount of Net Proceeds applied to reduce the Outstanding Principal Amount of such NHG Mortgage Receivables and (b), with respect to NHG Mortgage Receivables sold by the Issuer, the difference, if any, between (i) the aggregate Outstanding Principal Amount of such NHG Mortgage Receivables, less, with respect to Savings Mortgage Receivables, the Participations, and (ii) the purchase price of the NHG Mortgage Receivables sold to the extent relating to principal less, with respect to Savings Mortgage Receivables, the Participations, whereby, in case of items (a) and (b), for the purpose of establishing the Outstanding Principal Amount in case of set-off or defence to payments asserted by Borrowers any amount by which the NHG Mortgage Receivables have been extinguished ("*teniet gegaan*") will be disregarded.

#### **Interest Rate Hedging**

The Mortgage Loan Criteria require that all Mortgage Loans bear a floating rate of interest or a fixed rate of interest subject to a reset from time to time. The interest rate payable by the Issuer with respect to the Notes is calculated for all Notes as a margin over Euribor. On the first Optional Redemption Date the margin on the Notes will be reset and shall increase. The Issuer will mitigate this interest rate exposure in respect of the Senior Class A Notes by entering into the Interest Swap Agreement with the Interest Swap Counterparty and the Security Trustee (so excluding the Subordinated Class B Notes). Under the Interest Swap Agreement, the Issuer will agree to pay on each Quarterly Payment Date an amount being the sum of:

- (i) the aggregate amount of the interest on the NHG Mortgage Receivables scheduled to be paid during the relevant Quarterly Calculation Period less, with respect to each Savings NHG Mortgage Receivable, an amount equal to such scheduled interest on such receivables multiplied by the Participation Fraction; plus
- (ii) any prepayment penalties received during the immediately preceding Quarterly Calculation Period; plus
- (iii) interest received on the Master Collection Account; less
- (iv) an excess margin (the **"Excess Margin"**) of 0.25 per cent. per annum applied to the relevant Outstanding Principal Amount of the NHG Mortgage Receivables on the first day of the relevant Quarterly Calculation Period; and less
- (v) certain expenses as described under (a), (b) and (c) of the Interest Priority of Payments.

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

#### **Adjustment of Swap Amounts**

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

**Downgrade of Interest Swap Counterparty**

In the event that the relevant rating(s) of the Interest Swap Counterparty is or are downgraded by Fitch below the rating specified in the Interest Swap Agreement (in accordance with the requirements of that rating agency) for the Interest Swap Counterparty, the Interest Swap Counterparty will be required to take certain remedial measures which may include the provision of collateral for its obligations under the Interest Swap Agreement, arranging for its obligations under the Interest Swap Agreement to be transferred to an entity with the rating(s) required by Fitch as specified in the Interest Swap Agreement, procuring another entity with at least the rating(s) required by Fitch as specified in the Interest Swap Agreement to become co-obligor in respect of its obligations under the Interest Swap Agreement, or the taking of such other action as it may agree with Fitch.

A failure to take such steps, subject to certain conditions, will give the Issuer a right to terminate the Interest Swap Agreement.

**Sale of NHG Mortgage Receivables**

The Issuer will (i) on any Optional Redemption Date or (ii) upon the occurrence of a Tax Change have the right to sell and assign all of the NHG Mortgage Receivables to a third party, provided that the Issuer shall apply the proceeds of such sale, to the extent relating to principal, to redeem the Senior Class A Notes. In these events the purchase price of the NHG Mortgage Receivables shall be equal to the Outstanding Principal Amount, together with interest due or interest accrued but unpaid, if any, except that with respect to any NHG Mortgage Receivables which are in arrears for a period exceeding ninety (90) days or in respect of which an instruction has been given to the civil-law notary to start foreclosure proceedings, the purchase price shall be at least the lesser of (i) the sum of (a) an amount equal to the foreclosure value of the corresponding Mortgaged Assets or, if no valuation report of less than twelve (12) months old is available, the indexed foreclosure value and (b) the amount claimable under the NHG Guarantee or (ii) the sum of the Outstanding Principal Amount together with interest due or interest accrued but unpaid, if any, and any other amount due under such NHG Mortgage Receivable.

In addition, pursuant to the Mortgage Receivables Purchase Agreement, the Seller has the obligation to repurchase certain NHG Mortgage Receivables in certain other events. In these events the purchase price will be equal to the Outstanding Principal Amount of the NHG Mortgage Receivable, together with interest accrued up to (but excluding) the date of repurchase and re-assignment of the NHG Mortgage Receivable and reasonable costs, if any (including any costs incurred by the Issuer in effecting and completing such purchase and re-assignment).

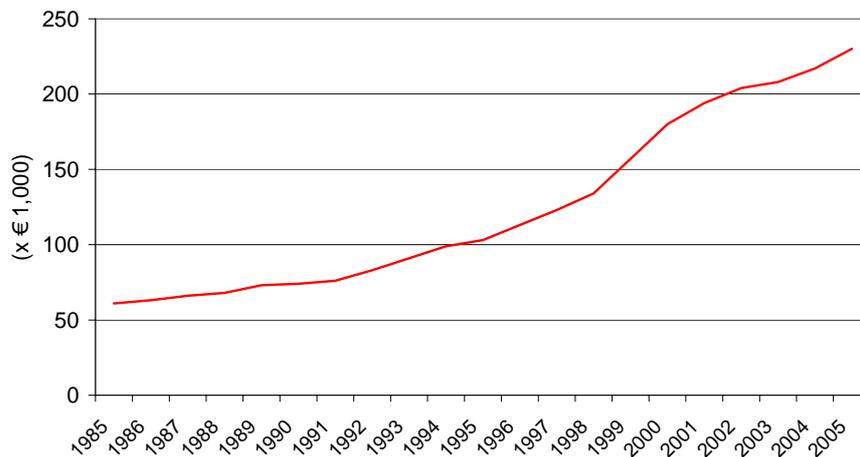
## DUTCH RESIDENTIAL MORTGAGE MARKET

### General

The Dutch residential property market saw strong price increases in the later part of the nineties and the beginning of this decade. Recent developments in the economic environment have resulted in lower levels of consumer confidence and house price increases have slowed. In some price classes and locations minor price decreases have even been registered. However, the underlying factors of the Dutch housing market remain strong.

The graph below shows the yearly house price developments for the last years. These percentages are derived from the Dutch Association of Real Estate Agencies ('*Nederlandse Vereniging van Makelaars*' or 'NVM'), which covers approximately 65 per cent. of all residential property sales in the Netherlands and the official land registry ('*Kadaster*').

### Median House Price Developments in the Netherlands



### Characteristics of Dutch mortgages

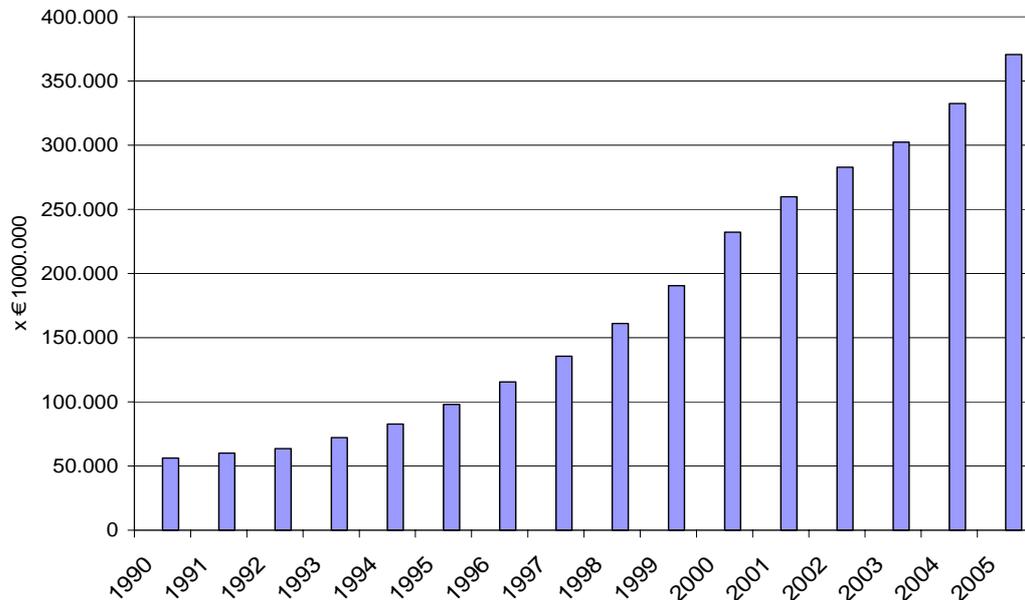
The most common mortgage types in the Netherlands are annuity, linear, savings, life and investment mortgages. For life and investment mortgages no principal is repaid during the term of the contract. Instead, the borrower makes payments in a saving account, endowment insurance or investment fund. Upon maturity the loan is repaid with the money in the savings account, the insurance contract or the investment fund respectively.

In the Netherlands, subject to a number of conditions, mortgage interest payments are deductible from the income of the borrower for income tax purposes. The period for allowed deductibility is restricted to a term of 30 years and it only applies to mortgages on owner occupied properties. Starting in 2005, it is also no longer allowed, after a refinancing, to deduct interest payable on any equity extractions.

A proportion of the residential mortgage loans has the benefit of a life insurance policy or a savings policy. The government encourages this method of redemption by exempting from tax the capital sum received under the policy, up to a certain amount (plus annual indexation), provided the term of insurance is at least 20 years. In addition, the insurance policies are exempted from wealth tax.

In the Netherlands, advances of up to 130 per cent. of foreclosure value have become standard practice as a result of the attractive fiscal regime, generally long periods of fixed interest rates and attractive repayment arrangements. The foreclosure value amounts to approximately 85-90 per cent. of the market value of properties in the Netherlands.

Total registered mortgage debt



Source: Dutch Central Bank (DNB)

### **Performance of Dutch mortgage loans**

A number of factors can be mentioned that contribute to the strong performance of Dutch mortgage loans:

1. Very low defaults due to relatively low unemployment rates, a strong cultural aversion to default and a supportive social security regime;
2. Legal ability of lenders in foreclosure to access borrowers' wages or seize their other assets;
3. Quality of mortgage servicing;
4. Relatively conservative underwriting criteria including checking comprehensive credit bureau data (BKR).

## EUREKO B.V.

**IT IS NOTED THAT THE INFORMATION BELOW ON EUREKO B.V. IS PROVIDED BY WAY OF BACKGROUND ONLY.** The Notes will not be obligations of any member of the Eureko Group (such as Eureko B.V.) other than the Issuer. No liability whatsoever in respect of any failure by the Issuer to pay any amount due under the Notes will be accepted by any other member of the Eureko Group (such as Eureko B.V.). No other member of the Eureko Group (such as Eureko B.V.) will be under any obligation whatsoever to provide funds to the Issuer.

In this section entitled '**Eureko B.V.**' references to '**Eureko**' and the '**Eureko Group**' are each to Eureko B.V. and its subsidiaries taken together, unless the context indicates otherwise.

### Profile

The Eureko Group consists of Eureko B.V. and its subsidiaries and comprises Achmea, Interpolis, Friends First, Interamerican, Union, Imperio France and a strategic investment in inter alia PZU in Poland (33% minus one share) and in F&C Asset Management in the UK (21%). Eureko has start-up operations in Bulgaria, Romania and Cyprus. Eureko has operations in the following countries (under the respective operating company brands):

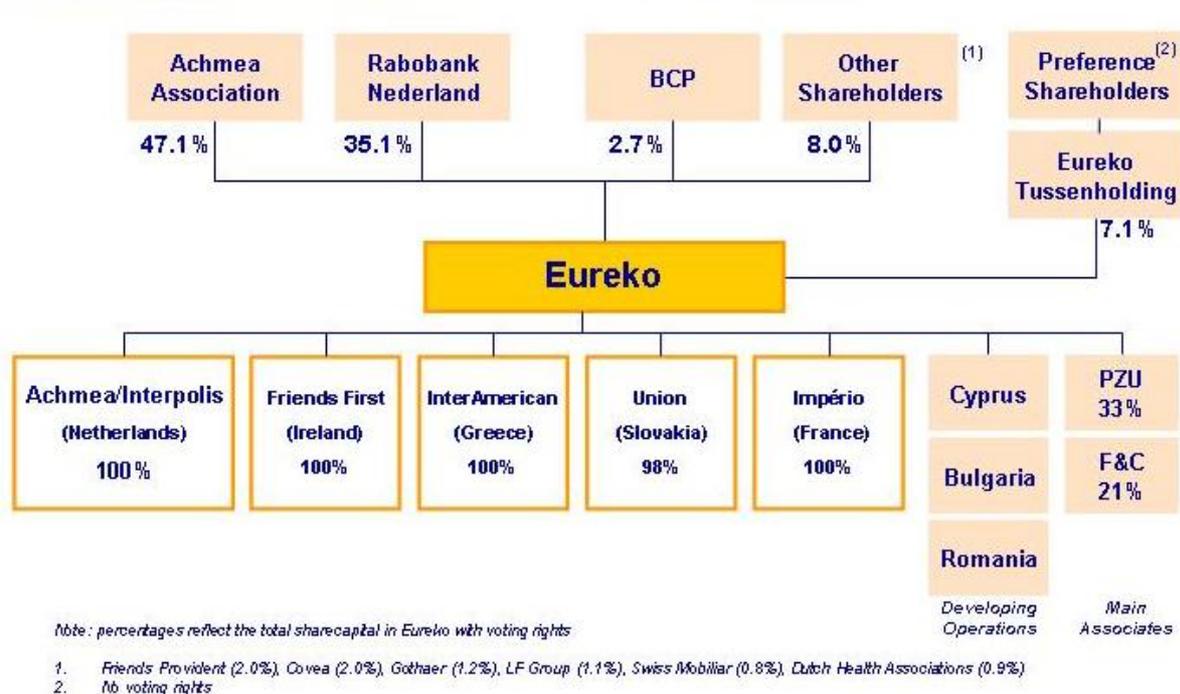
The Netherlands, Luxembourg, Belgium	(Achmea, Interpolis)
Greece	(Interamerican)
Ireland	(Friends First)
Slovakia	(Union)
France	(Império France)
Romania, Bulgaria and Cyprus	(developing companies).

In addition, Eureko has a company based in Warsaw (Eureko Polska) which is engaged in the development of Eureko's shareholding in PZU, Poland.

Eureko B.V. is a privately owned holding company of a financial services group, whose core business is primarily insurance. Eureko has operations in eleven European countries. Eureko has evolved from its origins as an alliance of likeminded, independent insurance companies with shared goals, to its position as a broad group with a number of operating companies which it fully owns, or in which it has a significant share holding.

As a holding company, Eureko B.V., and its major Dutch holding entities, rely principally on distributions of internal dividends and excess liquidity from operating subsidiaries and associated companies to meet their funding needs. Such distributions are usually subject to regulatory restrictions, and, in the case of associated companies, by the dividend policies as determined by those companies.

The organisation structure of the Eureko Group is as follows as of 1 August 2006:



#### General operations of the Eureko Group

The Eureko Group offers a full range of insurance products (life insurance, health insurance and non-life insurance), pension products and banking services. Eureko's philosophy is to create an integrated European group consisting of leading market players in the territories in which its companies operate, providing 'local solutions, shared goals'. Each of its operating companies has strong brands; they know their local markets, and are customer-focused. It is this local expertise, combined with the backing of a strong European Group and sharing of skills and experience throughout the Group which is the cornerstone of Eureko's values. The operating companies retain their own brand names, as brand recognition in their territories is very strong.

#### Dutch operations of the Eureko Group

As a leading financial services provider in the Netherlands, Achmea offers businesses, institutions and consumers a broad range of insurance, banking and mortgage products. Achmea links other services to these products so as to enhance their value and to provide greater convenience for the consumer. These services include emergency assistance at home and abroad, health and safety services, absenteeism prevention and workplace reintegration services, as well as health services which aim for prevention rather than cure, and encourage a healthy lifestyle for its policyholders. Achmea also administers pension schemes.

Through its power brands, including (among others) Interpolis, Centraal Beheer Achmea, Zilveren Kruis Achmea and Avéro Achmea, Eureko holds an important position in the non-life, (occupational) health and life insurance market segments. Eureko makes use of all the major distribution channels, both traditional and relatively new channels: personal, telephone and workplace sales, as well as sales through agents, intermediaries and banks (via Interpolis) and, increasingly, direct sales via the internet.

The Achmea banking activities primarily focus on retail banking and, through Staalbankiers N.V., private banking for high net worth individuals.

## **Incorporation and history**

### *Incorporation*

Eureko B.V. was incorporated by deed of incorporation on 30 December 1991. Eureko B.V. is a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated and operating under the laws of the Netherlands with its corporate seat in Amsterdam. The registered office of Eureko B.V. is Handelsweg 2, 3707 NH Zeist, telephone number +31 (0)30 6937140. Eureko B.V. is registered with the Trade Register at the Chamber of Commerce and Industry for Utrecht, registration number 33235189. Eureko B.V.'s commercial name is Eureko.

The articles of association of Eureko B.V. were most recently amended by deed of amendment on 28 December 2004. In 2005 the Interpolis merger took place, whereby Eureko B.V. acquired all issued and paid-up shares in the share capital of Interpolis N.V. As consideration for the acquisition of these shares, Eureko B.V. issued on 15 November 2005 new shares in the share capital of Eureko B.V. to Rabobank Nederland (Interpolis N.V.'s former parent company). As a result, Rabobank Nederland increased its shareholding in Eureko B.V. from 4.5% to 34.43%.

### *Object*

Pursuant to clause 2 of the articles of association, the objects of Eureko B.V. are to participate in, to finance or in any other way take an interest in, and to conduct the management of, other companies and business enterprises, to acquire, own, operate and encumber movable and immovable property, to invest in other companies and enterprises, to invest in property, securities and deposits, to render services in the field of commerce and finance, to give guarantees and to bind itself for obligations of companies and business enterprises with which it is associated in a group of companies, and to do anything that is, in the widest sense of the word, connected with the aforementioned objects or can be conducive to the attainment thereof.

### *Corporate Governance*

The Dutch Corporate Governance Code (*Code Tabaksblat*; the "Code") applies to stock listed companies, but Eureko accepts that the Code also reflects on non-listed companies. A large number of the principles coming from the Code have been integrated in the corporate governance structure of Eureko. Integral application of the Code would however lead to unwanted results such as reduced shareholder influence due to the specific structure of the Eureko Group and its co-operative origins. The Interpolis merger will also have an impact on the corporate governance structure of Eureko. 2006 is being used to formulate a clear corporate governance policy.

### *Agreement among the two largest shareholders of Eureko*

Vereniging Achmea (together with Stichting Administratiekantoor Achmea through which Vereniging Achmea holds its shares in Eureko B.V.), Rabobank Nederland and Eureko B.V. entered into a cooperation agreement. Pursuant to this cooperation agreement each of Vereniging Achmea and Rabobank Nederland are entitled to an equal number of representatives on a coordination committee. The coördination committee will have among its aims to advise the Eureko Supervisory Board and the Eureko Executive Board on important issues.

In addition, Vereniging Achmea and Rabobank Nederland have appointed directors in each others supervisory and management boards and have agreed to respect each others interests and the mutual interest of Eureko. Finally, they have undertaken not to enter into strategic alliances with third parties which could harm the competitive position of one of the parties.

### *Supervision*

Eureko B.V. is subject to supplementary supervision of insurance companies within an insurance group as referred to in section 69(a) through 69(k) of the Act on the Supervision of the Insurance Industry (*Wet toezicht verzekeringsbedrijf 1993*). Eureko B.V. is not subject to supervision by the Dutch Central Bank (*De Nederlandsche Bank N.V.*) under the Netherlands Act on the Supervision of the Credit System 1992 (*Wet toezicht kredietwezen 1992*).

### **Supervisory and Executive Board**

As of 1 October 2006, the Executive and Supervisory Boards of Eureko B.V. are composed as follows. Any principal activities performed by members of the Executive and Supervisory Boards are mentioned as well after their respective names.

#### *Executive Board*

M.W. Dijkshoorn (chairman and CEO)

- Member of the Board of Interamerican Hellenic Life Insurance Company S.A.
- Member of the Board of Friends First Holdings Ltd.
- Member of the Audit Committee of Banco Commercial Português S.A.
- Member of the Board of European Alliance Partners Company AG
- Member of the Board of Eureko Tussenholding B.V.
- Member of the Supervisory Committee of Stichting Oogziekenhuis Rotterdam
- Member of the Supervisory Board of Stichting Zorgverlening 's-Heeren Loo
- Member of the Board of 's Heeren Loo, Vereniging tot opvoeding, verzorging en behandeling van mensen met een verstandelijke handicap
- Member of the Board of Stichting Health Insurance Fund

E.R. Jansen

- Member of the Board of Residex B.V.
- Vice President of the Supervisory Board of PZU S.A., Warsaw, Poland
- Member of the Supervisory Board of Interamerican Hellenic Life Insurance Company S.A., Greece
- Member of the Conseil d'Administration of MAAF Assurances SA, Niort, France
- Member of the Board of Interpolis Luxemburg S.A.
- Member of the Board of Eureko Tussenholding B.V.

W.A.J. van Duin

- Chairman of the Supervisory Board of Union Poistovňa AS
- Chairman of the Supervisory Board of Union SA
- Member of the Supervisory Board of Staalbankiers N.V.
- Member of the Board of ZN (Zorg Verzekeraars nederland)
- Member of the Board of Stichting J.A. Meijerink Fonds
- Member of the Board of Stichting centraal fonds RVVZ
- Member of the Board of Van der Togt Museum, Amsterdam
- Member of the Comité van aanbeveling Stichting Leukemie.nl

H.A.J. Hannen

- Member of the Board of Interlife Cyprus
- Member of the Board of Eureko Re Dublin
- Chairman of Stichting Etin
- Chairman of the Supervisory Board of Etin N.V.
- Member of the Executive Committee of Stichting De Kreite
- Member of the Supervisory Board of Stichting Vincentius
- Member of the Supervisory Committee of Trimbos-instituut
- Chairman of the Supervisory Board of St. Lambertus housing association
- Chairman of the Supervisory Committee of Algemeen Pedagogisch Studiecentrum

G. van Olphen (CFO)

- Member of the Board of Eureko Tussenholding B.V.
- Chairman of Eureko Consultancy Services B.V.
- Member of the Supervisory Board of PZU SA, Poland
- Member of the Supervisory Board of Staalbankiers N.V.
- Member of the Supervisory Board of Achmea Bank Holding N.V.

- Member of the Supervisory Board of Achmea Beleggingsfondsen Beheer B.V.
- Member of the Supervisory Board of Achmea Hypotheekbank N.V.
- Member of the Supervisory Board of Achmea Retail Bank N.V.
- Member of the Supervisory Board of Levob Bank N.V.
- Member of the Board of Directors of PVF Nederland N.V.
- Member of the Supervisory Board of Weekblad Pers Groep
- Member of the Commissie CVS Verbond van Verzekeraars
- Member of the Commissie Financieel Economische Zaken Verbond van Verzekeraars
- Member of the HBO Raad

R.T. Wijmenga

- Member of the Board of Interamerican Bulgaria ZEAD
- Member of the Board of Life Insurance of the Dutch Association of Insurers and member of several commissions

*Supervisory Board*

A.H.C.M. Walravens (chairman)

- Member of the Supervisory Board of Rabobank Nederland
- Member of the Supervisory Board of CSM N.V.
- Member of the Supervisory Board of Sneep Industrie B.V.
- Chairman of the Supervisory Board of Wolters Kluwer Nederland B.V.
- Chairman of the Supervisory Board of Tauw Infra Consult B.V.
- Vice Chairman of the Board of Directors of Vereniging Achmea
- Various other positions with the Eureka Group

M. Minderhoud (vice chairman)

- Member of the Supervisory Board of Rabobank Nederland
- Member of the Supervisory Board of Heembouw Groep B.V.
- Chairman of the Supervisory Board of Hypothekers Associatie B.V.
- Chairman of the Supervisory Board of Leydsche Oranje Nassau Groep B.V.
- Chairman of the Supervisory Board of Quion B.V.
- Chairman of the Supervisory Board of Getronics N.V.
- Chairman of the Board of Vodafone International Holdings B.V.

J.M. Jardim Gonçalves

- Chairman of Senior Board of MillenniumBCP, Portugal
- Member of the Supervisory Board of Bank Millennium, Poland
- Member of the Senior Board of Novabank, Greece
- Member of the Board of Directors of Banco Sabadell, Spain

L. Koopmans

- Chairman of the Supervisory Board of Rabobank Nederland
- Chairman of the Board of Directors of Stichting TBI
- Chairman of the Supervisory Board of Cordares N.V.
- Chairman of the Supervisory Board of Siers Groep B.V.
- Chairman of the Supervisory Board of Arriva Nederland B.V.
- Member of the Supervisory Board of Nuon N.V.
- Member of the Supervisory Board of Huntsman Holland B.V.
- Member of the Supervisory Board of Noordelijke Ontwikkelingsmaatschappij N.V.
- Member of the Supervisory Board of Stichting TNO
- Member of the Board of Stichting Administratiekantoor Unilever N.V.
- Professor at the Groningen University

E.A.J. van de Merwe

- Chairman of the Supervisory Board of Fornix BioSciences

- Chairman of the Supervisory Board of Royal Rotaform
- Chairman of the Supervisory Board of GWK
- Chairman of the Supervisory Board of Nova Chemicals N.V.
- Chairman of the Supervisory Board of Exact Holding N.V.
- Chairman of the Supervisory Board of PCM Uitgevers B.V.
- Chairman of the Supervisory Board of Royal Schouten Groep N.V.
- Member of the Supervisory Board of Mizuho Corporate Bank (Netherlands)
- Member of the Jury Sijthoff Award
- Member of the Arbitration Committee Dutch Security Institute
- Member of the Board of Directors of Vereniging Achmea
- Chairman of the Supervisory Board of Achmea Bank Holding N.V.
- Chairman of the Supervisory Board of Staalbankiers N.V.

P.F.M. Overmars

- Member of the Supervisory Board of Rabobank Nederland
- Member of the Board of Directors of Vereniging Achmea

T. Persson

- CEO of the Länsförsäkringar Group (Sweden)
- Chairman of EurApCo
- Chairman of the Swedish Insurance Federation
- Chairman of the Swedish Insurance Employers' Association
- Member of the Board of Kaupthing Búnadarbanki hf
- Member of the Board of the Stockholm Chamber of Commerce

H.J. Slijkhuis

- Independent Farmer
- Member of the Provincial States of Overijssel
- Chairman of the Supervisory Board of Countus Accountants- en Belastingadviseurs
- Chairman of the Agrarisch Onderwijscentrum 'De Groene Welle'
- Member of the Supervisory Board of LTO-Vastgoed
- Member of the Board of Directors of Vereniging Achmea

A.J.A.M. Vermeer

- Chairman of the Board of Directors of Zuidelijke Land- en Tuinbouw Organisatie
- Member of the Maatschap Melkveehouderijbedrijf
- Vice Chairman of the Supervisory Board of Rabobank Nederland
- Chairman of the Supervisory Board of Sovion N.V.
- Member of the Curatorium of the ZLTO Chair Food, Farming and Agribusiness, Tilburg University

B.J. van der Weg

- Member of the Board of Stichting PVF Nederland
- Member of the Board of Directors of Vereniging Achmea

B.Y. Yntema

- Member of the Advisory Council Agro Business Groningen/Friesland/Drenthe
- Chairman of the Supervisory Board of Rabobank Sneek Zuidwest Friesland
- Member of the Board of Directors of Vereniging Achmea
- Member of the Board of Stichting PVF

No potential conflicts of interest exist between the duties of members of the Executive Board and the Supervisory Board of Eureka B.V. and their private interests or other duties.

All members of the Executive Board and of the Supervisory Board elect domicile at Eureko B.V., Handelsweg 2, 3707 NH Zeist.

#### **Audit committee**

The Audit Committee is a committee of the Supervisory Board and consists of at least three members of the Supervisory Board. The Audit Committee consists of Erik van de Merwe (chairman), Marinus Minderhoud and Bé van der Weg. It meets at least four times a year, of which at least one meeting a year with the external auditors. The external auditors may request an additional meeting if they consider this necessary without management being present. Committee meetings are attended by the CFO, the internal auditor and, when needed, the CEO. The group actuary (including risk management), the group compliance officer or any other specialist are usually invited when their reports are on the agenda. The company secretary, or deputy, attends the meetings to take minutes thereof. A representative of the external auditors is normally invited to attend all or part of the meetings. The external auditors receive all documents that are sent to the Audit Committee.

#### *Responsibilities and duties*

The Audit Committee advises the Supervisory Board in fulfilling its supervising responsibilities.

Therefore the Audit Committee reviews:

- (i) the integrity of the Group's financial reporting process;
- (ii) the effectiveness of the Group's internal controls;
- (iii) the Group's risk management processes;
- (iv) the effectiveness of the compliance processes with regard to regulatory issues;
- (v) the external audit processes; and
- (vi) any other matters as directed by the Supervisory Board.

#### **Share capital**

The authorised share capital comprises of 739,999,999 ordinary shares, 1 A share, 10,000,000 M shares and 60,000,000 preference shares. The issued share capital is €344,076,126 and consists of 313,504,825 ordinary shares, 1 A share, 6,667,240 M shares and 23,904,060 preference shares. All issued shares have been paid up in full.

The largest shareholder and holder of the A share of Eureko B.V. is Vereniging Achmea, holding 47.11% of the voting rights as of 1 August 2006 via Stichting Administratiekantoor Achmea.

There are special rights attached to the A share. The following shareholder resolutions require the approval of the holder of the A share:

- a. issuing shares or granting rights to subscribe for shares (or to designate the Executive Board to resolve on such issues or grants to subscribe for shares )
- b. excluding or limiting pre-emptive rights of shareholders upon an issue of shares or rights to subscribe for shares (except if this power is delegated to the Executive Board)
- c. reducing the share capital of Eureko
- d. dissolving Eureko
- e. merging Eureko with another company
- f. demerging Eureko
- g. repurchasing shares
- h. approving a transfer of shares
- i. making a non-binding recommendation for the appointment of an Executive Director
- j. appointing the CEO

The M shares have been established to only ensure that this entire class of shares can be cancelled without having to cancel other shares as well. Apart from this special feature, the rights attached to the M shares are identical to those attached to the ordinary shares. The M shares are held by Covea Part. SAS.

Each of the holders of ordinary shares, the A share, the M shares and the preference shares are entitled to receive dividends as declared from time to time as well as to distributions upon liquidation of Eureko B.V. The ordinary shares, the A share and the M shares carry identical financial rights and each of these shares is entitled to one vote at General Meetings of Shareholders of Eureko B.V. In addition, the A share is entitled to the special rights described above.

The preference shares are held by Eureko Tussenholding B.V. which has issued depositary receipts for shares in its share capital to several financial institutions. Whilst the profits of Eureko B.V. are at the free disposal of the General Meeting of Shareholders, if a distribution is made, first, if possible, a dividend equal to 7.15% over the amount paid on the preference shares shall be paid to the holders of the preference shares. The Executive Board with the approval of the Supervisory Board may each year decide to increase the percentage meant in the preceding sentence with at the most 180 basis points. As from 2014, the aforementioned percentage will be adjusted on the basis of the then applicable yield of State loans. If in any one year the preferred dividend to which the preference shares are entitled is not paid in full, then in subsequent years no dividend can be declared unless first the holders of preference shares have received a dividend equal to the dividend which they should have received in earlier years.

#### *Shares subject to option and derivative agreements*

Pursuant to certain share re-purchase agreements, several shareholders of Eureko B.V. have the right to sell their shares on market based conditions during a certain timeframe to certain third parties which are unrelated to Eureko B.V.. When an option is exercised, Eureko B.V. is under the obligation to enter into a derivative transaction with the purchasing third-party. Pursuant to this transaction Eureko B.V. will pay the purchaser an upfront premium equal to the settlement amount due by the purchaser to the selling shareholder under the related option. During the life of the derivative transaction, which has no fixed maturity, Eureko B.V. will receive all dividends distributed to the third party in return for a fixed fee. Upon unwinding of the derivative transaction, Eureko B.V. will receive from the purchaser the upfront premium paid plus part of the change in value of the Eureko B.V. shares held by the third party during the life of the derivative transaction.

The share re-purchase agreements contain different types of options. The total option amount of all outstanding options is maximized at €653 million. The options are either settled in the form of a perpetual or a 30 year subordinated debt instrument (type 1, maximised at €438 million) or by settlement of a loan (type 2, maximised at €215 million). The type 1 options can be exercised until the date of listing of Eureko B.V. on a stock exchange, the type 2 options are exercisable until the earlier of a listing of Eureko B.V. on a stock exchange and 1 July 2009. Options on 6,959,792 shares (type 3) held by companies controlled by D. Contominas have been terminated on 1 August 2006, as a result of the repurchase by Eureko B.V. of these shares as of this date. In total, 23,668,195 Eureko shares remain subject to the option and derivative agreements.

## **Litigation/PZU**

### ***General***

Eureko is involved in lawsuits and arbitration proceedings. These actions relate to claims instituted by and against Eureko B.V.'s subsidiaries arising from ordinary operations and mergers, including the activities carried out in their capacity as insurers, credit providers, employers, investors and tax payers. However, other than the litigation in relation to Powszechny Zakład Ubezpieczeń S.A. ("PZU"), as set out below, Eureko is not involved in any governmental, legal or arbitration proceedings (including threatened proceedings of which Eureko is aware), which may have, or have had in the recent past, significant effects on Eureko's financial position or profitability, nor has Eureko been involved in such proceedings during the last twelve months.

### ***PZU***

#### ***Background***

In 1999, Eureko B.V., acted as consortium leader with Bank Millennium, investing 3 billion Zlotys (±€700 million) to buy 30% of the shares in PZU, the largest insurance company in Poland. This acquisition was based on the Polish

Government's decision and promise to privatise PZU in 2000 by means of an Initial Public Offering ("IPO") on the Warsaw Stock Exchange and to offer a further 21% of the shares in PZU to Eureko. The privatisation was stipulated and agreed in two agreements between Eureko B.V. and the State Treasury of the Republic of Poland. Thus far, the Polish State has not fulfilled its obligations under the agreements, but Eureko insists on the Polish State to do so and to meanwhile run PZU as an independent, transparent and commercially oriented company, with good and effective corporate governance

#### *Arbitration*

After numerous attempts at finding an amicable solution for the conflict, Eureko filed a claim against the State Treasury of the Republic of Poland before the International Court of Arbitration in 2002 claiming that the Polish Government did not execute its part of the agreements with Eureko, namely to privatise PZU via an IPO and to sell an additional 21% of the shares in PZU to Eureko. In August 2005, the International Court of Arbitration issued its verdict and found that the State Treasury of the Republic of Poland afforded insufficient protection to Eureko's investment in Poland. In the second part of the proceedings the remedies and the amount of damages are to be determined. An initial calculation shows that the amount claimed by Eureko will be at least €1.5 billion.

#### *Other proceedings in relation to PZU*

Several other proceedings have been initiated in relation to this dispute. For instance, the Polish government has challenged the impartiality of an arbiter by filing for his removal. The Minister has publicly admitted that the main reasons for this action was just to buy time. In January 2006, a Polish Court ruled that Polish ex-Minister Chronowski must publicly apologise for his accusations and cannot claim parliamentary immunity as a senator.

In addition, in early 2005, a Parliamentary Inquiry Commission ("PIC") was formed to review the PZU privatisation and in parallel, an investigation was launched by the Polish Prosecution Office in Gdańsk. The public Prosecutor is currently investigating the annulment of the agreements between Eureko and the Polish government regarding the privatisation of PZU. Eureko volunteered to provide full assistance to both the PIC and the Prosecution Office.

The net result for the first half year 2006 and the net equity of Eureko B.V. include Eureko's share in the half year results of PZU, amounting to a net result of €115.6 million and a net equity of €1,122.8 million. These figures have been derived by Eureko B.V. from PZU's public forecast of June 2006. As Eureko was not allowed by PZU management to review their half year figures, KPMG is not in a position to express an opinion on the valuation of Eureko's share in the result and equity of PZU.

If the dispute with the Polish State is resolved negatively for Eureko, this could have an adverse effect on Eureko's operations, net results and equity position.

### **Main events in 2006/Recent developments**

#### *Privatisation health insurance*

The new health care legislation impacts Eureko. As a result of the new legislation, the public health funds (ziekenfondsen) ceased to exist per 1 January 2006 and all individuals who used to be insured with the public health funds were required to obtain private insurance. As a result, the number of individuals with private health insurances with Eureko increased from 1.2 to 3.5 million individuals. 1.7 million of these individuals originated from the public health funds that were formerly liaised to Eureko.

#### *Acquisition public health funds*

Achmea Zorgverzekeringen N.V. acquired as per 1 January 2006 the shares in Zilveren Kruis Achmea Zorgverzekeringen N.V., Groene Land PWZ Achmea Zorgverzekeringen N.V. and OZB Zorgverzekeringen N.V. The three companies had in their turn acquired on 31 December 2005 the activities of three public health funds that ceased to exist on the same date as a result of new health care legislation in the Netherlands.

#### *Agreement on acquiring 4.3% share holding in PZU*

In January 2006, Eureko reached agreement with Manchester Securities Corporation to purchase Manchester's 4.3% in PZU. The first tranche of 1.2% was settled in January 2006, bringing Eureko's total stake in PZU to 33% minus one share. The second tranche of 3.1% was not settled as Eureko did not obtain approval from the Polish regulator to increase its shareholding in PZU beyond 33%.

#### *Equity derivative transaction*

In June 2006, Eureko entered into an equity derivative transaction with an unrelated third party. During the term of the transaction, which will expire in June 2008, Eureko will be obliged to maintain a deposit with the counterparty in an amount at least equal to the equity notional amount of approximately EUR 210 million. The deposit can only be used to settle the equity derivative transaction with the counterparty.

#### *Offer of 77,365,754 ordinary shares in Friends Provident plc*

In May 2006, Eureko B.V. sold 77,365,754 ordinary shares in Friends Provident plc by itself and its wholly-owned subsidiary, Achmea Pensioen - en Levensverzekeringen N.V. The proceeds of this transaction amount to approximately £148 million (approximately €215 million). As a result of this transaction, Eureko and Achmea Pensioen - en Levensverzekeringen N.V. have a combined holding of approximately 2% in the share capital of Friends Provident plc. This approaches Friends Provident plc's reciprocal shareholding in Eureko B.V.

#### *Multicurrency Revolving Credit Facility*

On 30 June 2006, Eureko B.V. closed its €750 million, 5-year syndicated revolving credit facility for the financing of the company's general corporate purposes.

#### *Contominas repurchase*

On 1 August 2006, Eureko purchased 6,959,792 ordinary shares from its shareholders Carothers Trading Limited and Lilantel Limited, companies held by Mr D. Contominas, representing 2.02% of Eureko's issued share capital.

#### *Rating: S&P positive outlook*

On 17 March 2006, S&P affirmed Eureko's 'A-' rating and revised the outlook to 'positive' from 'stable'; the main insurance entities of Interpolis were rated 'A+', positive outlook', in line with the main Achmea insurance companies, on 29 June 2006.

#### *Outlook and trends*

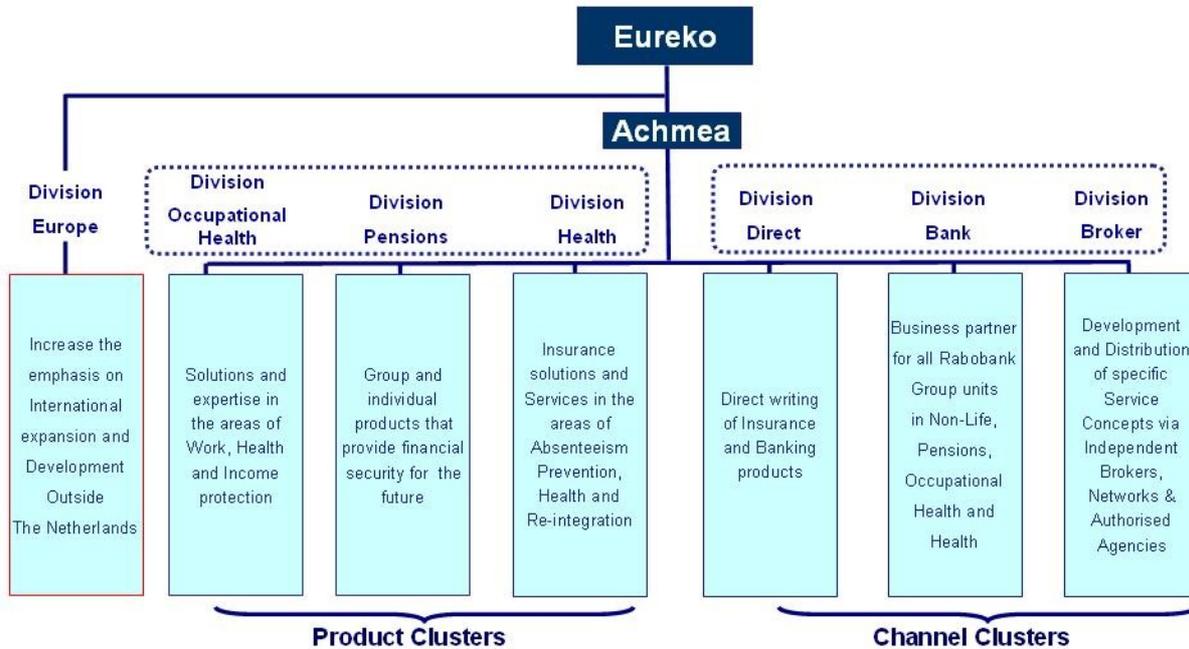
Eureko's focus is twofold: (i) increasing operational efficiency and achieving cost leadership in mature European markets, particularly in The Netherlands through the integration of Achmea and Interpolis, and (ii) expand in maturing markets in Central and Eastern Europe through an increased focus on organic growth and the pursuit of selective merger and acquisition opportunities. The resolution of the conflict with the Polish State with respect to the privatisation of PZU remains a key element of Eureko's expansion strategy in that region.

Following the merger between Achmea and Interpolis in November 2005, Eureko announced the further integration of the activities of both companies on 18 July 2006. The twenty business units and market organisations will be combined into six operating divisions. Three divisions are centred around distribution channels: banking, direct distribution and brokers. The other three divisions focus on products: pensions, occupational health and health. Eureko expects significant synergies from the integration of Achmea and Interpolis, among which a reduction in headcount of 2,500 to 3,000 or 15% of the combined workforce of 19,000.

Eureko has also created a new division, division Europe, which will act as a stimulator for international growth and facilitates all operating companies outside the Netherlands.

The new division structure is as follows:

### New organisational structure as per 1 July



The fiercely competitive insurance market, especially in The Netherlands, where 88% of the Eureko Group's total revenue is generated, will demand the Eureko Group's vigilance in the coming year. Eureko foresees a softer claims market, as increased competition erodes prices. In Eastern Europe, there is an expectation of strong growth, despite unstable economies.

The Life sector remains an uncertain market due to unstable stock markets and changes in tax regulations, but the opportunities presented by the new Dutch legislation (levensloopregeling) also provide a platform for expansion. In Health, following the introduction of the new health system, Achmea has had a very positive start, but the full impact of the new legislation has yet to be felt, and profitability is still uncertain. In Non-Life Eureko expects significant pricing pressure which will impact gross written premiums.

#### Key figures

Eureko's key figures for the last five years were as follows<sup>1</sup>:

EUR million	IFRS		Eureko GAAP			
	2005	2004	2004	2003	2002	2001
<b>Key figures</b>						
<b>Group Income Statement</b>						
Gross written premiums	6,577.4	5,524.3	6,209.4	5,655.7	7,431.4	7,236.5
Profit before tax and discontinued operations	826.1	385.9	604.7	436.6	-838.3	198.8

<sup>1</sup> These figures were derived from the annual reports which include the audited annual accounts in respect of the financial years ended 31 December 2001-2005. The 2004 IFRS figures were included in the annual report 2005, but are unaudited.

Net profit	705.9	1,022.5	1,152.6	243.0	-388.6	210.6
Number of Employees (FTE's)	20,166	14,550	14,550	15,234	18,179	17,974
<b>Insurance GWP</b>						
Life	2,807.2	2,311.7	2,878.9	2,602.9	3,920.9	4,105.4
Non-Life	1,698.6	1,477.4	1,470.8	1,432.4	1,793.2	1,598.3
Health	2,071.6	1,735.2	1,859.7	1,620.4	1,717.3	1,532.8
<b>Banking</b>						
Net interest margin	160.7	136.4	138.3	208.5	183.9	151.4
<b>Group Balance Sheet</b>						
Total assets	83,293.2	52,911.1	51,296.0	47,778.5	46,756.2	53,227.9
Total investments (excl. Investments backing linked liabilities)	38,643.2	23,499.7	23,045.6	19,176.5	18,875.8	22,205.8
Banking credit portfolio	16,458.8	16,941.7	16,781.3	17,133.5	16,610.6	14,530.3
Shareholders' equity	8,522.1	3,201.1	4,093.4	1,813.5	1,619.7	2,261.9
Embedded value Life business	4,537	2,348	2,744	2,593	2,355	3,367
<b>Key ratio's</b>						
<b>Group</b>						
Return on equity	12.7%	10.9%	39.0%	14.2%	-20.0%	6.8%
Debt leverage	9.6%	12.8%	11.5%	31.6%	48.2%	41.9%
<b>Insurance</b>						
Combined ratio Non-Life	89.9%	92.6%	92.5%	97.0%	104.1%	108.7%
Combined ratio Health	94.5%	97.4%	97.6%	99.1%	101.2%	102.3%
<b>Banking</b>						
Cost/income ratio	72.2%	103.9%	106.6%	88.7%	73.6%	83.7%
BIS ratio	11.7%	13.5%	13.3%	10.6%	10.5%	10.9%
<b>Figures per Ordinary Share</b>						
Net profit per share (EUR)	3.11	1.74	5.29	1.22	-1.94	1.03
Dividend per share (EUR)	1.41	1.96	1.96	0.45	0.00	0.34

## ACHMEA HYPOTHEEKBANK N.V.

### General Information

Achmea Hypotheekbank N.V. (in this chapter hereinafter referred to as the "Bank") is a fully owned subsidiary of Achmea Bank Holding N.V. Achmea Bank Holding N.V. is a fully owned subsidiary of Achmea Holding N.V. Achmea Holding N.V. is the holding organisation of Eureko's Dutch operations and as such forms part of the Eureko Group.

### Incorporation

The Bank was incorporated on 16 June 1995 as a Dutch public limited liability company. The Bank has its corporate seat in The Hague, The Netherlands. The articles of association were executed on 16 June 1995 before Mr. P.J. Dortmund, notary public at Rotterdam. The statement of no-objection of the Minister of Justice, in respect of the articles of association was issued by the Ministry of Justice under number N.V. 532.216. The Bank is registered in the Commercial Register of The Hague under number 27154399 and has its offices at Lange Houtstraat 4-8, 2511 CW in The Hague. The telephone number of the Bank is +31(0)703101510.

### Object and Purpose

The object and purpose of the Bank (to be found at Article 2 of the articles of association of the Bank) is to provide mortgage loans and to conduct banking business, including the provision of all banking- and banker services and all other financial services, as well as everything related or beneficial to the foregoing and furthermore participating in, management of and financing of other companies, of every nature, and finally to guarantee debts of other parties, with which it is affiliated in a group.

### Management

#### Executive Board

R.J. Hof  
P.W. van den Bosch  
H.W. te Beest (until 1 July 2005)  
J.J.P.M. van Benthem

#### Supervisory Board

J. Medlock (Chairman until 1 December 2005)  
G. van Olphen Member  
E.A.J. van de Merwe (Chairman as of 1 December 2005)  
A.A. Lugtigheid

#### Principal activity outside the Bank

Retired  
Executive Board Eureko B.V.(CFO)  
Independent Consultant  
Retired

### Audit Committee

The Audit Committee of the Bank consists of two members, both being a member of the Supervisory Board of the Bank:

- E.A.J. van de Merwe; and
- G. van Olphen

The Audit Committee has obtained a mandate from the Supervisory Board to prepare in collaboration with the Executive Board the meetings of the Supervisory Board. In addition, the Audit Committee has the mandate to supervise the main developments in the field of financial reporting, tax, funding and finance, risk management and to monitor the relationship with the external accountants of the Bank.

## Corporate Governance

The most recent version of the Dutch Corporate Governance Code (*'Code Tabaksblat'*) applies to companies of which the shares are listed on a recognized stock exchange. Although it therefore does not apply to the Bank, the Bank endorses most principles of the Code Tabaksblat. The elected domicile of each of the members of the Board of Directors and the Supervisory Board is the registered office of the Bank.

## Conflicts of interest

No potential conflicts of interest exist between the duties of members of the Executive Board and the Supervisory Board of the Bank and their private interest and other duties.

## CAPITALISATION AND INDEBTEDNESS

	as at 31 December, 2005 (in millions of EUR)	as at 31 December, 2004 (in millions of EUR)
Total Shareholders' equity	264	247
Share Capital	18	18
Authorised 200,000 ordinary shares		
Issued 40,001 ordinary shares (Euro 453.78 par value)		
Share premium reserve	164	164
Other reserves	54	48
Unappropriated profits	27	17
Revaluation reserve	1	0
Total long term subordinated debt	195	195
NLG loan 6.75% 1996-2006	91	91
NLG loan 5.68% 1999-2015	7	7
NLG loan 5.57% 1999-2014	1	1
NLG loan 5.55% 1999-2009	15	15
EUR loan 6.27% 2001-2013	25	25
EUR loan 5.77% 2001-2010	6	6
EUR loan 5.87% 2001-2011	6	6
EUR loan 5.95% 2001-2012	6	6
EUR loan 6.12% 2001-2015	6	6
EUR loan 5.96% 2002-2012	8	8
EUR loan 5.89% 2002-2012	5	5
EUR loan 5.89% 2002-2012	3	3
EUR loan 5.89% 2002-2012	11	11
EUR loan 5.89% 2002-2012	5	5
<b>Total capitalisation</b>	<b>459</b>	<b>442</b>

*The following table sets out the redemption schedule on loans as at 31 December 2005.*

Year	(in millions of EUR)
2006	91
2009	15
2010	6
2011	6
2012	38
2013	25
2014	1
2015	13
	<b>195</b>

*There has been no material change in the capitalisation of the Bank since 31 December 2005.*

**Key figures***(in millions of euro\*)*

	<i>IFRS</i>	<i>IFRS</i>				
	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>
Total assets	13805	13,098	13,006	12,729	11,154	10,267
Mortgage with Government guarantee (NHG)	2330	2,200	2,105	2,130	2,150	2,148
Other residential mortgages	10,375	10,222	9,813	9,151	8,159	7,376
Total residential mortgages	12,705	12,422	11,918	11,281	10,309	9,524
Shareholders' equity	264	247	241	315	279	268
Subordinated Capital	195	195	195	195	186	138
Fund for general banking risks	0	0	28	28	28	33
Capital base	459	442	464	538	493	439
Income	80	67	77	81	63	65
Expenses	38	37	40	50	48	44
Impairment on financial instruments And other assets	2	2	2	1	–	-2
Operating profit	40	28	35	30	15	23
Taxes	13	11	12	10	4	8
Net profit	27	17	23	20	11	15
Efficiency ratio	47.5	55.2	51.9	61.7	76.2	67.7
BIS-ratio	12.4%	11.3%*	11.5%	10.4%	10.8%	11.7%

\*Based on Dutch GAAP

**Profile**

The Bank was incorporated on 16 June 1995 with the purpose of collectively attracting funding on the capital and money markets to fund the mortgage portfolios of the mortgage companies of Achmea ('Achmea Group'). Until the legal merger of 1 September 2000, the mortgage companies, each of which has granted mortgage loans under its own name, were the following:

- \* Avéro Hypotheken B.V.
- \* FBTO Hypotheken B.V.
- \* Centraal Beheer Hypotheken B.V.
- \* Centraal Beheer Woninghypotheken B.V.
- \* Woonfonds Holland B.V.
- \* Woonfonds Nederland B.V.
- \* Zilveren Kruis Hypotheken B.V.

As of the legal merger, the Bank grants mortgage loans under several (insurance) brand names to private individuals in the Netherlands. The Bank has merged with its sole subsidiary Woonfonds Holland B.V. on 1 January 2004.

The total mortgage-portfolio of the Bank expanded from Euro 4.2 billion at the end of 1995 to Euro 12.7 billion per 31 December 2005. The funding of the Bank in 1995 depended fully on private placements with mostly Dutch institutional investors. Nowadays the Bank taps the Euromarket with private and public loans under its own Medium Term Note programme. The Bank issues debt instruments secured by a pledge of mortgage receivables under a trust agreement entered into by the Bank, with Stichting Trust Achmea Hypotheekbank as most recently amended on 2 November 2000 (the 'Trust Agreement'). The portfolio subject to the Trust Agreement amounted to euro 5.1 billion as at 31 December 2005. In 1999 the first private securitisation of Euro 0.2 billion was completed. Securitization as at 31 December 2005 totals Euro 6.3 billion. Profits in the last five years varied from 11 to 27 million euro per year. The result for 2004 was Euro 17 million and for 2005 it amounts to Euro 27 million. The Bank of International Settlement – ratio ('BIS-ratio') as at 31 December 2005 was 12.4 per cent. (based on Dutch GAAP). The Bank is obliged to disclose its financial statements based on IFRS as of year-end 2005. On 31 August 2006, the Bank issued a profit warning. For more information reference is made to the half yearly report dated 31 August 2006.

## Operations

As mentioned above, the Bank grants mortgage loans to private individuals in The Netherlands. There have been two methods of origination: direct writing (Centraal Beheer Achmea, FBTO, Zilveren Kruis Achmea) and through an intermediary (Avero Achmea, Woonfonds Hypotheken). The mortgage business of the Bank is linked with the other activities of the Achmea Group, especially the life insurance business and the investment funds business. In principle, mortgage loans are provided for residential property only. At present the mortgage businesses carry the following range of residential mortgage products:

- combined life assurance mortgage;
- savings mortgage ('*sparhypotheek*');
- redemption-free mortgage;
- annuity mortgage;
- linear mortgage;
- unit linked mortgage;
- investment mortgage,

or any combination thereof. In the near future other mortgage products might be introduced.

The Bank is within the directives of the Achmea Group responsible for the acceptance and the servicing of mortgages, as well as risk, product and pricing policies.

### The banks basic responsibilities include:

- the operation of a commercial policy and the marketing of mortgage loans through the sales and marketing organisations of the mortgage brands in the divisions intermediary distribution and direct distribution;
- the operation of a reliable financial, mortgage and policy administration;
- the operation of an adequate administrative organisation and reliable automation system;
- compliance with statutory requirements regarding solvency and cash position;
- supervision of compliance with directives issued by the Dutch Central Bank, regarding the maintenance of a reliable administrative organisation and internal control system by the mortgage brands and regulations issued by the Netherlands Authority for the Financial Markets; and
- ensuring a reliable and continuous data processing system, more specifically on the basis of maintenance of the Bank's systems and of the interfaces with the systems operated by the individual mortgage brands.

### The tasks which the Bank performs on the basis of these responsibilities include:

- determination of the funding requirements;
- preparation and monitoring of the interest rate and risk policies and execution of clearing transactions in relation to funds transfers;
- preparation and maintenance of the administrative organisation, performance of internal control procedures;
- preparation and monitoring of risk standards and of product, acceptance and pricing policies;
- preparation and maintenance of a reliable and continuous data processing system and lending of support in the areas of market analysis and product development;
- compilation of management reports;

- execution of specialist tasks such as arrears management and legal and fiscal matters; and
- coordination of the contacts with the Dutch Central Bank and other representative organisations.

As at 31 December 2005 the mortgage portfolio of the Bank amounts to approximately Euro 12.7 billion. This portfolio consists of approximately Euro 2.3 billion of mortgage loans which have the benefit of a municipality guarantee (*Gemeente Garantie*) or a NHG Guarantee (*Nationale Hypotheek Garantie*). A part of approximately Euro 6.3 billion forms part of mortgage backed securitisation transactions.

### **Supervision by the Dutch Central Bank**

On 1 November 1995, the Dutch Central Bank issued a general banking licence to the Bank pursuant to the provisions of the Act on the supervision of the credit system 1992 (*Wet toezicht kredietwezen 1992*). The Bank is registered as a credit institution without special restrictions. As a result thereof, the Bank is under the permanent supervision of the Dutch Central Bank, pursuant to which it is obliged to provide the latter with all information required on banking developments, such as cash position and solvency.

### **Interest rate mismatch**

As a financial institution, managing interest rate risk is a normal part of the Bank's business. The Bank maintains a conservative approach in terms of interest rate mismatches and actively manages those mismatches. It should be understood, however, that interest rate risk may still affect the results of the Bank.

### **Acquisitions and disposals**

As a result of the merger between Avero Achmea and Levob, the Bank acquired the retail mortgage loan portfolio of Levob on 1 July 2005, with a total volume of approximately Euro 102,000,000. In November 2006 the Bank will acquire the mortgage portfolio of Interpolis. Other than the aforementioned acquisition there were no material acquisitions and disposals during 2005 or to date in 2006. Material contracts The Bank did not enter into any material contracts outside the ordinary scope of business during 2005 or to date in 2006.

### **Competitive position**

There is substantial competition in The Netherlands for the types of mortgages and other products and services the Bank provides. Competition in the financial services industry is furthered by the high level of consolidation in The Netherlands in the markets where the Bank operates. The Bank faces competition from companies such as Rabobank, ABN AMRO Bank N.V., SNS Bank N.V. and many others.

## DESCRIPTION OF THE MORTGAGE LOANS

The NHG Mortgage Receivables to be sold and assigned on the Closing Date to the Issuer are any and all rights (whether actual or contingent) of the Seller against any Borrower under or in connection with any Mortgage Loans selected by 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 by the Seller (or its legal predecessors) and the relevant Borrowers.

The Mortgage Loans have been selected in accordance with the Mortgage Loan Criteria as set out in Mortgage Receivables Purchase Agreement. All of the Mortgage Loans were originated by the Seller and the other Originators.

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

### **Mortgaged Assets**

The mortgage rights securing the Mortgage Loans are vested on (i) a real property (“*onroerende zaak*”), (ii) an apartment right (“*appartementsrecht*”) or (iii) a long lease (“*erfpacht*”).

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

### **Repayment types**

The Seller offers a selection of mortgage products. The pool contains five distinguishable repayment types: interest only, annuity, linear, traditional life/unit linked mortgage loan and savings mortgage loan.

The following types of repayment are involved in the transaction.

#### *Interest-only mortgage loan*

A portion of the Mortgage Loans (or parts thereof) will be in the form of interest-only mortgage loans (“*aflossingsvrije hypotheken*”, hereinafter '**Interest-only Mortgage Loans**'). Under an Interest-only Mortgage Loan, the Borrower does not pay principal towards redemption of the Interest-only Mortgage Loan until maturity of such Interest-only Mortgage Loan.

#### *Annuity mortgage loan*

A portion of the Mortgage Loans (or parts thereof) will be in the form of annuity mortgage loans (“*annuïteiten hypotheken*”, hereinafter '**Annuity Mortgage Loans**'). Under an Annuity Mortgage Loan, the Borrower pays a constant total monthly payment, made up of an initially high and subsequently decreasing interest portion and an initially low and subsequently increasing principal portion, and calculated in such a manner that the Annuity Mortgage Loan will be fully redeemed at the maturity of such Annuity Mortgage Loan.

#### *Linear mortgage loan*

A portion of the Mortgage Loans (or parts thereof) will be in the form of linear mortgage loans (“*lineaire hypotheken*”, hereinafter '**Linear Mortgage Loans**'). Under a Linear Mortgage Loan, the Borrower pays a constant principal monthly payment, made up of an initially high and subsequently decreasing interest portion and a fixed principal portion, and calculated in such a manner that the Linear Mortgage Loan will be fully redeemed at the

maturity of such Linear Mortgage Loan.

#### *Life Mortgage Loans*

A portion of the Mortgage Loans (or parts thereof) will be in the form of life mortgage loans ("*levenhypotheken*", hereinafter '**Life Mortgage Loans**'), which have the benefit of combined risk and capital insurance policies (the '**Life Insurance Policies**') taken out by Borrowers in connection with such Life Mortgage Loan with (i) the Participant or (ii) with any life insurance company established in the Netherlands which is not a group company of the Seller (each a '**Life Insurance Company**' and together with the Participant, the '**Insurance Companies**'). Under a Life Mortgage Loan a Borrower pays no principal towards redemption until maturity of such Life Mortgage Loan. The Borrower has the choice between (i) the Traditional Alternative and (ii) the United-Linked Alternative. '**Traditional Alternative**' means the alternative under which the amount to be received upon pay out of the Life Insurance Policy depends on the performance of certain (bond) investments chosen by the relevant Insurance Company with a guaranteed minimum yield of 3 per cent. (lowered from a guaranteed minimum yield of 4 per cent. per September 1999). '**Unit-Linked Alternative**' means the alternative under which the amount to be received upon pay out of the Life Insurance Policy depends on the performance of certain investment funds chosen by the Borrower.

#### *Savings mortgage loan*

A portion of the Mortgage Loans (or parts thereof) will be in the form of savings mortgage loans ("*spaarhypotheken*", hereinafter '**Savings Mortgage Loans**'), which consist of Mortgage Loans entered into by one of the Originators and the relevant Borrowers combined with a savings insurance policy with the Participant (a '**Savings Insurance Policy**' and together with the Life Insurance Policies, the '**Insurance Policies**'). A Savings Insurance Policy is a combined risk insurance policy (i.e. a policy relating to an insurance which pays out upon the death of the insured) and capital insurance policy. Under a Savings Mortgage Loan no principal is paid by the Borrower until maturity of such Savings Mortgage Loan. Instead, the Borrower/insured pays premium on a monthly basis to the Participant, which consists of a risk element and a savings element (the '**Savings Premium**'). The Savings Premium is calculated in such a manner that, on an annuity basis, the final payment under the Savings Insurance Policy due by the Participant to the relevant Borrower is equal to the amount due by the Borrower to the Seller at maturity of such Savings Mortgage Loan.

In case of all repayment types the Borrower is obligated to take out a Life Insurance Policy for the part of the loan above eighty (80) per cent or ninety (90) per cent of the foreclosure value.

#### **Interest types**

The Seller offers a number of different types of interest as summarised below.

##### *Floating rate ('Flexi- or Profirente')*

The floating interest rate is fixed for one calendar quarter or one calendar year. The interest rate can be changed on the first day of a calendar quarter in line with the prevailing daily interest rate. The Borrower can switch to a longer fixed-interest period during the quarter without incurring a penalty.

##### *Fixed interest ('Vaste-, Vaste Switch, TRAM- or Trend rente')*

The Borrower pays the same interest rate throughout the fixed-interest period. The fixed-interest periods are available in terms of one year to thirty (30) years. For terms longer than three years, it is possible to change the term, subject to certain conditions, by means of interest rate averaging. In the case of the one-year interest rate, there is a scenario which allows the Borrower to switch to a longer fixed-interest period during the term, as is the case for the quarterly variable interest rate.

##### *Transitional interest rate ('Rentegewenningsrente')*

The fixed-interest period lasts for a total of ten (10) years. With this type of interest rate, the Borrower pays an increasing rate of interest for the first three years. In the fourth to the tenth year, the customer pays the same interest rate. In the first year, the interest rate is 1.5 per cent. lower than in the fourth to the seventh year. In the second and third year, the rate is 1.0 per cent. and 0.5 per cent. lower respectively.

*Spread interest rate ('Palet Rente or Rente Egaal Constructie')*

In the case of a spread interest rate the contracted "fixed" period is 5 or 10 years. Within the contract the loan is split up in 5 or (respectively) 10 parts. Each part has a separate duration. In the 5 years spread interest rate the 5 parts have durations which range from 1 year up to 5 year fixed. In case of a 10 year spread interest rate the durations vary from 1 year up to 10 year fixed. Each duration has its own specific interest rate. During the year the Borrower pays the average interest of the separate parts. During the contract each year a part of the loan is refixed to the current market interest rate, with a duration of the remaining "fixed" period of the mortgage loan. In the standard version of the spread interest rate each time 20% (or, respectively, 10%) of the loan is changed. Apart from the standard version of this type of interest the Borrowers have two alternatives. Within these alternatives it is possible to emphasize shorter or longer durations within the 5 (or 10) parts.

*Bandwidth interest rate ('Component- or Renteperfectrente')*

In the case of a bandwidth interest rate, a contracted rate of interest is agreed for a certain term. The Borrower pays this rate of interest in the first year. In addition to the contracted rate of interest, an upper and a lower limit is set, which we refer to as the bandwidth. Every year, the contracted rate of interest is checked against the prevailing rate of interest. The contracted rate is amended only if the prevailing rate of interest goes above or below the agreed bandwidth. As long as the current bandwidth interest rate remains within the bandwidth, nothing changes. If the bandwidth interest rate is above the limit when it is checked, only the excess is added to the contracted rate of interest. Conversely, the same principle applies, i.e. the amount below the lower limit is deducted from the contracted rate of interest. If the bandwidth interest rate is back in the bandwidth again at the time of the annual check, the original contracted interest rate will be charged.

**Summary of the Pool**

The numerical information set out below relates to a pool of Mortgage Loans (the "**Provisional Pool**") which was selected as of the close of business, on 31 October 2006. All amounts are in euro. All amounts relating to principal are inclusive of any Participation, unless stated otherwise. The information set out below relates to the Provisional Pool and may not necessarily correspond to that of the NHG Mortgage Receivables actually sold to the Issuer on the Closing Date. After the Closing Date the portfolio will change from time to time as a result of repayment, prepayment, amendment and repurchase of NHG Mortgage Receivables and the purchase of Substitute NHG Mortgage Receivables and Further Advance Receivables.

**TABLE A***Key characteristics of provisional pool*

Outstanding Principal Balance (euro)	905,328,012
Net Outstanding Principal Balance (euro)	850,179,978
Average Balance by borrower (euro)	121,049
Maximum loan value (euro)	250,000
Number of loan parts	13,479
Number of mortgage loans	7,594
Number of borrowers	7,479
weighted average seasoning (months)	71.25
weighted average maturity (months)	278.35
weighted average coupon (%)	5.00
Current Loan to Foreclosure Value	98,32
Current Loan to Indexed Foreclosure Value (%)	79,45
Current Loan to Estimated Fair Market Value (%)	83,57
Current Loan to Indexed Estimated Fair Market Value (%)	67,54

**TABLE B***Origination date of mortgage loan parts in the provisional pool*

Year	Aggregate Outstanding Principal Amount	Proportion of Pool	Number of loan parts	Proportion of pool
1995	47,617,023	5.3%	694	5.1%
1996	81,277,192	9.0%	1,290	9.6%
1997	98,789,938	10.9%	1,622	12.0%
1998	99,801,990	11.0%	1,590	11.8%
1999	86,828,133	9.6%	1,396	10.4%
2000	64,259,942	7.1%	977	7.2%
2001	55,290,590	6.1%	861	6.4%
2002	58,991,339	6.5%	855	6.3%
2003	78,026,131	8.6%	1,059	7.9%
2004	142,651,005	15.8%	1,883	14.0%
2005	91,794,731	10.1%	1,252	9.3%
2006	-	0.0%	-	0.0%
<b>Total</b>	<b>905,328,012</b>	<b>100.0%</b>	<b>13,479</b>	<b>100.0%</b>

**TABLE C***Type of mortgage loan parts in the provisional pool*

Type of mortgage	Aggregate Outstanding Principal Amount	Proportion of Pool	Number of loan parts	Proportion of pool
Annuity	15,058,963	1.7%	353	2.6%
Life	141,479,989	15.6%	1,593	11.8%
Interest Only	277,117,143	30.6%	5,767	42.8%
Linear	860,454	0.1%	29	0.2%
Savings	371,900,118	41.1%	4,668	34.6%
Unit Linked	98,911,345	10.9%	1,069	7.9%
<b>Total</b>	<b>905,328,012</b>	<b>100.0%</b>	<b>13,479</b>	<b>100.0%</b>

**TABLE D***Interest rate applicable to the mortgage loan parts in the provisional pool*

range of interest	Aggregate Outstanding Principal Amount	Proportion of Pool	Number of loan parts	Proportion of pool
1.00 - 2.50	-	0.0%	-	0.0%
2.50 - 3.00	3,333,241	0.4%	47	0.3%
3.00 - 3.50	29,865,298	3.3%	439	3.3%
3.50 - 4.00	93,293,425	10.3%	1,350	10.0%
4.00 - 4.50	172,238,881	19.0%	2,488	18.5%
4.50 - 5.00	168,922,591	18.7%	2,397	17.8%
5.00 - 5.50	138,028,177	15.2%	2,165	16.1%
5.50 - 6.00	153,122,644	16.9%	2,408	17.9%
6.00 - 6.50	78,047,216	8.6%	1,205	8.9%
6.50 - 7.00	41,653,466	4.6%	620	4.6%
7.00 - 7.50	20,700,674	2.3%	280	2.1%
7.50 - 8.00	4,957,837	0.5%	65	0.5%
8.00 - 8.50	1,057,490	0.1%	13	0.1%
8.50 - 9.00	107,074	0.0%	2	0.0%
<b>Total</b>	<b>905,328,012</b>	<b>100.0%</b>	<b>13,479</b>	<b>100.0%</b>

**TABLE E***Interest rate reset dates applicable to the mortgage loan parts in the provisional pool*

range of years		Aggregate Outstanding Principal Amount	Proportion of Pool	Number of loan parts	Proportion of pool
2006	2011	316,286,767	34.9%	4,888	36.3%
2011	2016	329,447,576	36.4%	4,684	34.8%
2016	2021	148,105,535	16.4%	2,252	16.7%
2021	2026	78,067,536	8.6%	1,190	8.8%
2026	2031	27,060,823	3.0%	386	2.9%
2031	2036	6,359,776	0.7%	79	0.6%
<b>Total</b>		<b>905,328,012</b>	<b>100.0%</b>	<b>13,479</b>	<b>100.0%</b>

**TABLE F***Maturity of the mortgage loan parts in the provisional pool*

range of years		Aggregate Outstanding Principal Amount	Proportion of Pool	Number of loan parts	Proportion of pool
2006	2011	834,315	0.1%	29	0.2%
2011	2016	4,822,037	0.5%	108	0.8%
2016	2021	20,982,955	2.3%	352	2.6%
2021	2026	76,369,616	8.4%	1,114	8.3%
2026	2031	428,461,415	47.3%	6,605	49.0%
2031	2036	368,868,745	40.7%	5,139	38.1%
2036	2041	1,505,376	0.2%	35	0.3%
2041	2046	79,979	0.0%	4	0.0%
2046	2051	3,301,374	0.4%	91	0.7%
2051	2056	102,202	0.0%	2	0.0%
<b>Total</b>		<b>905,328,012</b>	<b>100.0%</b>	<b>13,479</b>	<b>100.0%</b>

**TABLE G***Borrower exposure (B.E.) of the mortgage loan parts in the provisional pool*

range of B.E.		Aggregate Outstanding Principal Amount	Proportion of Pool	Number of loans	Proportion of pool
0	50,000	7,549,650	0.8%	200	2.7%
50,000	100,000	196,573,433	21.7%	2,435	32.6%
100,000	150,000	378,542,559	41.8%	3,069	41.0%
150,000	200,000	236,304,147	26.1%	1,375	18.4%
200,000	250,000	86,358,223	9.5%	400	5.3%
<b>Total</b>		<b>905,328,012</b>	<b>100.0%</b>	<b>7,479</b>	<b>100.0%</b>

**TABLE H***Geographical distribution of the mortgage loan parts in the provisional pool*

Region	Aggregate Outstanding Principal Amount	Proportion of Pool	Number of loan parts	Proportion of pool
Groningen	29,714,316	3.3%	496	3.7%
Friesland	58,396,454	6.5%	1,035	7.7%
Drenthe	33,267,487	3.7%	550	4.1%
Overijssel	92,739,384	10.2%	1,480	11.0%
Gelderland	92,820,024	10.3%	1,362	10.1%
Utrecht	53,868,051	6.0%	708	5.3%
Noord-Holland	138,481,063	15.3%	1,986	14.7%
Zuid-Holland	180,782,864	20.0%	2,652	19.7%
Zeeland	19,675,964	2.2%	314	2.3%
Noord-Brabant	129,916,600	14.4%	1,827	13.6%
Limburg	44,158,778	4.9%	624	4.6%
Flevoland	31,507,028	3.5%	445	3.3%
<b>Total</b>	<b>905,328,012</b>	<b>100.0%</b>	<b>13,479</b>	<b>100.0%</b>

**TABLE I***Sellers*

<b>Sellers</b>	<b>Aggregate Outstanding Principal Amount</b>	<b>Proportion of Pool</b>	<b>Number of loan parts</b>	<b>Proporti on of pool</b>
Avero Achmea	182,972,591	20.2%	2,712	20.1%
Centraal Beheer Achmea	288,030,222	31.8%	4,578	34.0%
Woonfonds Nederland	434,325,200	48.0%	6,189	45.9%
FBTO	-	0.0%	-	0.0%
<b>Total</b>	<b>905,328,012</b>	<b>100.0%</b>	<b>13,479</b>	<b>100.0%</b>

**TABLE J***Interest type of the mortgage loan parts in the provisional pool*

<b>Interest type</b>	<b>Aggregate Outstanding Principal Amount</b>	<b>Proportion of Pool</b>	<b>Number of loan parts</b>	<b>Proportion of pool</b>
Component	18,368,427	2.0%	271	2.0%
Fixed	804,664,453	88.9%	11,954	88.7%
Floating	82,295,133	9.1%	1,254	9.3%
<b>Total</b>	<b>905,328,012</b>	<b>100.0%</b>	<b>13,479</b>	<b>100.0%</b>

**TABLE K***Current Loan to Value (Recorded Foreclosure value)*

<b>Range of LTV</b>	<b>Aggregate Outstanding Principal Amount</b>	<b>Proportion of Pool</b>	<b>Number of loans</b>	<b>Proportion of pool</b>
LTV <25%	3,069,231	0,3%	67	0,9%
25% <= LTV < 50%	47,423,509	5,2%	561	7,5%
50% <= LTV < 60%	46,699,651	5,2%	470	6,3%
60% <= LTV < 70%	61,437,475	6,8%	587	7,8%
70% <= LTV < 80%	71,659,464	7,9%	646	8,6%
80% <= LTV < 90%	73,074,315	8,1%	622	8,3%
90% <= LTV < 100%	81,679,278	9,0%	681	9,1%

100% <= LTV < 105%	57,956,609	6,4%	459	6,1%
105% <= LTV < 110%	61,210,531	6,8%	469	6,3%
110% <= LTV < 115%	57,649,072	6,4%	442	5,9%
115% <= LTV < 120%	79,076,378	8,7%	581	7,8%
120% <= LTV < 125%	187,509,300	20,7%	1,330	17,8%
125% <= LTV <= 130%	76,883,198	8,5%	564	7,5%
<b>Total</b>	<b>905,328,012</b>	<b>100,0%</b>	<b>7,479</b>	<b>100,0%</b>

**TABLE L**

*Current Loan to Value (Indexed Recorded Foreclosure value)*

<b>Range of LTV</b>	<b>Aggregate Outstanding Principal Amount</b>	<b>Proportion of Pool</b>	<b>Number of loans</b>	<b>Proportion of pool</b>
LTV <25%	6,087,210	0.7%	137	1.8%
25% <= LTV < 50%	115,936,197	12.8%	1,359	18.2%
50% <= LTV < 60%	119,700,608	13.2%	1,182	15.8%
60% <= LTV < 70%	136,428,149	15.1%	1,234	16.5%
70% <= LTV < 80%	104,579,109	11.6%	840	11.2%
80% <= LTV < 90%	87,209,670	9.6%	647	8.7%
90% <= LTV < 100%	75,001,715	8.3%	505	6.8%
100% <= LTV < 105%	51,707,219	5.7%	335	4.5%
105% <= LTV < 110%	50,316,416	5.6%	317	4.2%
110% <= LTV < 115%	70,781,850	7.8%	424	5.7%
115% <= LTV < 120%	58,065,046	6.4%	333	4.5%
120% <= LTV < 125%	23,289,738	2.6%	133	1.8%
125% <= LTV <= 130%	6,225,085	0.7%	33	0.4%
<b>Total</b>	<b>905,328,012</b>	<b>100.0%</b>	<b>7,479</b>	<b>100.0%</b>

**TABLE M***Current Loan to Value (Estimated Fair Market value)*

<b>Range of LTV</b>	<b>Aggregate Outstanding Principal Amount</b>	<b>Proportion of Pool</b>	<b>Number of loans</b>	<b>Proportion of pool</b>
LTV <25%	5,840,594	0.6%	112	1.5%
25% <= LTV < 50%	84,772,809	9.4%	922	12.3%
50% <= LTV < 60%	73,059,507	8.1%	698	9.3%
60% <= LTV < 70%	86,281,815	9.5%	768	10.3%
70% <= LTV < 80%	91,293,095	10.1%	767	10.3%
80% <= LTV < 90%	115,164,158	12.7%	930	12.4%
90% <= LTV < 100%	141,989,577	15.7%	1,079	14.4%
100% <= LTV < 105%	165,727,381	18.3%	1,182	15.8%
105% <= LTV < 110%	136,944,381	15.1%	991	13.3%
110% <= LTV < 115%	4,254,695	0.5%	30	0.4%
115% <= LTV < 120%	-	0.0%	-	0.0%
120% <= LTV < 125%	-	0.0%	-	0.0%
125% <= LTV <= 130%	-	0.0%	-	0.0%
<b>Total</b>	<b>905,328,012</b>	<b>100.0%</b>	<b>7,479</b>	<b>100.0%</b>

**TABLE N***Current Loan to Value (Indexed Estimated Fair Market value)*

<b>Range of LTV</b>	<b>Aggregate Outstanding Principal Amount</b>	<b>Proportion of Pool</b>	<b>Number of loans</b>	<b>Proportion of pool</b>
LTV <25%	11,562,871	1,3%	221	3.0%
25% <= LTV < 50%	216,294,596	23,9%	2,323	31.1%
50% <= LTV < 60%	157,256,489	17,4%	1,428	19.1%
60% <= LTV < 70%	114,017,434	12,6%	903	12.1%
70% <= LTV < 80%	97,728,594	10,8%	708	9.5%
80% <= LTV < 90%	109,869,062	12,1%	720	9.6%
90% <= LTV < 100%	146,881,406	16,2%	887	11.9%
100% <= LTV < 105%	39,409,916	4,4%	222	3.0%
105% <= LTV < 110%	12,067,964	1,3%	66	0.9%
110% <= LTV < 115%	239,680	0,0%	1	0.0%

115% <= LTV < 120%	-	0,0%	-	0.0%
120% <= LTV < 125%	-	0,0%	-	0.0%
125% <= LTV <= 130%	-	0,0%	-	0.0%
<b>Total</b>	<b>905,328,012</b>	<b>100,0%</b>	<b>7,479</b>	<b>100.0%</b>

## NHG GUARANTEE PROGRAMME

### NHG Guarantee

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

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

### Financing of the WEW

The WEW finances itself, *inter alia*, by a one-off charge to the borrower of 0.28 per cent. of the principal amount of the mortgage loan. Besides this, the NHG scheme provides for liquidity support to the WEW from the Dutch State and the participating municipalities. Should the WEW not be able to meet its obligations under guarantees issued, the Dutch State will provide subordinated interest free loans to the WEW of up to 50 per cent. of the difference between the WEW's own funds and a pre-determined average loss level. Municipalities participating in the NHG scheme will provide subordinated interest free loans to the WEW of the other 50 per cent. of the difference. Both the keep well agreement between the Dutch State and the WEW and the keep well agreements between the municipalities and the WEW contain general 'keep well' undertakings of the Dutch State and the municipalities to enable the WEW at all times (including in the event of bankruptcy (*faillissement*), suspension of payments (*surseance van betaling*) or liquidation (*ontbinding*) of the WEW) to meet its obligations under guarantees issued.

### Terms and conditions of the NHG Guarantee

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

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

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

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

insurance policy which pays out upon the death of the borrower/insured for the period that the amount of the mortgage loan exceeds 80 per cent. of the value of the property.

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

As of 1 January 2006 an NHG Guarantee can be issued up to a maximum amount of EUR 250,000 and as of 1 January 2007 this maximum amount will be increased to EUR 265,000.

### **Claiming under the NHG Guarantees**

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

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

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

### **Additional loans**

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

### **Main NHG Underwriting Criteria ('Normen') per 2006**

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

- The lender has to perform a BKR check. "A" registrations and codes "1" are allowed in certain circumstances.

- As a valid source of income the following applies: indefinite contract of employment, temporarily contract of employment if the employer states that the employee will be provided an indefinite contract of employment in case of equal performance of the employee and equal business circumstances, for flexworkers a three year history of income statements, for self employed three year annual statements.
- The maximum loan based on the income will be based on the “woonquote” tables and an annuity style redemption (even if the actual loan is (partially) interest only). The interest rate to be used is at least 6% for loans with a fixed interest rate period less than or equal to 5 years and the actual interest rate for loans with a fixed interest rate period in excess of 5 years.

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

- The absolute maximum loan amount is EUR 250,000. The loan amount is also limited by the amount of income and the market value of the property. With respect to the latter:
  - For the purchase of existing properties, the loan amount is broadly based on the sum of (i) the lower of the purchase price and the market value based on a valuation report, (ii) the costs of improvements, (iii) 12 per cent of the amount under (i) plus (ii). In case an existing property can be bought without paying stampduty (*‘vrij op naam’*), the purchase amount under (i) is multiplied by 93 per cent..
  - For the purchase of a properties to be built, the maximum loan amount is broadly based on the sum of (i) purchase-/construction cost increased with a number of costs such as the cost of construction interest, VAT and architects (to the extent not included already in the purchase-/construction cost), (ii) 8 per cent of the amount under (i).
- The maximum loan amount that is interest only is 50% of the market value of the property.
- The Risk Insurance policy should at a minimum cover the loan amount in excess of 80% of the market value.

## MORTGAGE LOAN UNDERWRITING AND SERVICING

### Origination

#### *Principles*

The Mortgage Loans in respect of the NHG Mortgage Receivables to be assigned on the Closing Date were each originated by one of the Originators.

The Mortgage Loans in respect of the NHG Mortgage Receivables to be assigned on the Closing Date were originated either through direct marketing (in the case of Centraal Beheer Hypotheken B.V., Centraal Beheer Woninghypotheken B.V., FBTO Hypotheken B.V. or the Seller under the names Centraal Beheer Achmea and FBTO) or through independent intermediaries (in the case of Woonfonds Nederland B.V., Avéro Hypotheken B.V. and the Seller under the names Woonfonds Hypotheken and Avéro Achmea).

In both cases, prior to the merger into the Seller, the responsibility of accepting the loans rested exclusively with the Originators. To be accepted, loans had to fit into a set of standard underwriting criteria, which are authorised by the management board of Achmea Group. Exceptions could only be made under special circumstances and with the approval of the management of the respective Originator. After the merger, the responsibility of accepting the loans rested with the Seller.

#### *Procedure of Origination*

The origination procedure starts as soon as an Originator receives a loan application form (in hard copy or electronically) from either the prospective Borrower or from an intermediary, such as a mortgage adviser, insurance agent, or real estate broker. The data from the form are entered into the respective automated offering-program system. This system evaluates whether the collateral value and income meet the requirements for a mortgage loan.

Initially the income tests were performed on the (industry standard) basis of pre-tax income versus pre-tax debt servicing costs (the so-called '*woonquote*'). As of 2001, a more advanced income test has been implemented at Woonfonds which takes into account the income of the borrower, the costs of the loan, the real estate tax and the income tax. The net result of the calculation must conform to standards that are based on data of the Nibud (the National Institute for Budget guidance). This latter test is aimed at better incorporating tax-deductibility of interest charges and other variables. The Nibud-model was also implemented for Centraal Beheer and Avéro in October 2003.

Through this system, the application is evaluated in relation to the underwriting criteria. At the same time, detailed credit information in relation to the applicant is received automatically from the *Bureau Krediet Registratie* ("BKR") which provides positive and negative credit information on all Borrowers with credit histories at financial institutions in the Netherlands.

Once the application is found to match the criteria, a loan proposal is sent to the applicant or to his intermediary/mortgage broker. The proposal remains valid for acceptance for a period of three weeks. If the Borrower accepts the proposal, then after reception of other relevant documents (such as proof of income and insurance policies) as well as the valuation on the underlying property is satisfactory to the Originator, the loan is granted. The valuation of the real estate has to be performed by an independent certificated valuer except in cases of (i) buildings under construction, where the value is based on the building contract or (ii) when the loan is less than ninety (90) per cent. of the value based on real estate tax valuations. Only at Centraal Beheer (and not after July 1st 2003) no valuation report was requested when the application for a loan was for less than sixty (60) per cent of eighty five (85) per cent of the purchase price. The relevant information is put in the automated middle and back office systems.

The Borrower will then be informed that the loan is granted and a public notary will be advised of the exact terms and conditions of the loan and asked to draft a notarial deed for the mortgage loan. The original deed is stored by the notary, but an authenticated copy and all other relevant original documents are stored by the Seller in fire-proof

archives. The notary public is also responsible for registering the mortgage with the central Property Register (the "Kadaster").

## **Servicing**

### *Mortgage Administration*

Once a Mortgage Loan has been accepted and registered by the notary the regular administration of the Mortgage Loan commences. Administration refers to those activities that occur during the regular running time of the mortgage such as changes in interest, making payments out of the construction deposit as the construction of the building progresses, or the administration of (partial) redemption payments and the subsequent recalculation of the new interest payments, or even termination of the loan if full repayment has been made.

### *Interest Collections*

Payments are typically scheduled to be received by the Seller on the first business day of each month. The percentage of Borrowers paying by way of direct debit is ninety eight and a half (98.5) per cent. This automated process has a fail rate of 1.0 per cent. This can be caused by a change in the bank account of the Borrower of which the Pool Servicer may not have been notified or the account may have insufficient funds. If the first initial automatic collection failed, a new batch is automatically generated to perform a repeat try on the 8th day after such failed automatic collection. This automatic repeat action has a fifty (50) per cent. success rate. If both collections are unsuccessful the Borrower will receive a first reminder on the 15th day after non payment. Payment information is monitored daily by personnel in the accounts receivable management departments ("*Debiteuren Beheer*").

### *Arrears management*

*Debiteuren Beheer* handles all contacts with the Borrower in terms of payments and arrears. Arrears management reminder letters are automatically generated by the system and sent out to the borrower first on the fifteenth (15th) day after non-payment and second within fifteen (15) days after the first reminder. At this point, a penalty interest charge is also automatically added to the prevailing interest rate on the mortgage loan. If a check at BKR is done and reveals that the borrower has problems elsewhere, the file will be transferred immediately to Default Management. Otherwise, contact with the borrower will be made by Arrears Management and the account is given active treatment status. *Debiteuren Beheer* works with the Borrower to ascertain whether a solution to his/her payment problem can then be reached. This is mostly done by telephone. In most cases, the borrower makes full payment shortly after this contact or signs a settlement plan. Settlement plans, which need to be signed by the borrower, typically have a 3 month horizon with exceptional cases of up to 6 months. To make this plan, detailed information is collected on the Borrower's current job status, actual income, and monthly out flows. Adherence to the agreed plan is closely monitored and deviation leads to the file being transferred to Default Management. Throughout the Arrears Management process, the aim is to come to a solution with the borrower and to continue the relationship with the client.

### *Default management*

If no contact can be made a third reminder is sent by registered mail. If that registered letter is not answered or is returned unopened the Borrowers account is transferred to *Bijzonder Beheer*. If *Debiteuren Beheer* is unsuccessful in trying to get the Borrower out of the arrears situation for more than three months after the first missed payment, the file will also be transferred to *Bijzonder Beheer*. Whereas *Debiteuren Beheer* tries to get payment but also to keep customer satisfaction in mind, *Bijzonder Beheer* will use all legal means to receive payment. This can include obtaining a letter of lien of salary (the employer will deduct the agreed amount from the Borrowers salary before salary payment is made, this deduction is paid directly to the Lender) and/or getting a third party guarantor to assist in payment and guaranteeing future payment.

A joint effort to sell the property is often made. The Borrower can choose to sell his/her house at this stage, which will be accepted by the Seller if revenues from a voluntary sale cover the outstanding debt in full, or if it is expected that foreclosure will realise a lower recovery value.

If all the above measures are unsuccessful the last step is foreclosure.

#### *Foreclosure process*

If a workout plan cannot be negotiated with the Borrower or the Borrower fails to comply with the settlement, the foreclosure process starts. A notary is appointed to initiate the foreclosure process. In general, the decision to foreclose will be taken six months following the transfer to Default Management. *Bijzonder Beheer* calculates the best method of maximising the sale value of the property. This could mean that the property is sold either as 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 department gives formal instruction to the notary. The date of the sale will be set by the notary within three weeks of this instruction and, usually, will be four to 10 weeks after the decision to foreclose (depending on the region and the number of other foreclosures currently being handled). Throughout the foreclosure process, the Seller's management team works according to guidelines set down by Netherlands law, the lender and the BKR.

#### *Debt after sale or foreclosure*

If amounts are still outstanding after the foreclosure process has been completed, *Bijzonder Beheer* continues to manage the remaining receivables indirectly. The entire file is handed over to a bailiff who will continue to seek payment from the Borrower through all available means. The bailiff works on a no cure no pay arrangement. The extra expenses incurred are added to the default amount as penalty interests.

Detailed working process descriptions of all the above steps are available and used by the Pool Servicer.

## MORTGAGE RECEIVABLES PURCHASE AGREEMENT

Under the Mortgage Receivables Purchase Agreement the Issuer will purchase and, on the Closing Date, accept from the Seller the assignment of the NHG Mortgage Receivables by means of a registered deed of assignment as a result of which legal title to the NHG Mortgage Receivables is transferred to the Issuer. The assignment of the NHG Mortgage Receivables and the Beneficiary Rights relating thereto from the Seller to the Issuer will not be notified to the Borrowers, except in special events as further described hereunder ('**Assignment Notification Events**'). Until such notification the Borrowers will only be entitled to validly pay ("*bevrijdend betalen*") to the Seller. The Issuer will be entitled to all interest amounts (including penalty interest) and all principal amounts and prepayment penalties becoming due in respect of the NHG Mortgage Receivables from (and including) 31 October 2006 (the '**Cut-Off Date**').

### Purchase Price

The purchase price for the NHG Mortgage Receivables shall consist of an initial purchase price (the '**Initial Purchase Price**'), which shall be payable on the Closing Date or, in case of Further Advance Receivables or Substitute NHG Mortgage Receivables on the relevant Quarterly Payment Date and a deferred purchase price (the '**Deferred Purchase Price**'). The Initial Purchase Price will be equal to the aggregate Outstanding Principal Amount on the Cut-Off Date or in case of Further Advance Receivables or Substitute NHG Mortgage Receivables on the first day of the month in which the relevant Quarterly Payment Date falls. The '**Outstanding Principal Amount**' means, at any moment in time, the principal balance ("*hoofdsom*") of a NHG Mortgage Receivable resulting from a Mortgage Loan at such time and, after the occurrence of a Realised Loss in respect of such NHG Mortgage Receivable, zero. The Deferred Purchase Price shall be equal to the sum of all Deferred Purchase Price Instalments and each '**Deferred Purchase Price Instalment**' will be equal to on any Quarterly Payment Date (A) prior to an Enforcement Notice has been given, an amount equal to the positive difference, if any, between the Notes Interest Available Amount as calculated on each Quarterly Calculation Date and the sum of all amounts payable by the Issuer as set forth in the Interest Priority of Payments under (a) up to and including (l) on such Quarterly Payment Date and (B) after an Enforcement Notice has been given, the amount remaining after all amounts as set forth in the Priority of Payments upon Enforcement under (a) up to and including (j) have been made on such date (see chapter *Credit Structure* above).

### Representations and warranties

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

- (a) each of the NHG Mortgage Receivables and the Beneficiary Rights relating thereto is duly and validly existing;
- (b) the Seller has full right and title ("*titel*") to the NHG Mortgage Receivables and the Beneficiary Rights relating thereto and no restrictions on the sale and assignment of the NHG Mortgage Receivables and the Beneficiary Rights relating thereto are in effect and the NHG Mortgage Receivables and the Beneficiary Rights relating thereto are capable of being assigned;
- (c) the Seller has power of disposition ("*is beschikkingsbevoegd*") to sell and assign the NHG Mortgage Receivables and the Beneficiary Rights relating thereto;
- (d) the NHG Mortgage Receivables and the Beneficiary Rights relating thereto are free and clear of any encumbrances and attachments ("*beslagen*") and no option rights to acquire the NHG Mortgage Receivables and the Beneficiary Rights relating thereto have been granted in favour of any third party with regard to the NHG Mortgage Receivables and the Beneficiary Rights relating thereto;
- (e) each NHG Mortgage Receivable is secured by a Mortgage on Mortgaged Assets in the Netherlands and is governed by Netherlands law;
- (f) each Mortgage Loan has the benefit of an NHG Guarantee and (i) each NHG Guarantee ("*Nationale Hypotheek Garantie*") connected to the relevant Mortgage Loan has been granted for the full Outstanding Principal Amount in respect of the Mortgage Loan at origination and constitutes legal, valid and binding obligations of *Stichting Waarborgfonds Eigen Woningen*, enforceable in accordance with its terms, (ii) all

terms and conditions ("*voorwaarden en normen*") applicable to the NHG Guarantee at the time of origination of the Mortgage Loans were complied with, (iii) the Seller is not aware of any reason why any claim under any NHG Guarantee granted by *Stichting Waarborgfonds Eigen Woningen* in respect of any NHG Mortgage Receivable should not be met in full and in a timely manner;

- (g) each Mortgaged Asset concerned was valued (i) by an independent qualified valuer, or (ii) in the case of Mortgage Loans of which the principal sum outstanding did not at the time of application by the Borrower exceed 50 per cent. of the purchase price of the Mortgaged Asset, by a valuer employed by the Seller or on the basis of an assessment by the Netherlands tax authorities on the basis of the Act on Valuation of Real Property ("*Wet Waardering Onroerende Zaken*"). Valuations by an independent qualified valuer are not older than twelve months prior to the date of the mortgage application by the Borrower. In certain cases, newly built Mortgaged Assets are exempted from valuation requirements;
- (h) each NHG Mortgage Receivable, the Mortgage, the Borrower Insurance Pledge and the borrower pledge, if any, constitute legal, valid, binding and enforceable obligations of the relevant Borrower;
- (i) each Mortgage Loan was originated by the Seller or the relevant other Originator;
- (j) all Mortgages and all borrower pledges (i) constitute valid mortgage rights ("*hypotheekrechten*") and rights of pledge ("*pandrechten*") respectively on the Mortgaged Assets and the assets which are the subject of the borrower pledges respectively and, to the extent relating to the Mortgages, have been entered in the relevant public register ("*Dienst van het Kadaster en de Openbare Registers*"), (ii) have first priority ("*eerste in rang*") or, as the case may be, have first ("*eerste in rang*") and immediately sequentially lower in priority and (iii) were vested for an outstanding principal amount which is at least equal to the Outstanding Principal Amount of the Mortgage Loan when originated, increased with interest, penalties, costs and any insurance premium paid by the Seller on behalf of the Borrower, up to an amount of at least fifty (50) per cent. of such Outstanding Principal Amount, therefore in total up to a maximum amount of not less than one hundred and fifty (150) per cent. of the Outstanding Principal Amount of the relevant NHG Mortgage Receivables upon origination;
- (k) each of the Mortgage Loans meets the Mortgage Loan Criteria;
- (l) each of the Mortgage Loans has been granted in accordance with all applicable legal requirements and each Mortgage Loan meets in all material respects the Underwriting Criteria and materially met the relevant Originator's or Seller's standard underwriting criteria and procedures prevailing at that time, which do not materially differ from the criteria and procedures set forth in this Prospectus and the Administration Manual;
- (m) no amounts due and payable under any of the NHG Mortgage Receivables on the Cut-Off Date, or in case of the Further Advance Receivables or Substitute NHG Receivables, the first day of the month in which the relevant Quarterly Payment Date falls, were unpaid;
- (n) the Seller has not been notified and is not aware of anything affecting the Seller's title to the NHG Mortgage Receivables;
- (o) the maximum Outstanding Principal Amount of each Mortgage Loan does not, at the Closing Date, exceed 130 per cent. of the original foreclosure value ("*executiewaarde*") of the Mortgaged Assets;
- (p) each of the Savings NHG Mortgage Receivables and the Life NHG Mortgage Receivables has the benefit of a Savings Insurance Policy with the Participant and a Life Insurance Policy with any of the Insurance Companies, respectively, and either (i) the Seller has been validly appointed as beneficiary ("*begunstigde*") under such Insurance Policies, upon the terms of the relevant Mortgage Loans and the relevant Insurance Policies, which have been notified to the relevant Insurance Companies or (ii) the relevant Insurance Company has been given a Borrower Insurance Proceeds Instruction;
- (q) with respect to each of the NHG Mortgage Receivables to which an Insurance Policy with any of the Insurance Companies is connected, the Seller has the benefit of the Borrower Insurance Pledge granted by the relevant Borrower and such right of pledge has been notified to the relevant Insurance Companies, which, to the extent required has been recorded on the relevant Insurance Policy;
- (r) with respect to Life Mortgage Loans to which a Life Insurance Policy with a Life Insurance Company is connected, (i) there is no connection, whether from a legal or a commercial point of view, between the Life Mortgage Loan and the relevant Life Insurance Policy other than the relevant Borrower Insurance Pledge and the relevant Life Beneficiary Rights, (ii) the Life Mortgage Loans and the Life Insurance Policies are not marketed as one product or under one name and (iii) the Borrowers were free to choose the relevant Life Insurance Company;

- (s) with respect to Life Mortgage Loans to which a Life Insurance Policy with the Participant is connected, (i) there is no connection, whether from a legal or a commercial point of view, between the relevant Life Mortgage Loan and any Life Insurance Policy, other than the right of pledge securing Life Mortgage Loan and the relevant Life Beneficiary Rights, (ii) the Life Mortgage Loans and the relevant Life Insurance Policies were not marketed as one product and (iii) the Borrowers were free to choose the relevant Life Insurance Company;
- (t) it has not, in respect of Mortgage Loans originated by any of the Originators, granted any further advance or loan, unless it is a Seller Further Advance; '**Seller Further Advance**' means a further advance or loan granted to a Borrower of a Mortgage Loan originated by: (i) Centraal Beheer Hypotheken B.V., provided that such further advance or further loan only relates to withdrawals of principal prepayments previously made by the relevant Borrower; and (ii) Woonfonds Nederland B.V. or (iii) the Seller;
- (u) with respect to each of the NHG Mortgage Receivables secured by a Mortgage on a long lease, the Mortgage Loan has a maturity that is equal to or shorter than the term of the long lease and becomes due if the long lease terminates for whatever reason; and
- (v) the Mortgage Loans originated under the brand name Centraal Beheer Achmea, Avéro, FBTO and Woonfonds have been originated between 1 January 1995 and 1 September 2000; and
- (w) it has not accepted any deposits from the Borrowers and it currently does not have any account relationships with any of the Borrowers; and
- (x) it has no Other Claims.

#### **Repurchase of NHG Mortgage Receivables**

If at any time after the Closing Date any of the representations and warranties relating to a Mortgage Loan or an NHG Mortgage Receivable proves to have been untrue or incorrect, the Seller shall within fourteen (14) days of receipt of written notice thereof from the Issuer or the Security Trustee remedy the matter giving rise thereto and if such matter is not capable of being remedied or is not remedied within the said period of fourteen (14) days, the Seller shall on the next succeeding Mortgage Payment Date repurchase and accept re-assignment of such NHG Mortgage Receivable with any Beneficiary Rights relating thereto.

If the Seller agrees with a Borrower to make a Further Advance under a Mortgage Loan and the relevant Further Advance Receivable is not purchased by the Issuer, the Seller shall repurchase and accept re-assignment of the relevant NHG Mortgage Receivable on the immediately succeeding Quarterly Payment Date.

On the Mortgage Payment Date immediately following the date on which the Seller agrees with a Borrower to amend the terms of the relevant Mortgage Loan, which amendment is not a result of a deterioration of the Borrower's creditworthiness, and as a result of which the relevant Mortgage Loan no longer meets the Mortgage Loans Criteria (as set out below) and the representations and warranties of the Mortgage Receivables Purchase Agreement (as set out above) and certain other criteria set out in the Mortgage Receivables Purchase Agreement the Seller shall also repurchase and accept reassignment of the NHG Mortgage Receivable resulting from such Mortgage Loan.

If on the Mortgage Payment Date immediately following the date on which the Participant agrees with the Borrower of a Savings Mortgage Loan to switch whole or part of the premia accumulated in the relevant Savings Insurance Policy into a Life Insurance Policy or of a Life Mortgage Loan to switch the value of the relevant Life Insurance Policy into a Savings Insurance Policy, the Seller shall also repurchase and accept re-assignment of such NHG Mortgage Receivable on the immediately succeeding Mortgage Payment Date.

If the relevant Mortgage Loan no longer has the benefit of the NHG Guarantee as a result of action taken or omitted to be taken by the Seller, the Pool Servicer or the Issuer Administrator, the Seller shall also repurchase and accept re-assignment of such NHG Mortgage Receivable on the immediately succeeding Mortgage Payment Date.

In addition, the Seller will undertake to repurchase and accept re-assignment of a NHG Mortgage Receivable, if the Seller obtains an Other Claim, other than a Further Advance Receivable, vis-à-vis the Borrower of such NHG Mortgage Receivable on the Mortgage Payment Date immediately following the day such Other Claim is obtained.

The purchase price in case of a repurchase of NHG Mortgage Receivables by the Seller in any of the events described above, will be equal to the Outstanding Principal Amount of the NHG Mortgage Receivable together with unpaid interest accrued up to but excluding the date of purchase and assignment of the NHG Mortgage Receivable and reasonable costs, if any (including any costs incurred by the Issuer in effecting and completing such repurchase and reassignment).

Other than in the events set out above, the Seller will not be obliged to repurchase any NHG Mortgage Receivables from the Issuer.

### **Clean-Up Call Option**

On each Quarterly Payment Date, the Issuer may exercise the Clean-Up Call Option. The Seller will undertake in the Mortgage Receivables Purchase Agreement to repurchase and accept re-assignment of the NHG Mortgage Receivables, in case of the exercise of the Clean-Up Call Option by the Issuer for a price set out under *Sale of NHG Mortgage Receivables* in *Credit Structure* above.

### **Mortgage Loan Criteria**

Each of the Mortgage Loans will meet, *inter alia*, the following criteria (the '**Mortgage Loan Criteria**):

- (a) the Mortgage Loans are in the form of:
  - (1) interest only mortgage loans ("*aflossingsvrije hypotheek*");
  - (2) annuity mortgage loans ("*annuïteitenhypotheek*");
  - (3) linear mortgage loans ("*lineaire hypotheek*");
  - (4) savings mortgage loans ("*spaarhypotheek*");
  - (5) life mortgage loans ("*levenhypotheek*") to which a Life Insurance Policy is connected with (a) the Traditional Alternative; or (b) the Unit-Linked Alternative; or
  - (6) mortgage loans which combine any of the above mentioned mortgage loans,
- (b) the Borrower is a resident of the Netherlands and a natural person;
- (c) the interest rate of each Mortgage Loan is fixed, subject to a reset from time to time, or variable;
- (d) the Mortgaged Assets were not the subject of residential letting and was, or was to be, occupied by the relevant Borrower;
- (e) each Mortgage Loan has been originated after 1 January 1995;
- (f) the Outstanding Principal Amount of each Mortgage Loan does not exceed the maximum loan amount as stipulated by the NHG Underwriting Criteria;
- (g) the legal final maturity of each Mortgage Loan does not extend beyond October 2053;
- (h) each Outstanding Principal Amount did not, on the Closing Date exceed one hundred twenty five (130) per cent. of the foreclosure value of the relevant Mortgaged Asset;
- (i) the Mortgaged Asset is for residential use or for partial residential and partial commercial use by the Borrower, located in the Netherlands and the value of the commercial part is less than fifty (50) per cent. of the foreclosure value of the relevant Mortgaged Asset;
- (j) each Mortgage Loan is fully secured by a first or first and immediately sequentially lower in priority or any lower ranking Mortgage;
- (k) each Mortgage Loan, or all Mortgage Loans secured on the same Mortgaged Asset, has an Outstanding Principal Amount of not more than the maximum amount permitted pursuant to the NHG Underwriting Criteria prevailing at the time of origination of such Mortgage Loan; and
- (l) each of the Mortgage Loans is fully disbursed.

The Mortgage Loan Criteria apply also to the selection of Further Advance Receivables and Substitute NHG Mortgage Receivables.

### **Assignment Notification Events**

If, *inter alia*:

- (a) a default is made by the Seller in the payment on the due date of any amount due and payable by it under the Mortgage Receivables Purchase Agreement or under any Relevant Document to which it is a party and such failure is not remedied within 10 (ten) business days after notice thereof has been given by the Issuer or the Security Trustee to the Seller; or
- (b) the Seller fails duly to perform or comply with any of its obligations under the Mortgage Receivables Purchase Agreement or under any Relevant Document to which it is a party and, if such failure is capable of being remedied, such failure is not remedied within 10 (ten) business days after notice thereof has been given by the Issuer or the Security Trustee to the Seller; or
- (c) the Seller takes any corporate action or other steps are taken or legal proceedings are started or threatened against it for its dissolution ("*ontbinding*") and liquidation ("*vereffening*") or legal demerger ("*juridische splitsing*") involving the Seller or any of its assets are placed under administration ("*onder bewind gesteld*"); or
- (d) 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 entering into Emergency Regulations or for bankruptcy or for any analogous insolvency proceedings under any applicable law for the appointment of a receiver or a similar officer of it or of any or all of its assets; or
- (e) the Seller during a period of any two consecutive months fails to have a solvency ratio on a consolidated basis at least 0.25 per cent. above the percentage required by Guideline 4001 issued pursuant to the Wtk as set out in the Netherlands Central Bank's Credit System Supervision Manual as amended from time to time ("**Handboek Wtk**") for tier 1 capital and 0.50 per cent. above the percentage required by clause 4001 of the Handboek WTK for tier 1 capital, upper tier 2 capital and lower tier 2 capital together; or
- (f) the actual liquidity of the Seller pursuant to Guideline 4101 of the Handboek Wtk is not greater or equal to the required liquidity under the broad liquidity test, as defined in such Guideline 4101 of the Handboek Wtk during a period of any two consecutive months; or
- (g) the Dutch Central Bank has restricted the Seller's powers in accordance with Clause 28.3(a) of the Wtk or has made an official announcement as referred to in Clause 28.3(b) of the Wtk and within two weeks after any such events the Seller has not taken the necessary steps resulting in such measures being withdrawn,

then, and at any time thereafter, unless an appropriate remedy to the satisfaction of the Security Trustee is found and after having received confirmation from Fitch that no notice will not result in a downgrade of the then current ratings assigned to the Notes, within a period of ten (10) business days, except in the occurrence of the events mentioned under (c) and (d) where no remedy shall apply, the Seller shall forthwith notify the Borrowers, the Insurance Companies and any other relevant parties indicated by the Issuer and/or the Security Trustee of the assignment of the NHG Mortgage Receivables and the Beneficiary Rights relating thereto or, at its option, the Issuer shall be entitled to make such notifications itself.

In addition, pursuant to the Beneficiary Waiver Agreement the Seller will use its best efforts to terminate the appointment of the Seller as beneficiary under the Insurance Policies and to appoint as first beneficiary under the Insurance Policies (x) the Issuer under the dissolving condition of the occurrence of a Trustee Notification Event and (y) the Security Trustee under the condition precedent of the occurrence of a Trustee Notification Event and (b) with respect to Insurance Policies where a Borrower Insurance Proceeds Instruction has been given, use its best efforts to withdraw the Borrower Insurance Proceeds Instruction in favour of the Seller and to issue such instruction in favour of (x) the Issuer under the dissolving condition of the occurrence of a Trustee Notification Event and (y) the Security Trustee under the condition precedent of the occurrence of a Trustee Notification Event.

### **Purchase of Further Advance Receivables**

The Mortgage Receivables Purchase Agreement provides that on each Quarterly Payment Date the Issuer will, provided that no Enforcement Notice has been served in accordance with Condition 10, use the relevant Principal Available Amount to purchase Further Advance Receivables from the Seller, if and to the extent offered by the Seller. The purchase price payable by the Issuer as consideration for any Further Advance Receivables shall be the sum of an initial purchase price equal to the aggregate Outstanding Principal Amount in respect of such Further

Advance Receivables on the first day of the month wherein such Quarterly Payment Date falls, plus a portion of the Deferred Purchase Price attributable to such Further Advance Receivables.

The purchase by the Issuer of Further Advance Receivables will be subject to a number of conditions, which include, *inter alia*, the conditions that on the relevant Quarterly Payment Date:

- (a) the Seller will represent and warrant to the Issuer and the Security Trustee the matters set out in the clauses providing for the representations and warranties relating to the Mortgage Loans, the NHG Mortgage Receivables and the Seller in the Mortgage Receivables Purchase Agreement with respect to the Further Advance Receivables sold and relating to the Seller (with certain exceptions to reflect that the Further Advance Receivables are sold and may have been originated after the Closing Date);
- (b) no Assignment Notification Event has occurred and is continuing on the date of such completion;
- (c) there has been no failure by the Seller to repurchase any NHG Mortgage Receivable which it is required to repurchase pursuant to the Mortgage Receivables Purchase Agreement;
- (d) the Principal Available Amount is sufficient to pay the Initial Purchase Price for the relevant Further Advance Receivables;
- (e) the Beneficiary Rights relating to such Further Advance Receivables are assigned to the Issuer;
- (f) the relevant Further Advance Receivable together with the relevant NHG Mortgage Receivable connected to such Further Advance Receivable meet the Mortgage Loan Criteria;
- (g) the percentage of the aggregate Outstanding Principal Amount of all Interest-only Mortgage Loans divided by the aggregate Outstanding Principal Amount in respect of the NHG Mortgage Receivables does not exceed the percentage of the aggregate Outstanding Principal Amount of all Interest-only Mortgage Loans on the Closing Date divided by the aggregate Outstanding Principal Amount in respect of the NHG Mortgage Receivables on the Closing Date plus 4 per cent.;
- (h) the cumulative Realised Losses in respect of the NHG Mortgage Receivables do not exceed 0.1 per cent. of the aggregate Outstanding Principal Amount in respect of all NHG Mortgage Receivables;
- (i) the weighted average of the LTV-ratio of all Mortgage Loans, including the Further Advances in respect of the Further Advance Receivables purchased on such date, does not exceed the weighted average of the aggregate LTV-ratio at the Closing Date plus 2.5 per cent.;
- (j) the balance standing to the credit of the Reserve Account is at least equal to the Reserve Account Required Amount;
- (k) the percentage of the aggregate Outstanding Principal Amount of Employee Mortgage Loans divided by the aggregate Outstanding Principal Amount of the Mortgage Loans does not exceed 10 per cent.;
- (l) the percentage of the aggregate Outstanding Principal Amount of all Mortgage Loans with a LTV-ratio of more than 110 per cent. divided by the aggregate Outstanding Principal Amount of all Mortgage Loans with a LTV-ratio of more than 110 per cent. divided by the aggregate Outstanding Principal Amount of all Mortgage Loans at the Closing Date with more than 5 per cent.;
- (m) not more than 2 per cent. of the aggregate Outstanding Principal Amount relates to NHG Mortgage Receivables which are in arrears for a period exceeding 90 days;
- (n) Fitch will not have notified the Issuer on the relevant Quarterly Payment Date that the purchase of the relevant Further Advance Receivables on such Quarterly Payment Date will adversely affect the then current ratings assigned to the Notes by Fitch; and
- (o) the weighted average seasoning of all Mortgage Loans does not fall below 36 months.

#### **Purchase of Substitute NHG Mortgage Receivables**

The Mortgage Receivables Purchase Agreement provides that on each Quarterly Payment Date up to (and including) the Quarterly Payment Date immediately preceding the first Optional Redemption Date, the Issuer will, provided that no Enforcement Notice has been served in accordance with Condition 10, use the relevant Principal Available Amount less the Further Advance Amount (the '**Substitution Principal Available Amount**') to purchase Substitute NHG Mortgage Receivables from the Seller if and to the extent offered by the Seller. The purchase price payable by the Issuer as consideration for any Substitute NHG Mortgage Receivables shall be the sum of an initial purchase price, being the Outstanding Principal Amount in respect of such Substitute NHG

Mortgage Receivables on the first day of the month wherein such Quarterly Payment Date falls, plus a portion of the Deferred Purchase Price attributable to such Substitute NHG Mortgage Receivables.

The purchase by the Issuer of Substitute NHG Mortgage Receivables will be subject to a number of conditions, which include, *inter alia*, the conditions that on the relevant Quarterly Payment Date (the "**Substitution Conditions**"):

- (a) the Seller will represent and warrant to the Issuer and the Security Trustee the matters set out in the clauses providing for the representations and warranties relating to the Mortgage Loans, the NHG Mortgage Receivables and the Seller in the Mortgage Receivables Purchase Agreement with respect to the Substitute NHG Mortgage Receivables sold and relating to the Seller (with certain exceptions to reflect that the Substitute NHG Mortgage Receivables are sold and may have been originated after the Closing Date);
- (b) no Assignment Notification Event has occurred and is continuing on the date of such completion;
- (c) there has been no failure by the Seller to repurchase any NHG Mortgage Receivable which it is required to repurchase pursuant to the Mortgage Receivables Purchase Agreement;
- (d) the Substitution Principal Available Amount is sufficient to pay the Initial Purchase Price for the relevant Substitute NHG Mortgage Receivables;
- (e) the Beneficiary Rights relating to such Substitute NHG Mortgage Receivables are assigned to the Issuer;
- (f) the percentage of the aggregate Outstanding Principal Amount of all Interest-only Mortgage Loans divided by the aggregate Outstanding Principal Amount in respect of the NHG Mortgage Receivables does not exceed the percentage of the aggregate Outstanding Principal Amount of all Interest-only Mortgage Loans on the Closing Date divided by the aggregate Outstanding Principal Amount in respect of the NHG Mortgage Receivables on the Closing Date plus 4 per cent.;
- (g) the cumulative Realised Losses in respect of the NHG Mortgage Receivables do not exceed 0.1 per cent. of the aggregate Outstanding Principal Amount in respect of all NHG Mortgage Receivables;
- (h) the weighted average of the LTV-ratio of all Mortgage Loans, including Mortgage Loans in respect of the Substitute NHG Mortgage Receivables purchased on such date, does not exceed the weighted average of the aggregate LTV-ratio at the Closing Date plus 2.5 per cent.;
- (i) the balance standing to the credit of the Reserve Account is at least equal to the Reserve Account Required Amount;
- (j) the percentage of the aggregate Outstanding Principal Amount of Employee Mortgage Loans divided by the aggregate Outstanding Principal Amount of the Mortgage Loans does not exceed 10 per cent.;
- (k) the percentage of the aggregate Outstanding Principal Amount of all Mortgage Loans with a LTV-ratio of more than 110 per cent. divided by the aggregate Outstanding Principal Amount of all Mortgage Loans does not exceed the percentage of the aggregate Outstanding Principal Amount of all Mortgage Loans with a LTV-ratio of more than 110 per cent. divided by the aggregate Outstanding Principal Amount of all Mortgage Loans at the Closing Date with more than 5 per cent.;
- (l) not more than 2 per cent. of the aggregate Outstanding Principal Amount relates to NHG Mortgage Receivables which are in arrears for a period exceeding 90 days;
- (m) the aggregate Outstanding Principal Amount of all Substitute NHG Mortgage Receivables does not, on an annual basis exceed 20 per cent. of the aggregate Outstanding Principal Amount of all NHG Mortgage Receivables;
- (n) Fitch will not have notified the Issuer on the relevant Quarterly Payment Date that the purchase of the relevant Substitute NHG Mortgage Receivables on such Quarterly Payment Date will adversely affect the then current ratings assigned to the Notes by Fitch; and
- (o) the weighted average seasoning of all Mortgage Loans does not fall below 36 months.

#### **Set-off by Borrowers**

The Mortgage Receivables Purchase Agreement provides that if a Borrower sets off amounts due to it by the Seller against the relevant Mortgage Receivable and, as a consequence thereof, the Issuer does not receive the amount which it is entitled to receive in respect of such Mortgage Receivable, the Seller will pay to the Issuer an amount equal to the difference between the amount which the Issuer would have received in respect of the relevant Mortgage Receivable if no set-off had taken place and the amount actually received by the Issuer in respect of such Mortgage Receivable.

## ADMINISTRATION AGREEMENT

### Services

In the Administration Agreement (i) the Pool Servicer will agree to provide administration and management services to the Issuer on a day-to-day basis in relation to the Mortgage Loans and the NHG Mortgage Receivables, including, without limitation, the collection of payments of principal, interest and other amounts in respect of the NHG Mortgage Receivables and the direction of amounts received by the Seller and the Participant to the Master Collection Account and the production of monthly reports in relation thereto and the implementation of arrears procedures including the enforcement of mortgage rights (see further chapter *Mortgage Loan Underwriting and Servicing* above) and (ii) the Issuer Administrator will agree to provide certain administration, calculation and cash management services to the Issuer, including drawings (if any) to be made by the Issuer under the Liquidity Facility and from the Reserve Account, (a) all payments to be made by the Issuer under the Interest Swap Agreement, (b) all payments to be made by the Issuer under the Notes in accordance with the Paying Agency Agreement and the Conditions, (c) all payments to be made by the Issuer under the Sub-Participation Agreement, (d) the maintaining of all required ledgers in connection with the above, (e) all calculations to be made pursuant to the Conditions under the Notes and (f) the preparation of the quarterly investor reports. The Issuer Administrator and the Pool Servicer will provide the Interest Swap Counterparty with all information necessary in order to perform its roles as calculation agent under the Interest Swap Agreement.

The Pool Servicer will be obliged to administer the Mortgage Loans and the NHG Mortgage Receivables at the same level of skill, care and diligence as it administers mortgage loans in its own portfolio.

### Termination

The appointment of the Pool Servicer and/or the Issuer Administrator under the Administration Agreement may be terminated by the Security Trustee or the Issuer (with the consent of the Security Trustee) in certain circumstances, including (a) a default is made by the Pool Servicer and/or the Issuer Administrator in the payment on the due date of any payment due and payable by either of them under the Administration Agreement and such default continues unremedied for a period of fourteen (14) days after the earlier of (i) the Pool Servicer and/or the Issuer Administrator becoming aware of such default and (ii) receipt by the Pool Servicer and/or the Issuer Administrator of written notice by the Issuer or the Security Trustee requiring the same to be remedied, (b) a default is made by the Pool Servicer and/or the Issuer Administrator in the performance or observance of any of its other covenants and obligations under the Administration Agreement, which in the opinion of the Security Trustee is materially prejudicial to the interests of the Secured Parties and (except where, in the reasonable opinion of the Security Trustee, such default is incapable of remedy, when no such continuation and/or notice as is hereinafter mentioned will be required) such default continues unremedied for a period of fourteen (14) days after the earlier of (i) the Pool Servicer and/or the Issuer Administrator becoming aware of such default and (ii) receipt by the Pool Servicer and/or the Issuer Administrator of written notice from the Security Trustee requiring the same to be remedied, (c) the Pool Servicer or Issuer Administrator takes any corporate action or other steps are taken or legal proceedings are started or threatened against it for its dissolution ("*ontbinding*") and liquidation ("*vereffening*"), (d) the Pool Servicer or the Issuer Administrator has taken any corporate action or any steps have been taken or legal proceedings have been instituted or threatened against it for its entering into Emergency Regulations or for bankruptcy or has become subject to any analogous insolvency proceeding under any applicable law or for the appointment of a receiver or a similar officer of its or any or all of its assets, (e) in respect of the Pool Servicer only, the Pool Servicer no longer holds a licence under the Financial Services Act ("*Wet Financiële Dienstverlening*") or (f) at any time it becomes unlawful for the Pool Servicer or Issuer Administrator to perform all or a material part of its obligations hereunder.

In such events, the Security Trustee and the Issuer shall use their best efforts to appoint a substitute pool servicer and/or issuer administrator and such substitute pool servicer and/or issuer administrator shall enter into an agreement with the Issuer and the Security Trustee substantially on the terms of the Administration Agreement, provided that such substitute pool servicer and/or issuer administrator shall have the benefit of a fee at a level to be then determined. With respect to the services to be provided by the Pool Servicer such substitute pool servicer must have (i) experience of administering mortgage loans and mortgages of residential property in the Netherlands and

(ii) hold a license under the Financial Services Act (“*Wet financiële dienstverlening*”) as amended from time to time. The Issuer shall, promptly following the execution of such agreement, pledge its interest in such agreement in favour of the Security Trustee on the terms of the Security Trustee Pledge Agreement II, *mutatis mutandis*, to the satisfaction of the Security Trustee.

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

## SUB-PARTICIPATION AGREEMENT

Under the Sub-Participation Agreement the Issuer will grant to the Participant and the Participant will acquire a sub-participation in each of the Savings NHG Mortgage Receivables.

### Participation

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

- (i) at (a) the Closing Date or (b) the relevant Quarterly Payment Date in case of a purchase and assignment of (x) Further Advance Receivables or (y) Substitute NHG Mortgage Receivables which qualify as Savings NHG Mortgage Receivables, the sum of an amount equal to Savings Premium in respect of the Savings Insurance Policies received by the Participant with accrued interest up to in case of (a) the Cut-Off Date or in case of (b) the first day of the month wherein the relevant Quarterly Payment Date falls (the '**Initial Participation**'); and
- (ii) on each Mortgage Payment Date an amount equal to the amount received by the Participant as Savings Premium during the immediately preceding Mortgage Calculation Period in respect of the relevant Savings Insurance Policies, provided that in respect of each relevant Savings NHG Mortgage Receivable no amounts will be paid to the extent that, as a result, thereof the Participation in such relevant Savings NHG Mortgage Receivable would exceed the relevant Outstanding Principal Amount.

As a consequence of such payments the Participant will acquire a participation in respect of each of the Savings NHG Mortgage Receivables (the '**Participation**'), which will in respect of a Savings NHG Mortgage Receivable be equal on any date to the Initial Participation as increased during each Mortgage Calculation Period on the basis of the following formula (the '**Monthly Participation Increase**')

(Participation Fraction x R) + S whereby

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

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

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

### Reduction of Participation

If:

- (i) a Borrower invokes a defence, including, but not limited to, a right of set-off or counterclaim, or, for whatever reason, the Participant does not pay the insurance proceeds when due and payable, whether in full or in part, in respect of the relevant Savings Insurance Policy; or

- (ii) the Seller fails to pay any amount due by it to the Issuer pursuant to the Mortgage Receivables Purchase Agreement in respect of a Savings NHG Mortgage Receivable;

and, as a consequence thereof, the Issuer will not have received any amount which was in respect of such Savings NHG Mortgage Receivable outstanding prior to such event, the Participation of the Participant in respect of such Savings NHG Mortgage Receivable will be reduced by an amount equal to the amount which the Issuer has failed to receive as a result of such defence or failure to repay accordingly.

**Enforcement Notice**

If an Enforcement Notice is served by the Security Trustee to the Issuer, then and at any time thereafter the Security Trustee on behalf of the Participant may, and if so directed by the Participant shall, by notice to the Issuer:

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

**Termination**

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

## Securitized Guaranteed Mortgage Loans I B.V.

The Issuer was incorporated as a private company with limited liability ("*besloten vennootschap met beperkte aansprakelijkheid*") under the laws of the Netherlands on 16 November 2006 under number B.V. 1401134. The corporate seat ("*statutaire zetel*") of the Issuer is in Amsterdam, the Netherlands and its registered office is at Frederik Roeskestraat 123, 1076 EE Amsterdam and its telephone number is +31 20 5771 177. The Issuer is registered with the Commercial Register of the Chamber of Commerce of Amsterdam under number 34260284.

The Issuer is a 'special purpose vehicle' and its objectives are (a) to acquire, purchase, conduct the management of, dispose of and encumber receivables ("*vorderingen op naam*") and to exercise any rights connected to such receivables, (b) to acquire monies to finance the acquisition of receivables mentioned under (a) by way of issue of securities or by entering into loan agreements, (c) to on-lend and invest any funds held by the Issuer, (d) to hedge interest rate and other financial risks amongst others by entering into derivative agreements, such as swaps and options, (e) if incidental to the foregoing, (i) to borrow funds among others to repay the principal sum of the securities mentioned under (b), and (ii) to grant security rights and (f) to perform all activities which are incidental to or which may be conducive to any of the foregoing.

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

Stichting Holding is a foundation ("*stichting*") incorporated under the laws of the Netherlands on 18 October 2006. The objects of Stichting Holding are, *inter alia*, to incorporate, acquire and to hold shares in the share capital of the Issuer and to exercise all rights attached to such shares and to dispose of and encumber such shares. The sole managing director of Stichting Holding is ATC Management B.V.

### Statement by managing director of the Issuer

Since its incorporation there has been no material adverse change in the financial position or prospects of the Issuer and the Issuer has not (i) commenced operations, no profits and losses have been made or incurred and it has not declared or paid any dividends nor made any distributions and no financial statements have been drawn up, save for the activities related to its establishment and the securitisation transaction included in this Prospectus and (ii) been involved in any governmental, legal or arbitration proceedings which may have a significant effect on the Issuer's financial position or profitability nor, so far as the Issuer is aware, are any such proceedings pending or threatened against the Issuer.

The Issuer has the corporate power and capacity to issue the Notes, to acquire the NHG Mortgage Receivables and to enter into and perform its obligations under the Relevant Documents (see further chapter *Terms and Conditions of the Notes* below).

The sole managing director of the Issuer is ATC Management B.V. The managing directors of ATC Management B.V. are J.H. Scholts, G.F.X.M. Nieuwenhuizen, A.G.M. Nagelmaker and J. Lont. The managing directors of ATC Management B.V. have chosen domicile at the office address of ATC Management B.V., being Frederik Roeskestraat 123, 1076 EE Amsterdam.

The sole shareholder of ATC Management B.V. is Amsterdam Trust Corporation B.V. The objectives of ATC Management B.V. are (a) advising on and mediation by financial and related transactions, (b) finance company and (c) management of legal entities.

ATC Management B.V. belongs to the same group of companies as the Director of the Security Trustee.

Each of the managing directors of Stichting Holding and the Issuer has entered into a management agreement with the entity of which it has been appointed managing director. In these management agreements each of the managing directors agrees and undertakes to, *inter alia*, (i) do all that an adequate managing director should do or should

refrain from doing, and (ii) refrain from taking any action detrimental to the obligations under any of the Relevant Documents or the then current ratings assigned to the Notes outstanding. In addition each of the managing directors agrees in the relevant management agreement that it will not enter into any agreement in relation to the Issuer other than the Relevant Documents to which it is a party, without the prior written consent of the Security Trustee and after having received written confirmation by Fitch that there will be no adverse effect on the then current ratings assigned to the Notes outstanding.

There are no potential conflicts of interest between any duties to the Issuer of its managing director and private interests or other duties of the managing director.

The financial year of the Issuer coincides with the calendar year. The first financial year will end on 31 December 2007.

### **Capitalization**

The following table shows the capitalization of the Issuer as of 29 November 2006 as adjusted to give effect to the issue of the Notes and the initial participation:

#### **Share Capital**

Authorised Share Capital	euro 90,000
Issued Share Capital	euro 18,000 (fully paid up)

#### **Borrowings**

Senior Class A Notes	euro 850,000,000
Subordinated Class B Notes	euro 6,000,000
Initial Participation	euro 55,148,035

## **AUDITORS' REPORT**

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

"To the Directors of  
Securitized Guaranteed Mortgage Loans I B.V.  
28 November 2006

Dear Sirs:

Securitized Guaranteed Mortgage Loans I B.V. (the 'Issuer') was incorporated on 16 November 2006 under number B.V. 1.401.134 with an issued share capital of EUR 18,000. The Issuer has not yet filed any financial statements.

Yours faithfully,  
Amstelveen, 28 November 2006  
KPMG Accountants N.V.

M.A. Huiskers RA "

## **USE OF PROCEEDS**

The net proceeds of the Notes to be issued on the Closing Date amount to euro 856,000,000.

The net proceeds of the issue of the Senior Class A Notes will be applied on the Closing Date to pay (part of) the Initial Purchase Price for the NHG Mortgage Receivables purchased under the Mortgage Receivables Purchase Agreement on the Closing Date. The net proceeds of the issue of the Subordinated Class B Notes will be credited to the Reserve Account.

An amount of euro 55,148,035 will be received by the Issuer as consideration for the Initial Participation granted to the Participant in the Savings NHG Mortgage Receivables. The Issuer will apply this amount towards payment of the remaining part of the Initial Purchase Price to be paid on the Closing Date.

## DESCRIPTION OF SECURITY

In the Parallel Debt Agreement the Issuer will irrevocably and unconditionally undertake to pay to the Security Trustee an amount equal to the aggregate amount due ("*verschuldigd*") by the Issuer (i) to the Noteholders under the Notes, (ii) as fees or other remuneration to the Directors under the Management Agreements, (iii) as fees and expenses to the Issuer Administrator and the Pool Servicer under the Administration Agreement, (iv) as fees and expenses to the Paying Agents and the Reference Agent under the Paying Agency Agreement, (v) to the Liquidity Facility Provider under the Liquidity Facility Agreement, (vi) to the Interest Swap Counterparty under the Interest Swap Agreement, (vii) to the Seller under the Mortgage Receivables Purchase Agreement and (viii) to the Participant under the Sub-Participation Agreement (together the "**Secured Parties**") (the "**Parallel Debt**"). The Parallel Debt constitutes a separate and independent obligation of the Issuer and constitutes the Security Trustee's own separate and independent claim ("*eigen- en zelfstandige vordering*") to receive payment of the Parallel Debt from the Issuer. Upon receipt by the Security Trustee of any amount in payment of the Parallel Debt, the payment obligations of the Issuer to the Secured Parties shall be reduced by an amount equal to the amount so received.

To the extent that the Security Trustee irrevocably and unconditionally receives any amount in payment of the Parallel Debt, the Security Trustee will unless otherwise provided in this paragraph distribute such amount among the Secured Parties in accordance with the Priority of Payments upon Enforcement, save for amounts due to the Participant in connection with the Participation. The amounts due to the Secured Parties, other than the Participant, will be the sum of (a) amounts recovered ("*verhaald*") by the Security Trustee (i) on the NHG Mortgage Receivables and the other assets pledged under the Security Trustee Pledge Agreement I and the Security Trustee Pledge Agreement II, other than the Savings NHG Mortgage Receivables, and (ii) on Savings NHG Mortgage Receivables to the extent the amount exceeds the relevant Participation in the relevant Savings NHG Mortgage Receivables and (b) the *pro rata* part of amounts received from any of the Secured Parties, as received or recovered by any of them pursuant to the Parallel Debt Agreement (by reference to the proportion the sum of the Participations bear to the aggregate NHG Mortgage Receivables); less (y) any amounts already paid by the Security Trustee to the Secured Parties (other than the Participant) pursuant to the Parallel Debt Agreement and (z) the *pro rata* part of the costs and expenses of the Security Trustee (including, for the avoidance of doubt, any costs of, *inter alia*, Fitch and any legal advisor, auditor or accountant appointed by the Security Trustee) (by reference to the proportion the sum of the Participations bear to the aggregate NHG Mortgage Receivables).

The amounts due to the Participant consists of, *inter alia*, (i) the amounts actually recovered ("*verhaald*") by it on the Savings NHG Mortgage Receivables under the Security Trustee Pledge Agreement I but only to the extent such amounts do not exceed the relevant Participation in each of such Savings NHG Mortgage Receivables and (ii) the *pro rata* part of the amounts received from any of the Secured Parties, as received or recovered by any of them pursuant to the Parallel Debt Agreement (by reference to the proportion the Participations bears to the aggregate NHG Mortgage Receivables), less (y) any amounts already paid to the Participant by the Security Trustee pursuant to the Parallel Debt Agreement and (z) the *pro rata* part of the costs and expenses of the Security Trustee (including, for the avoidance of doubt, any costs of, *inter alia*, Fitch and any legal advisor, auditor or accountant appointed by the Security Trustee) (by reference to the proportion the Participations bear to the aggregate NHG Mortgage Receivables).

The Issuer shall grant a first ranking right of pledge ("*pandrecht*") (the "**Security Trustee Pledge Agreement I**") over the NHG Mortgage Receivables and the Beneficiary Rights relating thereto (see further chapter *Risk Factors* above) to the Security Trustee on the Closing Date and in respect of Substitute NHG Mortgage Receivables and Further Advance Receivables undertakes to grant a first ranking right of pledge on the relevant Substitute NHG Mortgage Receivables and Further Advance Receivables and, if applicable, the relevant Beneficiary Rights relating thereto on the Quarterly Payment Date on which such Substitute NHG Mortgage Receivables or Further Advance Receivables are purchased.

The pledge provided in the Security Trustee Pledge Agreement I will not be notified to the Borrowers except in case certain notification events occur, which are similar to the Assignment Notification Events but relating to the Issuer

("Trustee Notification Events"). Prior to notification of the pledge to the Borrowers and the Insurance Companies respectively, the pledge on the NHG Mortgage Receivables and the Beneficiary Rights respectively will be a "silent" right of pledge ("*stil pandrecht*") within the meaning of section 3:239 of the Netherlands Civil Code.

In addition, a right of pledge (the '**Security Trustee Pledge Agreement II**' and together with the Security Trustee Pledge Agreement I, the "**Pledge Agreements**") will be vested over all rights of the Issuer (a) under or in connection with (i) the Mortgage Receivables Purchase Agreement, (ii) the Administration Agreement, (iii) the Floating Rate GIC, (iv) the Liquidity Facility Agreement, and (v) the Sub-Participation Agreement, (vi) the Interest Swap Agreement and (b) in respect of the Transaction Accounts. This right of pledge will be notified to the relevant obligors and will, therefore be a "disclosed" right of pledge", but the Security Trustee will grant a power to collect to the Issuer which will be withdrawn upon the occurrence of any of the Trustee Notification Events.

From the occurrence of a Trustee Notification Event and, consequently notification to the Borrowers and withdrawal of the power to collect, the Security Trustee will collect ("*innen*") all amounts due to the Issuer whether by Borrowers, the Insurance Companies or parties to the Relevant Documents. Pursuant to the Trust Deed the Security Trustee will, until the delivery of an Enforcement Notice, (i) apply such amounts in accordance with the Interest Priority of Payments and the Principal Priority of Payments or (ii) for the sole purpose of enabling the Issuer to make payments in accordance with the relevant Priority of Payments, pay or procure the payment of certain amounts from a bank account opened in the name of the Security Trustee which will be used to collect the such amounts, whilst for that sole purpose terminating ("*opzeggen*") its right of pledge.

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

The Parallel Debt described above shall serve as security for the benefit of the Secured Parties, including each of the of the Senior Class A Noteholders and the Subordinated Class B Noteholders but, *inter alia*, amounts owing to the Subordinated Class B Noteholders will rank in priority of payment after amounts owing to the Senior Class A Noteholders (see chapter *Credit Structure* above).

## THE SECURITY TRUSTEE

Stichting Security Trustee SGML I (the "**Security Trustee**") is a foundation ("*stichting*") incorporated under the laws of the Netherlands on 8 November 2006. It has its registered office in Amsterdam, the Netherlands.

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

The sole director of the Security Trustee is Amsterdamsch Trustee's Kantoor B.V., having its registered office at Frederik Roeskestraat 123, 1<sup>st</sup> floor, 1076 EE Amsterdam, the Netherlands. The managing directors of Amsterdamsch Trustee's Kantoor B.V. are F.E.M. Kuijpers and D.P. Stolp.

## TERMS AND CONDITIONS OF THE NOTES

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

The issue of the euro 850,000,000 floating rate Senior Class A Mortgage-Backed Notes 2006 due 2055, (the '**Senior Class A Notes**') and the euro 6,000,000 floating rate Subordinated Class B Notes 2006 due 2055 (the '**Subordinated Class B Notes**') and together with the Senior Class A Notes, the '**Notes**') was authorised by a resolution of the managing director of Securitised Guaranteed Mortgage Loans I B.V. (the '**Issuer**') passed on 24 November 2006. The Notes are issued under a trust deed dated 29 November 2006 (the '**Trust Deed**') between the Issuer, Stichting SGML I Holding and Stichting Security Trustee SGML I (the '**Security Trustee**').

The statements in the Conditions include summaries of, and are subject to, (i) the detailed provisions of the Trust Deed, which will include the priority of payments and the form of the Notes and the coupons appertaining to the Notes (the '**Coupons**') and the forms of the Temporary Global Notes and the Permanent Global Notes, (ii) a paying agency agreement (the '**Paying Agency Agreement**') dated 29 November 2006 between the Issuer, the Security Trustee, Bank of New York as principal paying agent (the '**Principal Paying Agent**') and NCB Stockbrokers Limited as paying agent (the '**Paying Agent**') and together with the Principal Paying Agent, the '**Paying Agents**') and as reference agent (the '**Reference Agent**'), (iii) an administration agreement (the '**Administration Agreement**') dated 29 November 2006 between the Issuer, Achmea Hypotheekbank N.V. as the Issuer Administrator and the Pool Servicer and the Security Trustee, (iv) a pledge agreement dated 29 November 2006 between the Issuer and the Security Trustee and (v) a pledge agreement dated 29 November 2006 between the Issuer, the Security Trustee and others (jointly the '**Pledge Agreements**').

Unless otherwise defined herein, words and expressions used below are defined in a master definitions agreement (the '**Master Definitions Agreement**') dated 28 November 2006 and signed by the Issuer, the Security Trustee, the Seller and certain other parties. Such words and expressions shall, except where the context requires otherwise, have the same meanings in these Conditions. As used herein, '**Class**' means either the Senior Class A Notes or the Subordinated Class B Notes, as the case may be. If the terms or definitions in the Master Definitions Agreement would conflict with the terms or definitions used herein, the terms and definitions of these Conditions shall prevail.

Copies of the Trust Deed, the Paying Agency Agreement, the Parallel Debt Agreement, the Pledge Agreements and the Master Definitions Agreement are available for inspection free of charge by the Noteholders at the specified office of the Principal Paying Agent and the present office of the Security Trustee, being at the date hereof: Frederik Roeskestraat 123, 1076 EE Amsterdam, the Netherlands. The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed, the Paying Agency Agreement, the Parallel Debt Agreement, the Pledge Agreements and the Master Definitions Agreement and reference to any document is considered to be a reference to such document as amended, supplemented, restarted or otherwise modified from time to time.

### 1. Form, Denomination and Title

Each of the Notes will be in bearer form serially numbered with Coupons attached on issue and will be available in denominations of euro 100,000. Under Netherlands law, the valid transfer of Notes requires, *inter alia*, delivery ("**levering**") thereof. The Issuer, the Security Trustee and the Paying Agents may, to the fullest extent permitted by law, treat any Noteholder and Couponholder appertaining thereto as its absolute owner for all purposes (whether or not payment under such Note or Coupon shall be overdue and notwithstanding any notice of ownership or writing thereon or any notice of previous loss or theft thereof) for any purposes, including payment and no person shall be liable for so treating such holder. The signatures on the Notes will be in facsimile.

## 2. Status, Relationship between the Senior Notes and the Subordinated Notes and Security

- (a) The Notes of each Class are direct and unconditional obligations of the Issuer and rank *pari passu* and ratably without any preference or priority among Notes of the same Class.
- (b) In accordance with the provisions of Conditions 4, 6 and 9 and the Trust Deed payments of principal and interest on the Subordinated Class B Notes are subordinated to, *inter alia*, payments of principal and interest on the Senior Class A Notes.
- (c) The security for the obligations of the Issuer towards the Noteholders (the '**Security**') will be created pursuant to, and on the terms set out in the Pledge Agreements, which will create the following security rights:
  - (i) a first ranking pledge by the Issuer to the Security Trustee over the NHG Mortgage Receivables and the Beneficiary Rights; and
  - (ii) a first ranking pledge by the Issuer to the Security Trustee on the Issuer's rights (a) against the Seller under or in connection with the Mortgage Receivables Purchase Agreement, (b) against the Issuer Administrator and the Pool Servicer under or in connection with the Administration Agreement, (c) against the Interest Swap Counterparty under or in connection with the Interest Swap Agreement, (d) against the Liquidity Facility Provider under or in connection with the Liquidity Facility Agreement, (e) against the Participant under or in connection with the Sub-Participation Agreement, (f) against the Floating Rate GIC Provider under or in connection with the Floating Rate GIC and (g) in respect of the Transaction Accounts.
- (d) The Senior Class A Notes and the Subordinated Class B Notes will be secured (directly and/or indirectly) by the Security. The Senior Class A Notes will rank in priority to the Subordinated Class B Notes. The Trust Deed contains provisions requiring the Security Trustee to have regard to the interests of the Senior Class A Noteholders and the Subordinated Class B Noteholders, as regards all powers, trust, authorities, duties and discretions of the Security Trustee (except where expressly provided otherwise) but requiring the Security Trustee in any such case to have regard only to the interests of the Senior Class A Noteholders if, in the Security Trustee's opinion, there is a conflict between the interests of the Senior Class A Noteholders on the one hand and the Subordinated Class B Noteholders on the other hand and, if no Senior Class A Notes are outstanding, to have regard only to the interests of the Subordinated Class B Noteholders. In addition, the Security Trustee shall have regard to the interests of the other Secured Parties, provided that in case of a conflict of interest between the Secured Parties the priority of payments upon enforcement set forth in the Trust Deed determines which interest of which Secured Party prevails.

## 3. Covenants of the Issuer

So long as any of the Notes remain outstanding, the Issuer shall carry out its business in accordance with proper and prudent Netherlands business practice and in accordance with the requirements of Netherlands law and accounting practice and shall not, except to the extent permitted by the Mortgage Receivables Purchase Agreement, the Administration Agreement, the Pledge Agreements, the Parallel Debt Agreement, the Interest Swap Agreement, the Floating Rate GIC, the Liquidity Facility Agreement, the Sub-Participation Agreement, the Note Purchase Agreement, the Notes, the Paying Agency Agreement, the Beneficiary Waiver Agreement and the Trust Deed (together with the Master Definitions Agreement, the '**Relevant Documents**') or with the prior written consent of the Security Trustee:

- (a) carry out any business other than as described in the Prospectus dated 29 November 2006 relating to the issue of the Notes and as contemplated in the Relevant Documents;
- (b) incur any indebtedness in respect of borrowed money whatsoever or give any guarantee or indemnity in respect of any indebtedness, except as contemplated in the Relevant Documents;
- (c) create or promise to create any mortgage, charge, pledge, lien or other security interest whatsoever over any of its assets, or use, invest, sell or transfer or otherwise dispose of any part of its assets, except as contemplated in the Relevant Documents;
- (d) consolidate or merge with any other person or convey or transfer its properties or assets substantially or in entirety to one or more persons;
- (e) permit the validity or effectiveness of the Parallel Debt Agreement, the Pledge Agreements, or the priority of the security created thereby or pursuant thereto to be amended, terminated, postponed or

discharged, or permit any person whose obligations form part of such security rights to be released from such obligations except as contemplated in the Relevant Documents;

- (f) have any employees or premises or have any subsidiary or subsidiary undertaking; or
- (g) have an interest in any bank account other than the Transaction Accounts or accounts to which collateral under the Interest Swap Agreement is transferred, unless all rights in relation to such account will have been pledged to the Security Trustee as provided in Condition 2(c)(ii).

#### 4. Interest

##### *(a) Period of accrual*

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

Whenever it is necessary to compute an amount of interest in respect of any Note for any period, such interest shall be calculated on the basis of the actual number of days elapsed in the Floating Rate Interest Period (as defined below) and a year of 360 days.

##### *(b) Interest periods and payment dates*

Interest on the Notes shall be payable by reference to successive interest periods (each a **Floating Rate Interest Period**) in respect of the Principal Amount Outstanding (as defined in Condition 6(h)) on the first day of such Floating Rate Interest Period and will be payable in arrear on the 25<sup>th</sup> day of January, April, July and October (or, if such day is not a Business Day (as defined below), the next succeeding Business Day, unless such Business Day falls in the next succeeding calendar month in which event the Business Day immediately preceding such 25<sup>th</sup> day) in each year (each such day being a **Quarterly Payment Date**). A **Business Day** means a day on which banks are open for business in Amsterdam, provided that such day is also a day on which the Trans-European Automated Real-Time Gross Settlement European Transfer System (**TARGET System**) or any successor thereto is operating credit or transfer instructions in respect of payments in euro. Each successive Floating Rate Interest Period will commence on (and include) a Quarterly Payment Date and end on (but exclude) the next succeeding Quarterly Payment Date, except for the first Floating Rate Interest Period, which will commence on the Closing Date and end on (but exclude) the Quarterly Payment Date falling in January 2007.

##### *(c) Interest on the Notes*

Interest on the Notes for each Floating Rate Interest Period will accrue at an annual rate equal to the sum of the Euro Interbank Offered Rate (**Euribor**) for three month deposits (determined in accordance with Condition 4(e) (or, in respect of the first Floating Rate Interest Period, the rate which represents the linear interpolation of Euribor for one and two months deposits in euro, rounded if necessary, to the 5<sup>th</sup> decimal place with 0.00005, being rounded upwards) plus the margin as set forth in Condition 4(d) (the **Relevant Margin**).

##### *(d) Relevant Margin*

Up to the first Optional Redemption Date the Relevant Margins shall be:

- (i) 0.03 per cent. per annum for the Senior Class A Notes; and
- (ii) 0.35 per cent. per annum for the Subordinated Class B Notes.

If on the first Optional Redemption Date any Class of Notes have not been redeemed in full, the Relevant Margins shall be reset and shall be:

- (i) 0.50 per cent. per annum for the Senior Class A Notes; and
- (ii) 1.00 per cent. per annum for the Subordinated Class B Notes.

*(e) Euribor*

For the purpose of Condition 4(c) Euribor will be determined as follows:

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

and Euribor for such Floating Rate Interest Period shall be the rate per annum equal to the euro interbank offered rate for euro deposits as determined in accordance with this paragraph (e), provided that if the Reference Agent is unable to determine Euribor in accordance with the above provisions in relation to any Floating Rate Interest Period, Euribor applicable to the relevant Class of Notes during such Floating Rate Interest Period will be Euribor last determined in relation to such relevant Class of Notes in respect of a preceding Floating Rate Interest Period.

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

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

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

The Reference Agent will in respect of each Quarterly Payment Date cause the applicable Floating Rate of Interest and the relevant Floating Interest Amount and the relevant Quarterly Payment Date to be notified to the Issuer, the Security Trustee, the Principal Paying Agent, the Issuer Administrator, the Pool Servicer, the Irish Stock Exchange and the Company Announcements Office of the Irish Stock Exchange. The Floating Interest Amount and the relevant Quarterly Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Floating Rate Interest Period.

*(h) Determination or Calculation by Security Trustee*

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

*(i) Reference Banks and Reference Agent*

The Issuer will procure that, as long as any of the Notes remains outstanding, there will at all times be four Reference Banks and a Reference Agent. The Issuer has, subject to prior written consent of the Security Trustee, the right to terminate the appointment of the Reference Agent or of any Reference Bank by giving at least 90 days' notice in writing to that effect. Notice of any such termination will be given to the holders of the relevant Class of Notes in accordance with Condition 13. If any person shall be unable or unwilling to continue to act as a Reference Bank or the Reference Agent (as the case may be) or if the appointment of any Reference Bank or the Reference Agent shall be terminated, the Issuer will, with the prior written consent of the Security Trustee, appoint a successor Reference Bank or Reference Agent (as the case may be) to act in its place, provided that neither the resignation nor removal of the Reference Agent shall take effect until a successor approved in writing by the Security Trustee has been appointed.

## 5. Payment

- (a) Payment of principal and interest in respect of the Notes will be made upon presentation of such Note and against surrender of the relevant Coupon appertaining thereto, at any specified office of the Paying Agents in cash or by transfer to, in the case of the Notes, an euro account maintained by the payee with a bank in the Netherlands, as the holder may specify. All such payments are subject to any fiscal or other laws and regulations applicable in the place of payment.
- (b) At the Final Maturity Date (as defined in Condition 6(a)), or such earlier date the Notes become due and payable, the Notes should be presented for payment together with all unmatured Coupons appertaining thereto, failing which the full amount of any such missing unmatured Coupons (or, in the case of payment not being made in full, that proportion of the full amount of such missing unmatured Coupons which the sum of principal so paid bears to the total amount of principal due) will be deducted from the sum due for payment. Each amount so deducted will be paid in the manner mentioned above against surrender of the relevant missing Coupon at any time before the expiry of five years following the due date for payment of such principal (whether or not such Coupons would have become unenforceable pursuant to Condition 8).
- (c) If the relevant Quarterly Payment Date is not a day on which banks are open for business in the place of presentation of the relevant Note or Coupon ('**Local Business Day**'), the holder thereof shall not be entitled to payment until the next following such day, or to any interest or other payment in respect of such delay, provided that in the case of payment by transfer to an euro account as referred to above, the Principal Paying Agent shall not be obliged to credit such account until the Local Business Day immediately following the day on which banks are open for business in the Netherlands. The name of the Paying Agents and of its offices are set out below.

- (d) The Issuer reserves the right at any time to vary or terminate the appointment of the Paying Agents and to appoint additional or other paying agents provided that no paying agents located in the United States of America will be appointed and that the Issuer will at all times maintain a Paying Agent having a specified office in the European Union which, for as long as the Notes are listed on the Irish Stock Exchange shall be located in Ireland. Notice of any termination or appointment of a Paying Agent will be given to the Noteholders in accordance with Condition 13.

## 6. Redemption and purchase

(a) *Final redemption*

Unless previously redeemed as provided below, the Issuer will redeem the Notes at their Principal Amount Outstanding on the Quarterly Payment Date falling in October 2055 (the '**Final Maturity Date**'), subject to, in respect of the Subordinated Class B Notes, Condition 9(b).

(b) *Mandatory redemption of the Senior Class A Notes*

Provided that no Enforcement Notice has been served in accordance with Condition 10, the Issuer will be obliged to apply the Notes Redemption Available Amount (as defined below) to (partially) redeem the Senior Class A Notes. The amounts available for the Noteholders will be passed through on each Quarterly Payment Date (the first falling in January 2007) to the Senior Class A Notes by applying in respect of each Senior Class A Note, the Class A Redemption Amount.

(c) *Optional redemption of the Senior Class A Notes*

Unless previously redeemed in full, the Issuer may, at its option, on the Quarterly Payment Date falling in October 2014 or on any Quarterly Payment Date thereafter (each an '**Optional Redemption Date**') redeem all of the Senior Class A Notes, in whole but not in part, at their Principal Amount Outstanding on such date.

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

(d) *Redemption of Subordinated Class B Notes*

Provided that no Enforcement Notice has been served in accordance with Condition 10, the Issuer will be obliged to apply the Class B Redemption Available Amount, to redeem (or partially redeem) on a *pro rata* basis the Subordinated Class B Notes until fully redeemed.

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

(i) On each Quarterly Calculation Date, the Issuer shall determine (or cause the Issuer Administrator to determine) the Principal Redemption Amounts and the Principal Amount Outstanding of the relevant Note on the first day of the following Floating Rate Interest Period. Each determination by or on behalf of the Issuer of any Principal Redemption Amount or the Principal Amount Outstanding of a Note shall in each case (in the absence of manifest error) be final and binding on all persons.

(ii) The Issuer will cause each determination of the Principal Redemption Amounts and Principal Amount Outstanding of Notes to be notified forthwith to the Security Trustee, the Principal Paying Agent, the Reference Agent, Euroclear, Clearstream, Luxembourg and to the holders of Notes in accordance with Condition 13, but in any event no later than three business days prior to the Quarterly Payment Date. If no Principal Redemption Amount is due to be made on the Notes on any applicable Quarterly Payment Date a notice to this effect will be given to the Noteholders in accordance with Condition 13.

(iii) If the Issuer does not at any time for any reason determine (or cause the Issuer Administrator to determine) the Principal Redemption Amounts or the Principal Amount Outstanding of a Note, such Principal Redemption Amount or such Principal Amount Outstanding shall be determined by the Security Trustee in accordance with this paragraph (e)(i) and paragraph (b) and (g) above (but based

upon the information in its possession as to the Notes Redemption Available Amount and the Notes Interest Available Amount each such determination or calculation shall be deemed to have been made by the Issuer).

(f) *Redemption for tax reasons*

The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Quarterly Payment Date, at their Principal Amount Outstanding, subject to and in accordance with Condition 9(b) if the Issuer has satisfied the Security Trustee that:

- (i) the Issuer is or will be obliged to make any withholding or deduction for, or on account of, any taxes, duties, or charges of whatsoever nature from payments in respect of any Class of Notes as a result of any change in, or amendment to, the application of the laws or regulations of the Netherlands or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which becomes effective on or after the Closing Date and such obligation cannot be avoided by the Issuer taking reasonable measures available to it; and
- (ii) the Issuer will have sufficient funds available on such Quarterly Payment Date to discharge all its liabilities in respect of the Notes and any amounts required to be paid in priority or *pari passu* with each Class of Notes in accordance with the Trust Deed.

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

(g) *Definitions*

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

**"Class B Principal Redemption Available Amount"** means an amount equal to the lesser of:

- (i) the aggregate Principal Amount Outstanding of the Subordinated Class B Notes; and
- (ii) the Notes Interest Available Amount, if and to the extent that all payments ranking above item (j) in the Interest Priority of Payments have been made in full.

**"Principal Redemption Amounts"** means the Class A Principal Redemption Amount and the Class B Principal Redemption Amount.

**"Class A Principal Redemption Amount"** means the principal amount so redeemable in respect of each Senior Class A Note on the relevant Quarterly Payment Date which shall be equal to the Notes Redemption Available Amount divided by the number of Senior Class A Notes subject to such redemption (rounded down to the nearest euro).

**"Class B Principal Redemption Amount"** means the principal amount so redeemable in respect of each Subordinated Class B Note on the relevant Quarterly Payment Date which shall be equal to the Class B Principal Redemption Available Amount divided by the number of Subordinated Class B Notes subject to such redemption (rounded down to the nearest euro).

**"Principal Amount Outstanding"** means in respect of any Note, on any Quarterly Payment Date the principal amount of such Note upon issue less the aggregate amount of all relevant Principal Redemption Amounts in respect of such Note that have become due and payable prior to such Quarterly Payment Date, provided that for the purpose of Conditions 4, 6 and 10 all relevant Principal Redemption Amounts that have become due and not been paid shall not be so deducted.

**"Notes Redemption Available Amount"** means, on any Quarterly Calculation Date, the aggregate amount received by the Issuer during the immediately preceding Quarterly Calculation Period:

- (i) as amounts of repayment and prepayment in full of principal under the NHG Mortgage Receivables, from any person, but, for the avoidance of doubt, excluding prepayment penalties, if any, less with respect to each Savings NHG Mortgage Receivable, the Participation in such Savings NHG Mortgage Receivable;
- (ii) as Net Proceeds on any NHG Mortgage Receivable, to the extent such proceeds relate to principal less, with respect to a Savings NHG Mortgage Receivable, the Participation in such Savings NHG Mortgage Receivable;
- (iii) as amounts received in connection with a repurchase of NHG Mortgage Receivables pursuant to the Mortgage Receivables Purchase Agreement and any other amounts received pursuant to the Mortgage Receivables Purchase Agreement to the extent such amounts relate to principal less, with respect to each Savings NHG Mortgage Receivable, the Participation in such Savings NHG Mortgage Receivable;
- (iv) as amounts to be received in connection with a sale of NHG Mortgage Receivables pursuant to the Trust Deed to the extent such amounts relate to principal less, with respect to each Savings NHG Mortgage Receivable, the Participation in such Savings NHG Mortgage Receivable;
- (v) as amount to be credited to the Principal Deficiency Ledger on the immediately succeeding Quarterly Payment Date in accordance with in accordance with item (g) of the Interest Priority of Payments;
- (vi) as Monthly Participation Increase and as amounts to be received as Initial Participation pursuant to the Sub-Participation Agreement;
- (vii) as partial prepayment in respect of NHG Mortgage Receivables;
- (viii) the Reserved Amount; and
- (ix) the Pre-Closing Proceeds to the extent relating to principal;
- (x) as any part of the Notes Redemption Available Amount calculated on the immediately preceding Quarterly Calculation Date, remaining after the purchase of Further Advance Receivables or Substitute NHG Mortgage Receivables, if any, on the preceding Quarterly Payment Date and which has not been applied towards redemption of the Senior Class A Notes on the preceding Quarterly Payment Date;

less on such Quarterly Calculation Date, in respect of item (xi) and (xiii) only, until the Quarterly Calculation Date immediately preceding the first Optional Redemption Date the sum of:

- (xi) any amount applied to the purchase of the relevant Substitute NHG Mortgage Receivables on such Quarterly Payment Date (the '**Substitution Amount**');
- (xii) any amount applied to the purchase of the relevant Further Advance Receivables on such Quarterly Payment Date (the '**Further Advance Amount**'); and
- (xiii) the positive difference between (i) the Principle Available Amount less (ii) the Substitution Amount and the Further Advance Amount as calculated on the immediately preceding Quarterly Calculation Period (the '**Reserved Amount**') which amount is to be applied towards the purchase of Substitute NHG Mortgage Receivables on the next succeeding Quarterly Payment Date.

"**Net Proceeds**" shall mean (a) the proceeds of a foreclosure on the mortgage right, (b) the proceeds of foreclosure on any other collateral securing the NHG Mortgage Receivable, (c) the proceeds, if any, of

collection of any insurance policies in connection with the NHG Mortgage Receivable, including but not limited to fire insurance policy and any Insurance Policy, (d) the proceeds of the NHG Guarantee and any other guarantees or sureties, and (e) the proceeds of foreclosure on any other assets of the relevant debtor, after deduction of foreclosure costs in respect of such NHG Mortgage Receivable;

**"Quarterly Calculation Date"** means, in relation to a Quarterly Payment Date, the 6th business day prior to such Quarterly Payment Date;

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

**"Mortgage Calculation Period"** means the period commencing on (and including) the 6th day of each calendar month and ending on (and including) the 5th day of the following calendar month except for the first Mortgage Calculation Date which will commence on (and include) the Cut-Off Date and end on (and include) the 5<sup>th</sup> of January 2007.

## 7. Taxation

All payments in respect of the Notes will be made without withholding of, or deduction for, or on account of any present or future taxes, duties or charges of whatsoever nature unless the Issuer or the Paying Agents (as applicable) is required by applicable law to make any payment in respect of the Notes subject to any withholding or deduction of such taxes, duties or charges of whatsoever nature, where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to the European Union Directive on the taxation of savings that was adopted on 3 June 2003 or any other law implementing or complying with, or introduced in order to conform to such Directive. In that event, the Issuer or the Paying Agents (as the case may be) shall make such payment after the required withholding or deduction has been made and shall account to the relevant authorities for the amount so required to be withheld or deducted. Neither the Paying Agents nor the Issuer will be obliged to make any additional payments to the Noteholders in respect of such withholding or deduction.

## 8. Prescription

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

## 9. Subordination

Interest and principal on the Subordinated Class B Notes shall be payable in accordance with the provisions of Conditions 4 and 6, subject to the terms of this Condition and Clauses 5 and 7 of the Trust Deed.

### (a) Interest

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

### (b) General

The Subordinated Class B Noteholders shall have no further claim against the Issuer for the Principal Amount Outstanding of the Subordinated Class B Notes after the earlier of (i) the Final Maturity Date or (ii) the date on which the Issuer no longer holds any NHG Mortgage Receivables and there are no balances standing to the credit of any of the Transaction Accounts.

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

#### 10. Events of Default

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

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

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

#### 11. Enforcement

- (a) At any time after the Notes of any Class become due and payable, the Security Trustee may, at its discretion and without further notice, take such steps and/or institute such proceedings as it may think fit to enforce the terms of the Trust Deed, the Pledge Agreements and the Notes, but it need not take any such proceedings unless (i) it shall have been directed by an Extraordinary Resolution of the Senior Class A Noteholders or, if all amounts due in respect of the Senior Class A Notes have been fully paid, the Subordinated Class B Noteholders and (ii) it shall have been indemnified to its satisfaction.

- (b) No Noteholder may proceed directly against the Issuer unless the Security Trustee, having become bound so to take such steps and/or institute such proceedings, fails to do so within a reasonable time and such failure is continuing.
- (c) The Noteholders and the Security Trustee may not institute against, or join any person in instituting against, the Issuer any bankruptcy, winding-up, reorganisation, arrangement, insolvency or liquidation proceeding until the expiry of a period of at least one year after the latest maturing Note is paid in full. The Noteholders accept and agree that the only remedy of the Security Trustee against the Issuer after any of the Notes have become due and payable pursuant to Condition 10 above is to enforce the Security.

**12. Indemnification of the Security Trustee**

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

**13. Notices**

With the exception of the publications of the Reference Agent in Condition 4 and of the Issuer in Condition 6, all notices to the Noteholders will only be valid if published in at least one daily newspaper of wide circulation in the Netherlands, or, if all such newspapers shall cease to be published or timely publication therein shall not be practicable, in such newspaper as the Security Trustee shall approve having a general circulation in Europe and, as long as the Notes are listed on the Irish Stock Exchange, any notice will also be made to the Company Announcement Office of the Irish Stock Exchange. Any such notice shall be deemed to have been given on the first date of such publication.

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

The Trust Deed contains provisions for convening meetings of the Senior Class A Noteholders and the Subordinated Class B Noteholders to consider matters affecting the interests, including the sanctioning by Extraordinary Resolution, of such Noteholders of the relevant Class of a change of any of these Conditions or any provisions of the Relevant Documents.

(a) Meeting of Noteholders

A meeting as referred to above may be convened by the Issuer or by Noteholders of any Class holding not less than ten (10) per cent. in Principal Amount Outstanding of the Notes of such Class.

(b) Basic terms change

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

(c) Extraordinary Resolution

Quorum and majority

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

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

#### *Limitations*

No Extraordinary Resolution to sanction a change which would have the effect of accelerating or increasing the maturity of the Senior Class A Notes or the Subordinated Class B Notes, as the case may be, or any date for payment of interest thereon, increasing the amount of principal or the rate of interest payable in respect of a Class of Notes, shall take effect unless it shall have been sanctioned by an Extraordinary Resolution of the Senior Class A Noteholders.

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

(d) *Modifications by the Security Trustee*

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

(e) *Exercise of Security Trustee's functions*

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

**15. Replacements of Notes and Coupons**

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

**16. Governing Law**

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

## GLOBAL NOTES

Each Class of the Notes shall be initially represented by a temporary global note (a "**Temporary Global Note**") (i) in the case of the Senior Class A Notes in the principal amount of euro 850,000,000 and (ii) in the case of the Subordinated Class B Notes a Temporary Global Note in bearer form without coupons, in the principal amount of euro 6,000,000. Each Temporary Global Note will be deposited with a common depository for Euroclear Bank S.A./N.V., as operator of Euroclear and Clearstream, Luxembourg on or about 29 November 2006. Upon deposit of each such Temporary Global Note, Euroclear and Clearstream, Luxembourg will credit each purchaser of Notes represented by such Temporary Global Note with the principal amount of the relevant Class of Notes equal to the principal amount thereof for which it has purchased and paid. Interests in each Temporary Global Note will be exchangeable (provided certification of non-U.S. beneficial ownership by the Noteholders has been received) not earlier than forty (40) days after the issue date of the Notes (the '**Exchange Date**') for interests in a permanent global note (each a '**Permanent Global Note**'), in bearer form, without coupons, in the principal amount of the Notes of the relevant Class (the expression '**Global Notes**' meaning the Temporary Global Note of each Class and the Permanent Global Note 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 Notes in definitive form only in the circumstances described below. Such Notes, in definitive form shall be issued in denominations of euro 100,000 or, as the case may be, in the Principal Amount Outstanding of the Notes on such exchange date. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a Note will be entitled to receive any payment made in respect of that Note in accordance with the respective rules and procedures of Euroclear or, as the case may be, Clearstream, Luxembourg. Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes, which must be made by the holder of a Global Note, for so long as such Global Note is outstanding. Each person must give a certificate as to non-U.S. beneficial ownership as of the date on which the Issuer is obliged to exchange a Temporary Global Note for a Permanent Global Note, which date shall be no earlier than the Exchange Date, in order to obtain any payment due on the Notes.

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

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

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

If after the Exchange Date (i) the Notes become immediately due and payable by reason of accelerated maturity following an Event of Default or (ii) either Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of fourteen (14) days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business and no alternative clearance system satisfactory to the Security Trustee is available or (iii) as a result of any amendment to, or change in the laws or regulations of the Netherlands (or of any political sub-division thereof) or of any authority therein or thereof having power to tax, or in the interpretation or administration of such laws or regulations, which becomes effective on or after 29 November 2006, the Issuer or the Paying Agents is or will be required to make any deduction or withholding on account of tax from any payment in respect of the Notes which would not be required were the Notes in definitive form, then the Issuer will at its sole cost and expense, issue:

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

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

## TAXATION IN THE NETHERLANDS

This section provides a general description of the main Netherlands tax issues and consequences of acquiring, holding, redeeming and/or disposing of the Notes. This summary provides general information only and is restricted to the matters of Netherlands taxation stated herein. It is intended neither as tax advice nor as a comprehensive description of all Netherlands tax issues and consequences associated with or resulting from any of the above-mentioned transactions. Prospective acquirers are urged to consult their own tax advisors concerning the detailed and overall tax consequences of acquiring, holding, redeeming and/or disposing of the Notes.

The summary provided below is based on the information provided in this Prospectus and on the Netherlands tax laws, regulations, resolutions and other public rules with legal effect, and the interpretation thereof under published case law, all as in effect on the date of this Prospectus and with the exception of subsequent amendments with retroactive effect.

Subject to the foregoing:

1. No registration, stamp, transfer or turnover taxes or other similar duties or taxes will be payable in the Netherlands in respect of the offering and the Issue of the Notes by the Issuer or in respect of the signing and delivery of the Documents.
2. No Netherlands withholding tax will be due on payments of principal and/or interest.
3. A holder of Notes (a "**Holder**") will not be subject to Netherlands taxes on income or capital gains in respect of the acquisition or holding of Notes or any payment under the Notes or in respect of any gain realised on the disposal or redemption of the Notes, provided that:
  - (i) such Holder is neither a resident nor deemed to be a resident nor has opted to be treated as a resident in the Netherlands; and
  - (ii) such Holder does not have an enterprise or an interest in an enterprise that, in whole or in part, is carried on through a permanent establishment or a permanent representative in the Netherlands and to which permanent establishment or permanent representative the Notes are attributable;  
  
and, if the Holder is a legal person,
  - (iii) such Holder does not have a substantial interest\* in the share capital of the Issuer and/or Seller or in the event that such Holder does have such an interest, such interest forms part of the assets of an enterprise; and
  - (iv) such Holder does not have a deemed Netherlands enterprise to which enterprise the Notes are attributable;  
  
and, if the Holder is a natural person,
  - (v) such Holder does not derive income and/or capital gains from activities in the Netherlands other than business income (as described under 3.(ii)) to which activities the Notes are attributable; and
  - (vi) such Holder or a person related to the Holder by law, contract, consanguinity or affinity to the degree specified in the tax laws of the Netherlands does not have, or is not deemed to have, a substantial interest\* in the share capital of the Issuer and/or Seller.
4. There will be no Dutch gift, estate or inheritance tax levied on the acquisition of a Note by way of gift by, or on the death of a Holder, if the Holder at the time of the gift or the death is neither a resident nor a deemed resident of the Netherlands, unless:
  - (i) at the time of the gift or death, the Notes are attributable to an enterprise or part thereof, which is carried on through a permanent establishment or a permanent representative in the Netherlands; or

- (ii) the Holder dies within 180 days of making the gift, and at the time of death is a resident or deemed resident of the Netherlands.

*\*Generally speaking, an interest in the share capital of the Issuer and/or Seller should not be considered as a substantial interest if the Holder of such interest, and if the Holder is a natural person his spouse, registered partner, certain other relatives or certain persons sharing the Holder's household, do not hold, alone or together, whether directly or indirectly, the ownership of, or certain rights over, shares or rights resembling shares representing five percent or more of the total issued and outstanding capital, or the issued and outstanding capital of any class of shares, of the Issuer and/or Seller.*

## PURCHASE AND SALE

Pursuant to a notes purchase agreement dated 28 November 2006, among ING Bank N.V. (the '**Manager**'), the Issuer and the Seller, the Manager has agreed to purchase the Notes at their respective issue prices. The Issuer has agreed to indemnify and reimburse the Manager against certain liabilities and expenses in connection with the issue of the Notes.

### **European Economic Area**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each a "Relevant Member State"), the Manager has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") it has not made and will not make an offer of the Notes to the public in that Relevant Member State prior to the publication of a Prospectus in relation to the Notes, which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of the Notes to the public in that Relevant Member State at any time: (a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities; (b) to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than €43,000,000 and (iii) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or (c) in any other circumstances which do not require the publication by the Issuer of a Prospectus pursuant to Article 3 of the Prospectus Directive.

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

### **United Kingdom**

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

### **France**

The Notes may only be offered or sold to qualified investors (*investisseurs qualifiés*) and/or to a restricted circle of investors (*cercle restreint d'investisseurs*), provided such investors act for their own account, and/or to persons providing portfolio management financial services (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*), in the Republic of France, within the meaning of Article L.411-2 of the French *Code Monétaire et Financier* (Monetary and Financial Code) and the Decree 98-880 dated 1st October 1998; neither this Prospectus, which has not been submitted to the *Autorité des Marchés Financiers*, nor any information contained therein or any offering material relating to the Notes, may be distributed or caused to be distributed to the public in France.

### **Italy**

The offering of the Notes in Italy has not been registered with the Commissione Nazionale per la Società e la Borsa ('*CONSOB*') pursuant to Italian securities legislation and, accordingly, the Notes cannot be offered, sold or delivered in the Republic of Italy ('*Italy*') nor may any copy of this Prospectus or any other document relating to the Notes be distributed in Italy other than to professional investors (*operatori qualificati*) as defined in Article 31, second paragraph, of CONSOB Regulation No. 11522 of 1 July, 1998 as subsequently amended. Any offer, sale or delivery of the Notes or distribution of copies of this Prospectus or any other document relating to the Notes in

Italy must be made (a) by an investment firm, bank or intermediary permitted to conduct such activities in Italy in accordance with Legislative Decree No. 58 of 24 February 1998 (the '*Financial Services Act*') and Legislative Decree No. 385 of 1 September 1993 (the '*Banking Act*'); (b) in compliance with Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy and (c) in compliance with any other applicable laws and regulations and other possible requirements or limitations which may be imposed by Italian authorities. The Notes cannot be offered, sold or delivered on a retail basis, either in the primary or in the secondary market, to any individuals residing in Italy.

#### **United States**

The Notes have not been and will not be registered under the Securities Act and may not be offered, sold or delivered within the United States or to US persons, except in certain transactions exempt from the registration requirements of the US Securities Act. Terms used in this paragraph have the meaning given to them by Regulation S under the Securities Act. The Notes are in bearer form and are subject to US tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by US tax regulations. Terms used in this paragraph have the meanings given to them by the US Internal Revenue Code of 1986 and regulations thereunder. The Manager has agreed that it will not offer, sell or deliver the Notes (i) as part of its distribution at any time and (ii) otherwise until 40 days after the later of the commencement of the offering on the Closing Date within the United States or to, or for the account or benefit of, US persons and it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration to which it sells Notes during the distribution compliance period (as defined in Regulation S) a confirmation or other notice setting forth the restrictions on offers and sales of the Securities within the United States or to, or for the account or benefit of, US persons.

In addition, until 40 days after the commencement of the offering, an offer or sale of the Notes within the United States by any dealer (whether or not participating in the purchase) may violate the registration requirements of the Securities Act. Terms used in these paragraphs have the meanings given to them by Regulation S and the US Internal Revenue Code and regulations thereunder.

#### **General**

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

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

## GENERAL INFORMATION

1. The issue of the Notes has been authorised by a resolution of the managing director of the Issuer passed on 24 November 2006.
2. Application has been made to list the Senior Class A Notes and the Subordinated Class B Notes on the Irish Stock Exchange. The estimated expenses relating to the admission to trading of the Notes on the regulated market of the Irish Stock Exchange are approximately Euro 22,079.
3. The Senior Class A Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg and will bear common code 027702139 and ISIN XS0277021399.
4. The Subordinated Class B Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg and will bear common code 027702180 and ISIN XS0277021803.
5. The addresses of the clearing systems are: Euroclear, 1 Boulevard du Roi Albert II, 1210 Brussels, Belgium and Clearstream Luxembourg, 42 Avenue J.F. Kennedy, L-1855 Luxembourg.
6. KPMG Accountants N.V. have given and have not withdrawn their written consent to the issue of this Prospectus with their report included herein in the form and context in which it appears. All accountants of KPMG Accountants N.V. are a member of the Royal NIVRA ("*Nederlands Instituut voor registeraccountants*"), the Dutch accountants board.
7. Since its incorporation, the Issuer is not involved in any legal or arbitration proceedings which may have a significant effect on the Issuer's financial position nor, so far as the Issuer is aware, are any such proceedings pending or threatened against the Issuer.
8. For the life of the Prospectus electronic copies of the following documents may be inspected at the specified offices of the Security Trustee and the Principal Paying Agent during normal business hours:
  - (i) the deed of incorporation, including the articles of association, of the Issuer;
  - (ii) the Mortgage Receivables Purchase Agreement;
  - (iii) the Notes Purchase Agreement;
  - (iv) the Paying Agency Agreement;
  - (v) the Trust Deed;
  - (vi) the Parallel Debt Agreement;
  - (vii) the Security Trustee Pledge Agreement I;
  - (viii) the Security Trustee Pledge Agreement II;
  - (ix) the Administration Agreement;
  - (x) the Sub-Participation Agreement;
  - (xi) the Floating Rate GIC;
  - (xii) the Interest Swap Agreement;
  - (xiii) the Liquidity Facility Agreement;
  - (xiv) the Beneficiary Waiver Agreement; and
  - (xv) the Master Definitions Agreement.
9. A free copy of the Issuer's articles of association is available at the office of the Issuer;
10. The audited annual financial statements of the Issuer will be made available, free of charge, at the specified offices of the Principal Paying Agent.
11. The press release on the impact of IFRS on Eureko's 2005 financial statements can be obtained on Eureko's website at [www.eureko.net](http://www.eureko.net) (this website does not form part of the Prospectus).
12. The press release and investor presentation of the 2006 interim results can be obtained on Eureko's website at [www.eureko.net](http://www.eureko.net) (this website does not form part of the Prospectus).
13. The half-yearly report dated 31 August 2006 of Achmea Hypotheekbank N.V., can be obtained at: [www.achmea.nl](http://www.achmea.nl) (this website does not form part of the Prospectus);
14. A quarterly investor report on the performance, including the arrears and the losses, of the transaction can be obtained at: [www.atcgroup.info](http://www.atcgroup.info) (this website does not form part of the Prospectus).
15. US Taxes:

The Notes will bear a legend to the following effect: '*any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Section 165(j) and 1287(a) of the Internal Revenue Code.*'

The sections referred to in such legend provide that a United States person who holds a Note will generally not be allowed to deduct any loss realised on the sale, exchange or redemption of such Note and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.

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**REGISTERED OFFICES**

**ISSUER**

**Securitized Guaranteed Mortgage Loans I B.V.**

Frederik Roeskestraat 123  
1076 EE Amsterdam  
The Netherlands

**SECURITY TRUSTEE**

**Stichting Security Trustee SGML I**

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1076 EE Amsterdam  
The Netherlands

**ISSUER ADMINISTRATOR AND**

**POOL SERVICER**

**Achmea Hypotheekbank N.V.**

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The Netherlands

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AND COMMON DEPOSITORY**

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London, E14 5AL  
United Kingdom

**LIQUIDITY FACILITY PROVIDER  
AND INTEREST SWAP COUNTERPARTY**

**ING Bank N.V.**

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1083 CN AMSTERDAM  
The Netherlands

**FLOATING RATE GIC PROVIDER**

**ABN AMRO BANK N.V.**

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