

## **IMPORTANT NOTICE**

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NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE U.S. OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE U.S. OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE FOLLOWING PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. PERSON OR TO ANY U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of your Representation: in order to be eligible to view this prospectus or make an investment decision with respect to the securities, investors must not be a U.S. person (within the meaning of Regulation S under the Securities Act). By accepting the e-mail and accessing this prospectus, you shall be deemed to have represented to us that you are not a U.S. person; the electronic mail address that you have given to us and to which this e-mail has been delivered is not located in the U.S., or acting for the account or benefit of a U.S. person, its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands), any State of the U.S. or the District of Columbia; and that you consent to delivery of such prospectus by electronic transmission.

You are reminded that this prospectus has been delivered to you on the basis that you are a person into whose possession this prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this prospectus to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the underwriters or any affiliate of the underwriters is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the underwriters or such affiliate on behalf of the Issuer in such jurisdiction.

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

This prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither the Manager nor any person who controls the Manager nor any director, officer, employee nor agent of any of the Manager or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the

prospectus distributed to you in electronic format and the hard copy version available to you on request from the Manager.

**CANDIDE FINANCING 2007 NHG B.V.**  
(incorporated with limited liability in the Netherlands)

Euro 356,000,000 Senior Class A Mortgage-Backed Notes 2007 due 2047, issue price 100 per cent.



as Seller, Liquidity Facility Provider and MPT Provider

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This document comprises a prospectus (the “**Prospectus**”) for the purpose of Directive 2003/71/EC (the “**Prospectus Directive**”). Application has been made to the Irish Financial Services Regulatory Authority, as competent authority under the Prospectus Directive, for the Prospectus to be approved. Application has been made to the Irish Stock Exchange (“**ISE**”) for the Euro 356,000,000 Senior Class A Mortgage-Backed Notes 2007 due 2047 (the “**Senior Class A Notes**”) to be admitted to the Official List and trading on its regulated market. In addition the Issuer will issue the Euro 5,350,000 Subordinated Class B Notes 2007 due 2047 (the “**Subordinated Class B Notes**” and together with the Senior Class A Notes, the “**Notes**”) which will not be listed. The Notes are expected to be issued on 18 December 2007.

**SUCH APPROVAL RELATES ONLY TO THE SENIOR CLASS A NOTES WHICH ARE TO BE ADMITTED TO TRADING ON THE REGULATED MARKET OF THE IRISH STOCK EXCHANGE OR OTHER REGULATED MARKETS FOR THE PURPOSES OF DIRECTIVE 2004/39/EC (THE MARKETS IN FINANCIAL INSTRUMENTS DIRECTIVE) OR WHICH ARE TO BE OFFERED TO THE PUBLIC IN ANY MEMBER STATE OF THE EUROPEAN ECONOMIC AREA.**

The Notes will carry floating rates of interest, payable quarterly in arrear on each Quarterly Payment Date. Except for the first Quarterly Payment Date, falling on 20 March 2008, in which the interest rate will be referenced to the linear interpolation of three and four months Euribor, the respective rates of interest will be equal to three months Euribor plus a margin per annum which will be for the Senior Class A Notes 0.14 per cent. per annum and for the Subordinated Class B Notes 1.85 per cent. per annum up to the Final Maturity Date.

The Notes will mature on the Quarterly Payment Date falling in December 2047 unless previously redeemed. The Notes will be subject to mandatory partial redemption in the circumstances set out in, and subject to and in accordance with, the Conditions. On the Quarterly Payment Date falling in December 2017 (the “**First Optional Redemption Date**”) and each subsequent Quarterly Payment Date (each an “**Optional Redemption Date**”) the Issuer has the option to redeem all of the Notes in whole or in part, at their Principal Amount Outstanding, subject to and in accordance with the Conditions. The Subordinated Class B Notes will not be redeemed until the Senior Class A Notes have been fully redeemed.

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

**It is a condition precedent to issuance that the Senior Class A Notes, on issue, be assigned an Aaa rating by Moody's. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. Under no circumstances shall this**

**Prospectus constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.**

**For a discussion of some of the risks associated with an investment in the Notes, see “Risk Factors” herein.**

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

The Notes of each Class will be issued in new global note (“NGN”) form and will be initially represented by Temporary Global Notes in bearer form, without coupons, which are expected to be deposited with a common safekeeper for Euroclear and Clearstream, Luxembourg on or about the Closing Date. Interests in each Temporary Global Note will be exchangeable for interests in a Permanent Global Note of the relevant Class, without coupons, not earlier than 40 days after the Closing Date upon certification as to non-U.S. beneficial ownership. Interests in each Permanent Global Note will, in certain limited circumstances, be exchangeable for Notes in definitive bearer form as described in the Conditions. The Notes will be obligations of the Issuer only. The Notes will not be obligations of, or the responsibility of, or guaranteed by, any person other than the Issuer. In particular, the Notes will not be obligations of, or the responsibility of, or guaranteed by, any of Bank of Scotland plc (“**Bank of Scotland**”), Bank of Scotland acting through its Amsterdam Branch (“**Bank of Scotland Netherlands**”), any company in the same group of companies as Bank of Scotland or the Manager or any other Party to the Relevant Documents, the Arranger, the Security Trustee, Stichting Holding, the MPT Provider, the Sub MPT Provider, the Directors, the Liquidity Facility Provider, the Swap Counterparty, the Life Insurance Companies, the Subordinated Loan Provider, the GIC Provider, the Paying Agent, the Reference Agent or the Listing Agent. No liability whatsoever in respect of any failure by the Issuer to pay any amount due under the Notes shall be accepted by any of the Bank of Scotland, Bank of Scotland Netherlands, any company in the same group of companies as Bank of Scotland or the Manager or any other Party to the Relevant Documents, the Arranger, the Security Trustee, Stichting Holding, the MPT Provider, the Sub MPT Provider, the Directors, the Liquidity Facility Provider, the Swap Counterparty, the Life Insurance Companies, the Subordinated Loan Provider, the GIC Provider, the Paying Agent, the Reference Agent or the Listing Agent.

The date of this Prospectus is 18 December 2007.

**Arranger**

Bank of Scotland

**Manager**

ABN AMRO

## IMPORTANT INFORMATION

The Issuer accepts responsibility for the information contained in this Prospectus except for the information contained in the following sections, *Overview of the Dutch Residential Mortgage Market, Bank of Scotland Group, Description of the Mortgage Loans, Mortgage Loan Underwriting and Origination and Handling of the Mortgage Loans and Stater Nederland B.V.* To the best of its knowledge (having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information. Any information from third parties contained in this Prospectus has been accurately reproduced and, as far as the Issuer is aware and able to ascertain from the information published by such parties, does not omit anything likely to render the reproduced information inaccurate or misleading.

The Seller is responsible solely for the information contained in the following sections of this Prospectus: *Overview of the Dutch Residential Mortgage Market, Bank of Scotland Group, Description of the Mortgage Loans, Mortgage Loan Underwriting and Origination and Handling of the Mortgage Loans* and not for information contained in any other section. To the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case) the information contained in the sections referred to in this paragraph is in accordance with the facts and does not omit anything likely to affect the import of such information. The Seller accepts responsibility accordingly.

Stater is responsible solely for the information contained in the section *Stater Nederland B.V.* and not for information contained in any other section and consequently, Stater does not assume any liability in respect of the information contained in any section other than the section *Stater Nederland B.V.* To the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case) the information contained in the sections referred to in this paragraph is in accordance with the facts and does not omit anything likely to affect the import of such information. Stater accepts responsibility accordingly. The Issuer is also responsible for this section.

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

Neither this Prospectus nor any part hereof constitutes an offer or an invitation to sell or a solicitation of an offer to buy the Notes in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction. The distribution of this document and the offering of the Notes in certain jurisdictions may be restricted by law.

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

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

Neither the delivery of this Prospectus at any time nor any sale made in connection with the offering of the Notes shall imply that the information contained herein is correct at any time subsequent to the date of this Prospectus. The Issuer and the Seller have no obligation to update this Prospectus, except when required by the guidelines of the Irish Stock Exchange and the Prospectus Directive.

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

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

The Notes have not been and will not be registered under the US Securities Act of 1933, as amended (the “**Securities Act**”), and include Notes in bearer form that are subject to US tax law requirements. Subject to certain exceptions the Notes may not be offered, sold nor delivered within the United States or to US persons (see *Purchase and Sale*).

In connection with the issue of the Notes, ABN AMRO (the “**Stabilising Manager**”) or persons acting on behalf of the Stabilising Manager may over-allot Senior Class A Notes or effect transactions with a view to supporting the market price of the Senior Class A Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Senior Class A Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Senior Class A Notes and 60 days after the date of the allotment of the Senior Class A Notes. Any stabilisation action or over-allotment must be conducted by the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) in accordance with all applicable laws and rules.

Capitalised terms used in this Prospectus, unless otherwise indicated, have the meanings set out in this Prospectus. An index of defined terms used in this Prospectus appears in the back of this Prospectus as *Annex A*. The language of this Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

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### SUMMARY OF THE NOTES

Certain features of the Notes are summarised below (see further 'Key Parties and Overview Principal Features of the Notes' below):

	Class A	Class B
Principal Amount	€356,000,000	€5,350,000
Credit Enhancement	Subordination of Class B Notes	
Margin	0.14 per cent. p.a.	1.85 per cent. p.a.
Interest Accrual	Act/360	Act/360
Quarterly Notes Payment Dates	Interest and principal will be payable quarterly in arrear on March 20th, June 20th, September 20th and December 20th, subject to adjustment for non-business days	
Final Maturity Date	December 2047	December 2047
Denomination	Euro50,000	Euro50,000
Form	The Notes will be in bearer form	
Listing	Irish Stock Exchange	N/A
Rating	Aaa by Moody's	N/A

## TRANSACTION SUMMARY

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

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

### **Risk Factors**

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

### **Transaction Overview**

The following is an overview of the transaction as illustrated by the Transaction Structure Diagram on page 27 below. The numbers in the diagram (see *Structure Diagram and Overview of Parties*) refer to the numbered paragraphs in this section.

1. Candide Financing 2007 NHG B.V. (the “**Issuer**”) is a special purpose vehicle incorporated under Dutch law. On or about 17 December 2007 the Issuer will enter into a mortgage receivables purchase agreement (the “**Mortgage Receivables Purchase Agreement**”) with the Seller and the Security Trustee. Pursuant to the Mortgage Receivables Purchase Agreement, the Seller will sell and assign to the Issuer legal title to the Mortgage Receivables and the Beneficiary Rights relating thereto. The Mortgage Receivables consist of any and all rights of the Seller against certain borrowers (the “**Borrowers**”) under loans originated by the Seller which loans are secured by first-ranking, or first and sequentially lower-ranking mortgage rights over residential properties in the Netherlands. The initial purchase price payable to the Seller for the Mortgage Receivables amounts to Euro 357,614,194.04 (the “**Initial Purchase Price**”). The total purchase price for the Mortgage Receivables consist of the Initial Purchase Price and the Deferred Purchase Price. The transfer of legal title to the Mortgage Receivables will take place on or about 18 December 2007 (the “**Closing Date**”) (see further *Mortgage Receivable Purchase Agreement*).

On the Closing Date, the Issuer will issue the Senior Class A Notes and the Subordinated Class B Notes.

The Issuer will use the proceeds of the issue of the Senior Class A Notes to fund the Initial Purchase Price on the Closing Date. The Notes will be issued under a trust deed (the “**Trust Deed**”). On each Quarterly Payment Date the Issuer will pay the Noteholders interest and, to the extent applicable,

principal in accordance with and subject to the relevant Priority of Payments prior to Enforcement Date (see *Credit Structure*).

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

## RISK FACTORS

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

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

### **Liabilities under the Notes and Limited Recourse**

The Notes will be obligations of the Issuer only. The Notes will not be obligations of, nor the responsibility of, nor guaranteed by, any person other than the Issuer. In particular, the Notes will not be obligations of, or the responsibility of, or guaranteed by, any of the Bank of Scotland, Bank of Scotland Netherlands, any company in the same group of companies as Bank of Scotland or the Manager or any other party to the Relevant Documents, including the Arranger, the Security Trustee, Stichting Holding, the MPT Provider, the Sub MPT Provider, the Directors, the Liquidity Facility Provider, the Swap Counterparty, the Life Insurance Companies, the Subordinated Loan Provider, the GIC Provider, the Paying Agent, the Reference Agent or the Listing Agent. No liability whatsoever in respect of any failure by the Issuer to pay any amount due under the Notes shall be accepted by any of the Bank of Scotland, Bank of Scotland Netherlands, any company in the same group of companies as Bank of Scotland or the Manager or any other Party to the Relevant Documents, the Arranger, the Security Trustee, Stichting Holding, the MPT Provider, the Sub MPT Provider, the Directors, the Liquidity Facility Provider, the Swap Counterparty, the Life Insurance Companies, the Savings Insurance Companies, the Subordinated Loan Provider, the GIC Provider, the Paying Agent, the Reference Agent or the Listing Agent.

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

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

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

### **Risks inherent to the Notes**

#### *(i) Credit Risk*

There is a risk of non-payment of principal and/or interest on the Notes due to non-payment of principal and/or interest on the Mortgage Receivables. This risk is mitigated in respect of the Senior Class A Notes by

the subordinated ranking of the Subordinated Class B Notes. In addition, this risk is, in respect of the Senior Class A Notes mitigated by the balance on the Reserve Account.

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

(ii) *Prepayment Risk*

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

The rate of prepayment of the Mortgage Loans cannot be predicted and is influenced by a wide variety of economic, social and other factors, including prevailing mortgage market interest rates, the availability of alternative financing, local and regional economic conditions and homeowner mobility. No guarantee can be given as to the level of prepayment that the Mortgage Loans may experience, and variation in the rate of prepayments of principal on the Mortgage Loans may affect each Class of Notes differently. The estimated average lives of each Class of Notes must therefore be viewed with considerable caution and Noteholders should make their own assessment thereof.

(iii) *Liquidity Risk*

There is a risk of temporary liquidity problems if interest on the Mortgage Receivables is not received on time. This risk is mitigated by (i) the Reserve Account and (ii) the Liquidity Facility. The initial Liquidity Facility will expire 364 days from and including the Closing Date. It is extendable for successive periods of up to 364 days. If the Liquidity Facility Provider does not agree to an extension or renewal of the Liquidity Facility, then the Issuer will, subject to certain terms, be required to make a Liquidity Standby Drawing. The Liquidity Facility and/or the balance of the Reserve Account may not be sufficient to cover the entire shortfall of interest, in which case the Issuer may not have sufficient funds available to pay interest on all or some Classes of the Notes. Failure to pay interest on the Notes, other than the Senior Class A Notes does not constitute an Event of Default. See Condition 9(b).

(iv) *Maturity Risk*

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

(v) *Interest Rate Risk*

There is a risk that, due to a potential mismatch between the rates of interest on the Mortgage Loans and the floating rates applicable to the Notes, the interest received on the Mortgage Loans and the Transaction Accounts is not sufficient to pay the floating interest on the Notes. This risk is mitigated by the Swap Agreement. In addition, the Seller has undertaken to reset the interest rate in respect of the Mortgage Receivables in accordance with the Mortgage Conditions in such a way that the weighted average interest margin in respect of the Mortgage Receivables during a Quarterly Calculation Period will be at least equal to the Threshold Margin. See further *Risk Factors – Swap Agreement*. The Noteholders are exposed to this risk if for whatever reason, the Swap Counterparty defaults in respect of its obligations under the Swap Agreement or if the Swap Agreement is terminated prior to its scheduled termination date and not (timely) replaced on similar terms up to the difference between the interest received and the interest payable on the Notes.

(vi) *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, the Manager has not indicated that it intends to establish a secondary market in the Notes. A lack of liquidity may adversely affect the Noteholders ability to sell the Notes.

(vii) *Structured legal risks relating to underlying assets*

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

***Lack of liquidity in the secondary market may adversely affect the market value of the Notes***

The secondary mortgage markets are currently experiencing severe disruptions resulting from reduced investor demand for mortgage loans and secondary market for mortgage-backed securities and increased investor yield requirements for those loans and securities. As a result, the secondary market for mortgage-backed securities is experiencing extremely limited liquidity. These conditions may continue or worsen in the future.

Limited liquidity in the secondary market for mortgage-backed securities has had a severe adverse effect on the market value of mortgage-backed securities and may continue to have a severe adverse effect on the market value of mortgage-backed securities, especially those securities that are more sensitive to prepayment, credit or interest rate risk and those securities that have been structured to meet the investment requirements of limited categories of investors. Consequently, an investor in the Notes may not be able to sell its Notes readily. The market values of the Notes are likely to fluctuate. Any of these fluctuations may be significant and could result in significant losses to such investor.

In addition, the forced sale into the market of mortgage-backed securities held by structured investment vehicles, hedge funds, issuers of collateralised debt obligations and other similar entities that are currently experiencing funding difficulties could adversely affect an investor's ability to sell, and/or the price an investor receives for, the Notes in the secondary market.

## **No gross up for Taxes**

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

## **Risks of Losses Associated with Declining Property Values**

The security for the Notes created under the Pledge Agreement I may be affected by, among other things, a decline in the value of the Mortgaged Assets. No assurance can be given that values of those properties have remained or will remain at the level at which they were at on the date of origination of the related Mortgage Loans. A decline in value may result in losses to the Noteholders if such security is required to be enforced. In addition, the risk remains that the net foreclosure proceeds with respect to a Mortgage Receivable are less than the outstanding amount of that Mortgage Receivable, which would adversely affect the ability of the Issuer to pay principal and/or interest on the Notes.

## **Reliance on Third Parties**

There is a risk that counterparties to the Issuer will not perform their obligations under the Relevant Documents, which may result in the Issuer not being able to meet its obligations. It should be noted that there is a risk that (a) Bank of Scotland Netherlands in its capacity as Seller will not meet its obligations, (in connection with, for example, the repurchase obligation) and the MPT Provider, the Liquidity Facility Provider and the Swap Counterparty, will not meet their respective obligations vis-à-vis the Issuer; (b) Stater, as sub-agent of the MPT Provider, will not perform the MPT Services and the Defaulted Loan Services; (c) Arthur Cox Listing Services Limited, as Listing Agent; (d) ABN AMRO as Paying Agent, Reference Agent and GIC Provider will not perform its respective obligations under the Relevant Documents to which it is a party and (e) ATC Financial Services B.V. will not perform its obligations as Issuer Administrator under the Issuer Services Agreement ATC Management B.V. will not perform its obligations as Director under the relevant Management Agreements and Amsterdamsch Trustee's Kantoor B.V. will not perform its obligations as Director under the relevant Management Agreement.

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

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

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

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

## Parallel Debt

Under Dutch law it is uncertain whether a security right can be validly created in favour of a party which is not the creditor of the claim which the security right purports to secure. Consequently, in order to secure the valid creation of the pledges in favour of the Security Trustee, the Issuer has in the Parallel Debt Agreement, as a separate and independent obligation, by way of parallel debt, undertaken to pay to the Security Trustee amounts equal to the amounts due by it to the Secured Parties (including the Noteholders) under or in connection with the Relevant Documents (including the Notes) to which the Issuer and such Secured Parties are a party. It is noted that no statutory law or case law is available on the validity or enforceability of a parallel covenant such as the Parallel Debt. However, the Issuer has been advised that the Parallel Debt creates a claim of the Security Trustee which can be validly secured by a right of pledge such as the rights of pledge created by the Pledge Agreement I and the Pledge Agreement II. The obligations of the Issuer to the Security Trustee under the Parallel Debt will be reduced with any amount paid by the Issuer to the Secured Parties.

## Insolvency analysis – Winding-up Directive

The European Directive on the reorganisation and winding up of credit institutions (Directive 2001/24/EC or the “**Winding-up Directive**”) of 4 April 2001 aims to ensure that the insolvency of a credit institution with branches in one or more EU member states other than its home member state is governed exclusively by one single winding up procedure. The Winding-up Directive determines that as a rule, a credit institution shall be wound up exclusively in accordance with the laws applicable in its home member state. The Seller is a credit institution. Its home member state is the United Kingdom, being the member state in which it has been authorised in accordance with articles 4 and 11 of Directive 2000/12/EC relating to the taking up and pursuit of the business of credit institutions of 20 March 2000. The United Kingdom has implemented the Winding-up Directive in the form of The Credit Institutions (Reorganisation and Winding-up) Regulations 2004 (the “**UK Winding-up Regulations**”). Given that the Seller has its headquarters in Scotland, any such winding-up or reorganisation proceedings should be governed by Scottish law.

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

- (i) prior to the winding-up of the Seller or the Seller entering administration in Scotland, a transfer of legal title to the Mortgage Receivables would be recognised as legal, valid and binding by a Scottish court provided that such transfer would be legal, valid, binding and enforceable under Dutch law;
- (ii) in respect of amounts received by the Seller from the Borrowers after the winding-up of the Seller or the Seller entering administration where legal title to the Mortgage Receivables has passed to the Issuer (and the Seller has no further rights or interest in the Mortgage Receivables) but prior to notification being given to the Borrowers, the Issuer should be entitled to claim such amounts in priority to any other creditors of the Seller although this point has not been tested in the Scottish courts;
- (iii) (for the avoidance of doubt) the winding-up of the Seller or the Seller entering administration in Scotland would not affect the rights of pledge created over the Mortgage Receivables and the Life Beneficiary Rights created by the Issuer in favour of the Security Trustee; and
- (iv) the winding-up of the Seller or the Seller entering administration in Scotland would not affect the set-off analysis as set out below in *Risk Factors – Set off*.

The question as to whom the Borrower can validly make payment under the Mortgage Loan is governed by Dutch law (the law governing the Mortgage Loans). As stated above, according to Dutch law the Borrower can continue to pay (*bevrijdend betalen*) the Seller after its insolvency until the Borrower has been notified of the transfer of legal title to the Mortgage Receivables to the Issuer.

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

The above observations are subject to Scottish rules relating to voidness, voidability or unenforceability of legal acts detrimental to all creditors. However, pursuant to the Winding-up Directive these rules will not apply where a person has benefited from a legal act detrimental to all creditors and provides proof that (i) that act is subject to the law of another member state and (ii) that the law does not allow any means of challenging that act in the relevant case. Consequently, the relevant rules of Scottish law relating to voidness, voidability or unenforceability of legal acts detrimental to all creditors would not apply to the Relevant Documents and the transactions contemplated thereby governed by Dutch law to the extent that such documents and transactions could not be contested under Dutch law.

### **Interest Reset Rights**

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

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

### **Security Rights**

The Mortgage Receivables are secured by Bank Mortgages. Based upon case law, some Dutch legal commentators have assumed that a Bank Mortgage will only follow the receivable which it secures, if the relationship between the bank and the Borrower has been terminated in such a manner that following the transfer, the bank cannot create or obtain new receivables against the Borrower.

However, based on the same case law, in recent legal literature the view has been defended that the Bank Mortgage will (partially) follow the receivable as an ancillary right upon assignment unless the intention of the mortgagee and mortgagor was to create a mortgage as a personal right (*persoonlijk recht*) which was granted only for the benefit of that particular mortgage. The Issuer has been advised that the latter view is correct. The wording of the relevant mortgage deed constitutes *prima facie* evidence of whether the intention

of the parties was to create the relevant Mortgage as a personal right, although it is not inconceivable that evidence to the contrary is brought forward. The above applies *mutatis mutandis* to the Borrower Pledges.

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

If the Mortgage and Borrower Pledge have (partially) followed the Mortgage Receivables upon their assignment, the Mortgage and Borrower Pledge would be co-held by the Issuer and the Seller and would secure both the Mortgage Receivables held by the Issuer (or the Security Trustee, as pledgee) and any claims against the relevant Borrowers owned by the Seller. In that case the rules applicable to co-ownership (*gemeenschap*) apply. The Dutch Civil Code provides for various mandatory rules which apply to such co-owned rights. In the Mortgage Receivables Purchase Agreement the Seller, the Issuer and the Security Trustee will agree that the Issuer and/or the Security Trustee (as applicable) will manage and administer such co-held rights. It is uncertain whether the foreclosure of the Bank Mortgage and Borrower Pledge will be considered as day-to-day management, and consequently, the consent of the Seller's bankruptcy trustee (in case of bankruptcy) or administrator (in case of suspension of payments) may be required for such foreclosure. The Seller, the Issuer and/or the Security Trustee (as applicable) will agree that in case of foreclosure the share (*aandeel*) in each co-held Mortgage and Borrower Pledge of the Security Trustee and/or the Issuer will be equal to the Outstanding Principal Amount, increased with interest and costs, if any, and the Seller's share will be equal to the Net Proceeds less the Outstanding Principal Amount, increased with interest and costs, if any. It is uncertain whether this arrangement will be enforceable in case of suspension of payments or bankruptcy of the Seller. In this respect it is agreed that in case of a breach by the Seller of its obligations under these agreements or if any of such agreement is dissolved, void, nullified or ineffective for any reason in respect of the Seller, the Seller shall compensate the Issuer and/or the Security Trustee (as applicable) forthwith for any and all loss, cost, claim, damage and expense whatsoever which the Issuer and/or the Security Trustee (as applicable) incurs as a result thereof. Receipt of such amount by the Issuer and/or the Security Trustee is subject to the ability of the Seller to actually make such payments.

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

### **Set-off**

Prior to notification to the Borrowers of the assignment of the Mortgage Receivables to the Issuer, each Borrower will, subject to the Netherlands legal requirements for set-off being met, be entitled to set off amounts due by the Seller to him (if any) with amounts he owes in respect of the Mortgage Receivables. After notification to a Borrower of the assignment of the Mortgage Receivables to the Issuer, the Borrower will also have such set-off rights vis-à-vis the Issuer, provided that such legal requirements for set-off are met and further provided that (i) the counterclaim of the Borrower results from the same legal relationship as

the relevant Mortgage Receivable or (ii) the counterclaim of the Borrower against the Seller has been originated and become due prior to notification to the relevant Borrower of the assignment of the Mortgage Receivables to the Issuer, such as counterclaims resulting from a current account relationship and, depending on the circumstances, counterclaims resulting from a deposit made by the Borrower. The Seller will represent and warrant in the Mortgage Receivables Purchase Agreement that it has no Other Claims. Furthermore, the Seller will covenant in the Mortgage Receivables Purchase Agreement that it will repurchase and accept re-assignment of a relevant Mortgage Receivable, if the Seller obtains or acquires an Other Claim, other than a Further Advance Receivable, provided that on the Quarterly Payment Date immediately following the date on which the relevant Further Advance has been granted to a Borrower, such Further Advance Receivable is either purchased by the Issuer or the relevant Mortgage Receivable is repurchased by the Seller, vis-à-vis the Borrower of such Mortgage Receivable on the Mortgage Payment Date immediately succeeding the day such Other Claim is obtained.

Upon registration of the deed of assignment of the Mortgage Receivables, the Seller will no longer have the right to set-off any amounts owed by the Seller to a Borrower against such Mortgage Receivable.

The Mortgage Conditions specifically provide that a Borrower may not set-off his rights against repayment obligations vis-à-vis the Seller. Although this clause is intended as a waiver by the Borrowers of their set-off rights vis-à-vis the Seller under Dutch law, it is uncertain whether such waiver will be valid. Should such waiver be invalid, the foregoing applies *mutatis mutandis*.

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

For specific set-off issues relating to Savings Mortgage Loans and Life Mortgage Loans, reference is made to *Insurance Policies*, and for set-off issues relating to Investment Mortgage Loans, reference is made to *Investment Mortgage Loans*.

### **Insurance Policies**

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

### *Pledge*

In respect of the Borrower Insurance Pledge, the Issuer has been advised that it is probable that the right to receive payment, including the surrender value (*afkoopson*), under the Insurance Policies will be regarded by a Netherlands court as a future right. The pledge of a future right under Dutch law is not effective if the pledgor is declared bankrupt or is granted a suspension of payments, prior to the moment such right comes into existence. This means that it is uncertain whether such Borrower Insurance Pledge will be effective. Besides this, since the Borrower Insurance Pledge secures the same liabilities as the Bank Mortgage, the

observations on transfer of the Mortgage and Borrower Pledge made in *Security Rights* above apply equally to such right of pledge.

### *Appointment of Beneficiary*

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

It is unlikely that the Beneficiary Rights of the Seller will follow the Mortgage Receivables upon assignment or pledge thereof to the Issuer or the Security Trustee, as applicable. Therefore, the Seller will, to the extent necessary and possible, assign and the Issuer will accept the assignment of the Beneficiary Rights. It is, however, uncertain whether the Beneficiary Rights can be assigned under Dutch law. If the Beneficiary Rights cannot be assigned, the assignment to the Issuer (and subsequently the pledge by the Issuer to the Security Trustee) will not be effective.

For the situation where the assignment and pledge of the Beneficiary Rights is not effective and no Borrower Insurance Proceeds Instruction exists, the Issuer and the Security Trustee will enter into the Beneficiary Waiver Agreement under which the Seller in respect of all Savings Mortgage Receivables, subject to the condition precedent of the occurrence of an Assignment Notification Event, waives or, as the case may be, undertakes to waive its rights as beneficiary under the Savings Insurance Policies with the Savings Insurance Companies and appoints or, as the case may be, undertakes to appoint (i) the Issuer as beneficiary subject to the dissolving condition (*ontbindende voorwaarde*) of the occurrence of a Pledge Notification Event relating to the Issuer and (ii) the Security Trustee as beneficiary under the condition precedent (*opschortende voorwaarde*) of the occurrence of a Pledge Notification Event relating to the Issuer. It is, however, uncertain whether such waiver and appointment will be effective. In view hereof and in respect of Life Insurance Policies or Risk Insurance Policies with any of the Life Insurance Companies, the Seller in respect of the Savings Mortgage Receivables and the Life Mortgage Receivables, will undertake to use its best efforts, following an Assignment Notification Event to obtain the cooperation from all relevant parties (including the Life Insurance Companies) to (a) waive its rights as beneficiary and (b) appoint (i) the Issuer subject to the dissolving condition of a Pledge Notification Event relating to the Issuer and (ii) the Security Trustee under the condition precedent of the occurrence of a Pledge Notification Event relating to the Issuer as first beneficiary under the Insurance Policies. For the situation that a Borrower Insurance Proceeds Instruction exists, the Seller and the Savings Insurance Companies will in the Beneficiary Waiver Agreement undertake to use their best efforts, following an Assignment Notification Event to obtain the cooperation of all relevant parties to change the payment instruction in favour of (i) the Issuer subject to the dissolving condition of a Pledge Notification Event relating to the Issuer and (ii) the Security Trustee under the condition precedent of the occurrence of a Pledge Notification Event relating to the Issuer. It is uncertain whether such cooperation will be forthcoming.

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

### *Insolvency of Insurance Companies*

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

#### *Set-off or Defences in respect of Insurance Policies*

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

The Mortgage Conditions provide for a contractual waiver by the Borrowers of their set-off rights. It is, however, uncertain whether such waiver is effective. If the waiver is not effective under Dutch law, the Borrowers will need to comply with the applicable legal statutory requirements in order to invoke a right of set-off. One of these requirements is that the Borrower should have a claim, which corresponds to his debt to the same counterparty.

In case of the Mortgage Loans, the Insurance Policies are contracts between the relevant Insurance Company and the Borrowers on the one hand and the Mortgage Loans are contracts between the Seller and the Borrowers on the other hand. Therefore, in order to invoke a right of set-off, the Borrowers would have to establish that the Seller and the Insurance Companies should be regarded as one legal entity or, based upon interpretation of case law, that possibly set-off is allowed, even if the Seller and the relevant Insurance Company are not considered as one legal entity, since the relevant Insurance Policy and the Mortgage Loan are to be regarded as one interrelated relationship.

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

Finally, set-off vis-à-vis the Issuer after notification of the assignment would be subject to the additional requirements for set-off being met (see *Set-off*). In the case of Savings Mortgage Loans and Life Mortgage Loans with the possibility of a Savings Element, such requirements are likely to be met, since the Savings Mortgage Loans and Life Mortgage Loans with the possibility of a Savings Element and the Savings Insurance Policies and the Life Insurance Policies with the possibility of a Savings Alternative are likely to be regarded as one and the same relationship, but in the case of Life Mortgage Loans (other than Life Mortgage Loans with the possibility of a Savings Element), this is unlikely. The fact that the Mortgage Receivable is assigned to the Issuer is not likely to interfere with such a set-off (see *Set-off*).

Even if the Borrowers cannot invoke a right of set-off, they may invoke defences vis-à-vis the Seller, the Issuer and/or the Security Trustee, as the case may be. The Borrowers could, *inter alia*, argue that (notwithstanding the waiver of set-off) it was the intention of the parties involved, or that the Borrowers could rightfully interpret the mortgage documentation and the promotional materials in such a manner, that the Mortgage Loan and the relevant Insurance Policy are to be regarded as one interrelated legal relationship and could, on this basis, claim a right of annulment or dissolution of the Mortgage Receivable or,

alternatively, claim that the Mortgage Receivable would be (fully or partially) repaid by means of the proceeds of the Insurance Policy and that, failing such proceeds being so applied, the Borrower is not obliged to repay the (corresponding) part of the Mortgage Receivable. On the basis of similar reasoning, Borrowers could also argue that the Mortgage Loans and the Insurance Policy were entered into as a result of "error" (*dwaling*) or that it would be contrary to principles of reasonableness and fairness (*redelijkheid en billijkheid*) for the Borrower to be obliged to repay the Mortgage Loan to the extent that he has failed to receive the proceeds of the Insurance Policy.

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

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

The Mortgage Receivables where a Borrower invokes a right of set-off of amounts due by any Life Insurance Company is mitigated by the representation given by the Seller, under which representation the Seller undertakes to pay 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.

### **Risk related to the offering of Unit Linked Mortgage Loans**

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

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

The Dutch Minister of Finance has informed Parliament (i) that the Dutch Government intends to stimulate a balanced approach for resolving complaints, to prevent a multitude of individual disputes before a complaint institute or in public courts, (ii) that the Complaint Institute for Financial Services (*Klachteninstituut Financiële Dienstverlening*, and the Ombudsman and Dispute Commission (*Geschillencommissie*) active therein) is with the introduction of the Financial Supervision Act (*Wet op het financieel toezicht* or **Wft**), on 1 January 2007 the sole institute for out-of-court dispute resolution in connection with financial services and (iii) that such Ombudsman and Chairman have, at the request of the Dutch Minister of Finance, in the meantime proposed a balanced approach to deal with complaints which, if all parties co-operate, could accelerate a solution and could result in a compromise for an important number of cases in about six months time (starting 31 March 2007). The Dutch Association of Insurers have in the meantime agreed to such proposed balanced approach. However, given the complexity of this matter, it is uncertain whether this is a realistic plan. In the press class actions have been announced against certain insurers and some civil law suits are pending.

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

#### *Set-off or defences regarding Savings Mortgage Loans*

In respect of Savings Mortgage Loans in case the Borrower/insured will not be able to recover their claims under such policies, the Issuer has been advised that the risk that such a set-off or defence would be successful is greater than in the case of the Life Mortgage in view of, *inter alia*, the close connection between the Savings Mortgage Loans and the Savings Insurance Policy and, therefore, constitutes a considerable risk (*een aanmerkelijk risico*).

The Savings Mortgage Sub-Participation Agreement will provide that in the case of set-off or defences by Borrowers, including but not limited to a right of set-off or defence based upon a default in the performance by the relevant Savings Insurance Company of its obligations under the relevant Savings Insurance Policy where, as a consequence thereof, the Issuer will not have received any amount due and outstanding, the relevant Savings Participation of the relevant Savings Insurance Company will be reduced by an amount equal to the amount which the Issuer has failed to receive as a result of such set-off or defence. The amount

of the Savings Participation is equal to the amount of Savings Premia received by the Issuer plus the accrued yield on such amount (see *Savings Mortgage Sub-Participation Agreement*), provided that each Savings Insurance Company will have paid all Savings Premia received from the relevant Borrowers to the Issuer. Therefore, normally the Issuer would not suffer any damages if the Borrower would invoke any such right of set-off or defence, if and to the extent that the amount for which the Borrower would invoke set-off or defences does not exceed the amount of the Savings Participation. The amount for which the Borrower can invoke set-off or defences may, depending on the circumstances, exceed the amount of the Savings Participation. The Savings Mortgage Sub-Participation Agreement does not apply to Life Mortgage Loans to which a Life Insurance Policy with the Unit-Linked Alternative is connected.

### **Financial Services Act**

Under the Financial Supervision Act (*Wet op het financieel toezicht* or **Wft**), a special purpose vehicle, such as the Issuer, which acquires legal title to loans granted to consumers and which services (*beheert*) and administers (*uitvoert*) such loans, must have a licence under the Wft. An exemption from the licence requirement is available, if the special purpose vehicle outsources the servicing of the loans and the administration thereof to an entity holding a licence under the Wft. The Issuer has outsourced the servicing and administration of the Mortgage Loans to the MPT Provider. The MPT Provider is authorised to perform the activities under the Financial Supervision Act. If the Issuer Services Agreement is terminated, the Issuer will need to outsource the servicing and administration of the Mortgage Loans to another entity, which must have a licence under the Financial Supervision Act, to avoid violation of the Financial Supervision Act.

### **Long lease**

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

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

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

### **Payments on the Mortgage Receivables**

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

### **Swap Agreement**

The amount of revenue receipts that the Issuer receives will fluctuate according to the interest rates applicable to the Mortgage Loans. The Issuer will be subject to floating rate interest obligations under the Notes while approximately 96.16 per cent. of Mortgage Loans sold and assigned to the Issuer on the Closing Date are subject to a fixed rate of interest subject to a reset after a 1, 5, 6, 10, 15, 20, 25, or 30 year fixed interest rate period and others are subject to a variable rate of interest that is reset if necessary on a monthly basis.

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

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

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

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

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

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

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

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

The Netherlands has adopted legislation implementing the substantive provisions of the Directive. These provisions came into force on 1 July 2005. As of this date, an individual Noteholder who is resident in an EU Member State other than the Netherlands may become subject to the automatic supply of information to the Member State in which the individual is resident with regard to interest payments made by (or in certain cases, to) paying agents established in the Netherlands.

### **Change of law**

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

### **Implementation of Basel II risk-weighted asset framework may result in changes to the risk-weighting of the Notes**

Following the issue of proposals from the Basel Committee on Banking Supervision for reform of the 1988 Capital Accord, a framework has been developed which places enhanced emphasis on market discipline and sensitivity to risk. An updated version of the text of the proposed framework was published in June 2006 under the title "Basel II: International Convergence of Capital Management and Capital Standards: a Revised Framework (Comprehensive Version)" (the '**Framework**'). The Framework is being implemented in stages (partly at the start of 2007 and the most advanced due to be implemented at the start of 2008). Implementation dates in participating countries are dependant on the relevant national implementation process in those countries, for example through the EU Capital Requirements Directive. As and when implemented, the Framework could affect risk-weighting of the Notes for investors who are subject to capital adequacy requirements that follow the Framework, as implemented. Consequently, investors should consult their own advisers as to the consequences to and effect on them of the application of the Framework and any relevant implementing measures. Proposals and guidelines for implementing the Framework in certain participating jurisdictions are still in development and no predictions can be made as to the precise effects of potential changes on any investor or otherwise.

The Framework has been implemented in the Netherlands as of 1 January 2007.

### **Reduced value of investments**

The value of investments made under the Investment Mortgage Loans or by one of the Life Insurance Companies in connection with the Life Insurance Policies with a Unit-Linked Alternative, may not be sufficient for the Borrower to fully redeem the related Mortgage Receivables at its maturity.

In addition, if the value of the investments made under the Investment Mortgage Loans has declined 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 Investment Mortgage Loans have been marketed and the promotional material provided to the Borrower. The above may also apply in the case of a decline in value of investments made by the Life Insurance Companies in connection with the Life Insurance Policies with the Unit-Linked Alternative.

### **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 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, the terms and conditions of the NHG Guarantee stipulate that the NHG Guarantee of the WEW will terminate upon expiry of a period of thirty years after the establishment of the NHG Guarantee. Since part of the Mortgage Loans will have a maturity date which falls after the expiry date of the relevant NHG Guarantee, this will result in the Issuer not being able to claim for payment with the WEW of a loss incurred after the term of the NHG Guarantee has expired. However, under the Mortgage Receivables Purchase Agreement, the Seller will be obliged to repurchase and accept re-assignment of the Mortgage Receivable on the Mortgage Payment Date immediately following the date on which the Mortgage Loan no longer has the benefit of the NHG Guarantee.

Finally, the terms and conditions stipulate that the NHG Guarantee (irrespective of the type of redemption of the mortgage loan) 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 *Description of the Mortgage Loans*). This may result in the Issuer not being able to fully recover any loss incurred with the WEW.

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

### **Support of WEW by the State of the Netherlands**

The rating of the Senior Class A Notes by Moody's takes into account the NHG Guarantee granted in connection with each of the Mortgage Loans. The WEW is supported by the State of the Netherlands (see *NHG Guarantee Programme*). In the event Moody's would review its opinion on the strength of the support of the Netherlands State for WEW, this will result in a review by Moody's of the Senior Class A Notes and could potentially result in a corresponding downgrade of the Senior Class A Notes.

### **Construction Amounts**

Pursuant to the Mortgage Conditions, the Construction Amount will be withheld and only paid out in the event that certain conditions are met. The aggregate amount of the Construction Amounts as per the Cut-Off Date is Euro 1,682,124.51. The Issuer will agree with the Seller in the Mortgage Receivables Purchase Agreement that the Issuer will be entitled to withhold from the Initial Purchase Price an amount equal to such aggregate Construction Amounts. Such amount will be deposited in the Construction Account. On each Quarterly Payment Date the Issuer will release from the Construction Account such part of the Initial Purchase Price which equals the difference between the aggregate Construction Amounts and the balance standing to the credit of the Construction Account and pay such amount to the Seller.

Pursuant to the NHG Conditions, Construction Amounts have to be paid out after the building activities or renovation activities have been finalised. If the remaining Construction Amount exceeds Euro 2,500, such Construction Amount will be set-off against the Mortgage Receivable up to the amount of the Construction Amount, in which case the Issuer shall have no further obligation towards the Seller to pay the remaining part of the Initial Purchase Price, and consequently any remaining part of the Construction Account will be part of the Principal Available Amount. Pursuant to the NHG Conditions, if such amount is less than Euro 2,500, the Seller has the right to pay out the remaining amount to the relevant Borrower. If an Assignment Notification Event has occurred, the Issuer will no longer be under the obligation to pay such remaining part of the Initial Purchase Price. The amount for which the Borrower can invoke set-off or defences may, depending on the circumstances, exceed the amount of the Construction Amount.

### *Effectiveness of assignment of and pledge over the part of the Mortgage Receivables relating to Construction Amounts*

Under Dutch law the distinction between "existing" (*bestaande*) receivables and "future" (*toekomstige*) receivables is relevant. If receivables are regarded as future receivables, an assignment and/or pledge thereof

will not be effective to the extent the receivable comes into existence after or on the date on which the assignor or, as the case may be, the pledgor has been declared bankrupt or granted a suspension of payments. If, however, receivables are to be considered as existing receivables, the assignment and pledge thereof are not affected by the bankruptcy or suspension of payments of the assignor/pledgor. The Issuer has been advised that based on case law and legal literature uncertainty remains whether on the basis of the applicable terms and conditions the part of the Mortgage Receivables relating to the Construction Amounts are considered to be existing receivables. It could be argued that such part of the Mortgage Loan concerned comes into existence only when and to the extent the Construction Amount is paid out. If the part of the Mortgage Receivable relating to the Construction Amount is regarded as a future receivable, the assignment and/or pledge of such part will not be effective if the Construction Amount is paid out on or after the date on which the Seller is declared bankrupt or granted suspension of payments.

### **Loan-to-Market Value Ratio**

In accordance with the NHG Underwriting Criteria, the Mortgage Loans may have a LTMV-ratio well above 100 per cent. The liquidation value (*executiewaarde*) is approximately 85 to 90 per cent. of the market value (*vrije verkoopwaarde*). There can be no assurance that, on enforcement, all amounts owing by a Borrower under a Mortgage Loan can be recovered from the proceeds of the foreclosure on the property which is subject to the Mortgage. In respect of Mortgage Loans, a NHG Mortgage Loan exceeding 50 per cent. of the Market Value must have a Life Insurance Policy or, in case of an Annuity Mortgage Loan, a Risk Insurance Policy in respect of the excess of the Market Value (see *Description of the Mortgage Loans*). Interest-only Mortgage Loans originated by the Seller may not exceed 50 per cent. of the appraised Market Value.

There can be no assurance that the foreclosure proceeds will exceed the relevant Market Value of the property. Any part of the loan exceeding 50 per cent. of the appraised Market Value must have a redemption policy or be an Annuity Mortgage Loan. If the LTMV-ratio exceeds 80 per cent., the Borrower must have a Risk Insurance Policy covering at minimum such excess.

### **Prepayment Considerations**

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

The rate of prepayment of the Mortgage Loans cannot be predicted and is influenced by a wide variety of economic, social and other factors, including prevailing mortgage market interest rates, the availability of alternative financing, local and regional economic conditions and homeowner mobility. No guarantee can be given as to the level of prepayment that the Mortgage Loans may experience, and variation in the rate of prepayments of principal on the Mortgage Loans may affect each Class of Notes differently. The estimated average lives of each Class of Notes must therefore be viewed with considerable caution, and Noteholders should make their own assessment thereof.

### **Subordination of the Subordinated Class B Notes**

To the extent set forth in Conditions 4, 6 and 9, the Subordinated Class B Notes are subordinated in right of payment to the Senior Class A Notes. Such subordination is designed to provide credit enhancement to Senior Class A Notes.

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

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

### **Payments on the Mortgage Receivables**

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

### **Limited Liquidity of the Mortgage Receivables**

The ability of the Issuer to redeem all the Notes in full and to pay all amounts due to the Noteholders, including after the occurrence of an Event of Default, may depend upon whether the value of the Mortgage Receivables is sufficient to redeem the Notes. There is not at present an active and liquid secondary market for loans with characteristics similar to the Mortgage Receivables in the Netherlands. It may not, therefore, be possible for the Issuer or, as the case may be, the Security Trustee or a liquidator to sell the Mortgage Receivables on appropriate terms should such a course of action be required.

### **Forecasts and Estimates**

Forecasts and estimates in this Prospectus are forward looking statements. Such forward looking statements 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 forward looking statements and such differences might be significant.

### **Rating of the Senior Class A Notes**

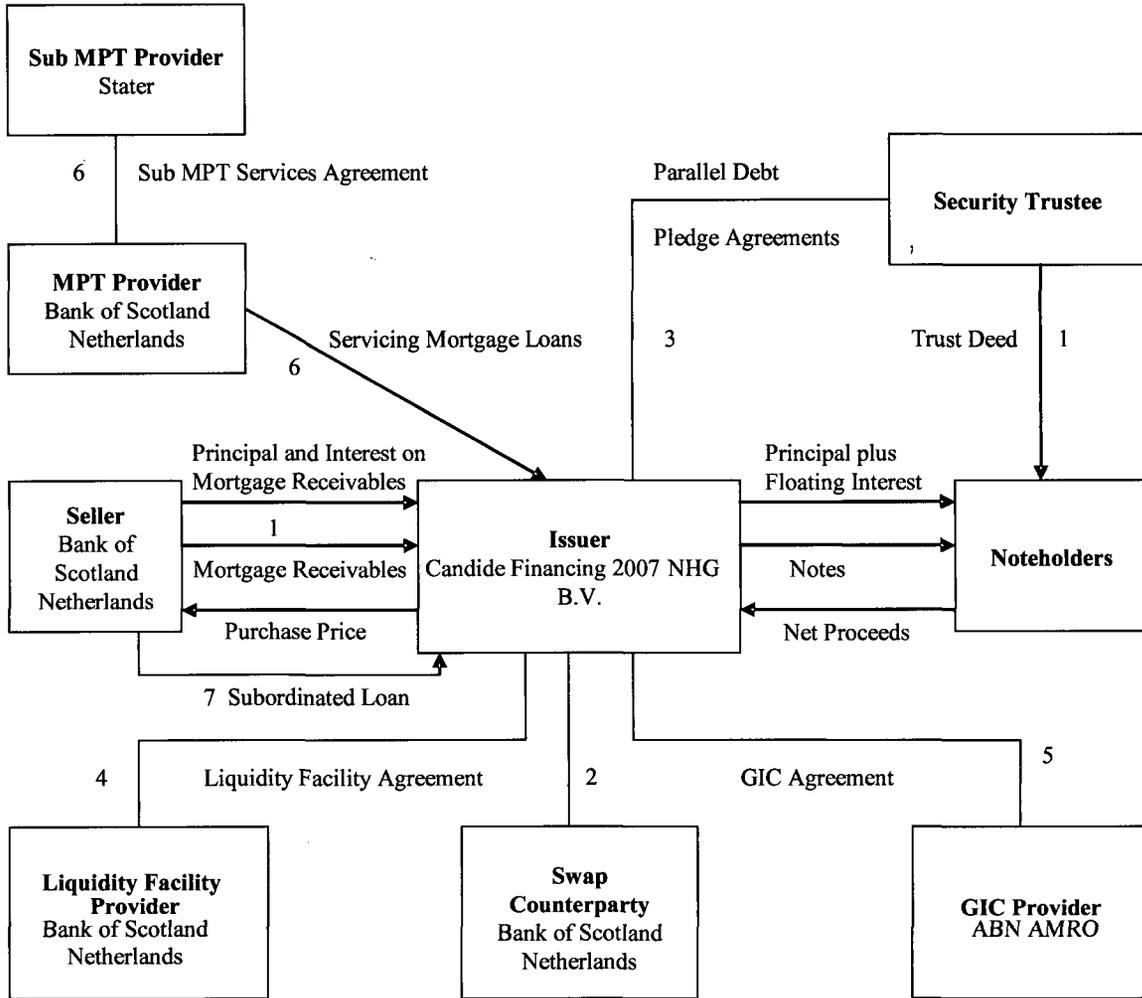
The rating of the Senior Class A Notes addresses the assessment made by Moody's of the likelihood of full and timely payment of interest and ultimate payment of principal on or before the Final Maturity Date.

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

## STRUCTURE DIAGRAM AND OVERVIEW OF PARTIES

*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.*

### TRANSACTION STRUCTURE DIAGRAM



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

## KEY PARTIES AND OVERVIEW PRINCIPAL FEATURES

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

### Parties:

Issuer:	Candide Financing 2007 NHG B.V., incorporated under the laws of the Netherlands as a private company with limited liability ( <i>besloten vennootschap met beperkte aansprakelijkheid</i> ).
Seller:	Bank of Scotland plc, having its head office at The Mound, Edinburgh EH1 1YZ, United Kingdom (“ <b>Bank of Scotland</b> ”), acting through its Amsterdam Branch at De Entrée 254, 1101 EE Amsterdam, the Netherlands and registered with the Amsterdam Chamber of Commerce ( <i>Kamer van Koophandel</i> ) under number 34122516 (“ <b>Bank of Scotland Netherlands</b> ”). See further <i>Bank of Scotland Netherlands</i> .
Issuer Administrator:	ATC Financial Services B.V.
MPT Provider:	Bank of Scotland Netherlands. The MPT Provider will appoint Stater Nederland B.V., incorporated under the laws of the Netherlands as a private company with limited liability ( <i>besloten vennootschap met beperkte aansprakelijkheid</i> ) (“ <b>Stater</b> ”), as its subagent to provide the MPT Services and the Defaulted Loan Services (See <i>Issuer Services Agreement</i> ).
Sub MPT Provider	Stater.
Security Trustee:	Stichting Security Trustee Candide Financing 2007 NHG, established under the laws of the Netherlands as a foundation ( <i>stichting</i> ).
Stichting Holding:	Stichting Candide Financing Holding, established under the laws of the Netherlands as a foundation ( <i>stichting</i> ). The entire issued share capital of the Issuer is owned by Stichting Holding.
Directors:	ATC Management B.V., the sole director of the Issuer, Amsterdamsch Trustee's Kantoor B.V., the sole director of the Security Trustee and ATC Management B.V., the sole director of Stichting Holding. The Directors belong to the same group of companies.
Swap Counterparty:	Bank of Scotland Netherlands.
Subordinated Loan Provider:	Bank of Scotland Netherlands.
GIC Provider:	ABN AMRO Bank N.V., incorporated under the laws of the Netherlands as a public company with limited liability ( <i>naamloze vennootschap</i> ) (“ <b>ABN AMRO</b> ”).
Liquidity Facility Provider:	Bank of Scotland Netherlands.
Paying Agent:	ABN AMRO.

Reference Agent: ABN AMRO.

Listing Agent: Arthur Cox Listing Services Limited.

**THE NOTES:**

Notes: The Notes will be issued by the Issuer on the Closing Date.

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

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

Denomination: The Notes will be issued in denominations of Euro50,000 each.

Form: The Notes of each Class will be issued in NGN form and will be initially represented by Temporary Global Notes in bearer form, without coupons, which are expected to be deposited with a common safekeeper for Euroclear and Clearstream, Luxembourg on or about the Closing Date. Interests in each Temporary Global Note will be exchangeable for interests in a Permanent Global Note of the relevant Class, without coupons, not earlier than 40 days after the Closing Date upon certification as to non-U.S. beneficial ownership. Interests in each Permanent Global Note will, in certain limited circumstances, be exchangeable for Notes in definitive bearer form as described in the Conditions.

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

Status and Ranking: The Notes of each Class rank *pari passu* without any preference or priority among Notes of the same Class. 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*.

Withholding tax: All payments of, or in respect of, principal of and interest on the Notes will be made without withholding of, or deduction for, or on account of any present or future taxes, duties, assessments or charges of whatsoever nature imposed or levied by or on behalf of the Netherlands, any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or charges is required by law. In that event, the Issuer will make the required withholding or deduction of such taxes, duties, assessments

and will have no obligation to pay any additional amounts to such Noteholders. In particular, but without limitation, no additional amounts will be payable in respect of any Note or Coupon presented for payment where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to any European Union Directive on the taxation of savings that was adopted on 3 June 2003 or any law implementing or complying with, or introduced in order to conform to, such directive. See further *Risk Factors - European Union Directive on the taxation of savings*.

**Interest:**

Interest on the Notes for each Floating Rate Interest Period will accrue from and including the Closing Date to and excluding the Final Maturity Date, at an annual rate equal to the sum of the Euro Interbank Offered Rate (“**Euribor**”) for three months deposits in Euro (or, in respect of the first Floating Rate Interest Period, the rate which represents the linear interpolation of Euribor for three and four month deposits in Euro), rounded, if necessary, to the 5th decimal place with 0.000005 being rounded upwards) as offered on or about 11.00 a.m. (Central European time) on the day that is two Business Days preceding the first day of each Floating Rate Interest Period plus in respect of the Senior Class A Notes up to the Final Maturity Date a margin of 0.14 per cent. per annum and in respect of the Subordinated Class B Notes, up to the Final Maturity Date, a margin of 1.85 per cent. per annum.

**Final Maturity Date:**

Unless previously redeemed as provided below, the Issuer will redeem any remaining Notes outstanding on the Quarterly Payment Date falling in December 2047 at their respective Principal Amount Outstanding on such date, subject to and in accordance with the Conditions.

**Estimated Average Life:**

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

- a. the Closing Date is 18 December 2007;
- b. a conditional prepayment rate (“**CPR**”) of 12 per cent. is effected;
- c. no delinquencies and no defaults in respect of the Mortgage Receivables will occur;
- d. the Mortgage Receivables will not be prepaid on an interest reset date;
- e. the interest rate applicable to a Mortgage Loan will not change on an interest reset date; and
- f. no Mortgage Receivables are sold or purchased by the Issuer after the Closing Date;

will be as follows:

- (i) the Senior Class A Notes, 5.75 years;

(ii) the Subordinated Class B Notes, 10.15 years.

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

**Mandatory Redemption:**

On the Quarterly Payment Date falling in March 2008 and each Quarterly Payment Date thereafter, provided that the Security Trustee has not given an Enforcement Notice to the Issuer in accordance with Condition 10, the Issuer will be obliged to apply the Notes Redemption Available Amount to redeem in whole or in part the Senior Class A Notes at their respective Principal Amount Outstanding.

The Subordinated Class B Notes will be subject to mandatory redemption on each Quarterly Payment Date, provided that the Senior Class A Notes have been redeemed in full subject to and in accordance with the Conditions. For the amount available for redemption of the Subordinated Class B Notes on a Quarterly Payment Date reference is made to *Credit-Structure* under *Reserve Account* and *Terms and Conditions of the Notes* under Condition 6(f).

**Redemption following Clean-Up Call:**

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

**Redemption for tax reasons:**

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

**Method of Payment:**

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

**Use of proceeds:**

The Issuer will use the net proceeds from the issue of the Senior Class A Notes to pay to the Seller part of the Initial Purchase Price for the Mortgage Receivables pursuant to the provisions of the Mortgage Receivables Purchase Agreement (see *Mortgage Receivables Purchase*

*Agreement and Use of Proceeds*): However, an amount equal to the aggregate Construction Amount will be withheld by the Issuer and be deposited on the Construction Account (see *Mortgage Receivables Purchase Agreement*).

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

## **SECURITY:**

### **Security for the Notes:**

The Noteholders will benefit from the security created by (a) a first ranking right of pledge granted by the Issuer to the Security Trustee over the Mortgage Receivables, including all rights ancillary thereto and the Beneficiary Rights; and (b) by a first ranking right of pledge by the Issuer to the Security Trustee over the Issuer's rights under or in connection with the Mortgage Receivables Purchase Agreement, the Swap Agreement, the Issuer Services Agreement, the Liquidity Facility Agreement, the GIC and over its rights against the GIC Provider in respect of the Transaction Accounts.

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

For a more detailed discussion see *Description of Security* below.

## **MORTGAGE RECEIVABLES:**

### **Mortgage Receivables:**

Under the Mortgage Receivables Purchase Agreement, the Issuer will purchase and accept on the Closing Date from the Seller the assignment of the Mortgage Receivables as of the Cut-Off Date, which Mortgage Receivables have the characteristics described in *Description of the Mortgage Loans* and which result from Mortgage Loans originated by the Seller. The Seller will remain entitled to any Prepayment Penalties paid by the Borrowers.

### **NHG Guarantee:**

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

### **Repurchase of Mortgage Receivables:**

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

- (i) on the Mortgage Payment Date immediately following the expiration of the relevant remedy period (if any), if any of the representations and warranties given by the Seller in respect of such Mortgage Receivable or its related Mortgage Loan, including the representation and warranty that such Mortgage

Receivable or its related Mortgage Loan meets certain Mortgage Loans Criteria on the Closing Date is untrue or incorrect in any material respect; or

- (ii) on the Mortgage Payment Date immediately following the decision of the Seller to amend the terms of the Mortgage Loan upon the request of a Borrower as a result of which such Mortgage Loan no longer meets certain criteria set forth in the Mortgage Receivables Purchase Agreement, provided that if such amendment is made as part of the enforcement procedures to be complied with upon a default by the Borrower under the Mortgage Loan or is otherwise made as part of a restructuring or renegotiation of the Mortgage Loan due to a deterioration of the credit quality of the Borrower of such Mortgage Loan the Seller shall not repurchase the relevant Mortgage Receivable; or
- (iii) on the Mortgage Payment Date immediately following the date on which the Seller has obtained an Other Claim vis-à-vis the relevant Borrower; or
- (iv) on the Mortgage Payment Date immediately following the date on which the Seller has agreed to grant a Further Advance to the relevant Borrower.
- (v) on the Mortgage Payment Date immediately following the date on which the Mortgage Loan no longer has the benefit of the NHG Guarantee; or
- (vi) on the Mortgage Payment Date immediately following the date on which a formal request for payment under the NHG Guarantee has been made and *Stichting Waarborgfonds Eigen Woningen* refuses to pay the full amount so requested; or
- (vii) on the Mortgage Payment Date immediately following the date on which the MPT Provider receives notice from a regulatory agency, the Seller, a Borrower or any other party indicating that it has failed to comply with its undertaking in the Issuer Servicing Agreement to administer the Mortgage Loans, including the foreclosure thereof, in accordance with the terms and conditions (*voorwaarden en normen*) of *Stichting Waarborgfonds Eigen Woning*; or
- (viii) on the Mortgage Payment Date immediately following the date on which after foreclosure the Net Proceeds (excluding the amount to be received under the NHG Guarantee) are not sufficient to repay the relevant Mortgage Receivable in full and the Seller or the MPT Provider decides not to make a claim under the NHG Guarantee.

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

Payment Date.

- Optional Redemption of the Notes: The Issuer will have the option to redeem, subject to Condition 6(e), all (but not some only) the Notes on the Quarterly Payment Date falling in December 2017 (the “**First Optional Redemption Date**”) and on each Optional Redemption Date thereafter at their Principal Amount Outstanding plus accrued but unpaid interest thereon, after payment of the amounts to be paid in priority to the Notes.
- Seller Clean-Up Call Option: In addition, the Seller may (without the obligation to do so) repurchase and accept re-assignment of all (but not some only) the Mortgage Receivables on any Quarterly Payment Date on which the Outstanding Principal Amount due on the Mortgage Receivables then outstanding minus, in respect of the Savings Mortgage Loans, the Savings Participations is less than 10 per cent. of the Outstanding Principal Amount of the Mortgage Receivables on the Closing Date minus, in respect of the Savings Mortgage Loans, the Savings Participations (the “**Seller Clean-Up Call Option**”).
- Sale of Mortgage Receivables on Optional Redemption Date: On any Optional Redemption Date the Issuer may sell and assign all but not some of the Mortgage Receivables to a third party, which may be the Seller (subject, however, to the Seller Clean-Up Call Option), provided that the Issuer shall apply the proceeds of such sale, to the extent relating to principal, to redeem the Senior Class A Notes.
- Mortgage Loans: The Mortgage Receivables to be sold by the Seller pursuant to the Mortgage Receivables Purchase Agreement will result from loans secured by a first-ranking mortgage right or, in case of Mortgage Loans secured on the same mortgaged property, first-ranking and sequentially lower ranking mortgage rights on the relevant Mortgaged Assets. If a Mortgage Loan consists of one or more loan parts (*leningdelen*), the Seller will sell and assign and the Issuer will purchase and accept assignment of all, but not some only, loan parts of such Mortgage Loan at the Closing Date. See further *Description of the Mortgage Loans*.
- Pool of Mortgage Loans: The Mortgage Loans or the loan parts comprising a Mortgage Loan will, in whole or in part, consist of:
- a) Life Mortgage Loans (*levenhypotheke*);
  - b) Savings Mortgage Loans (*spaarhypotheke*);
  - c) Investment Mortgage Loans (*beleggingshypotheke*);
  - d) Annuity Mortgage Loans (*annuïteiten hypotheke*);
  - e) Linear Mortgage Loans (*lineaire hypotheke*), or
  - f) Interest-only Mortgage Loans (*aflossingsvrije hypotheke*), or
  - g) a combination of any of the above mentioned types of mortgage loans (*combinatiehypotheke*);
- Interest under the Mortgage Loans: Approximately 96.16 per cent. of the Mortgage Loans sold and

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

#### Construction Amounts:

Pursuant to the Mortgage Conditions, part of certain Mortgage Loan will be withheld and will be applied towards construction of or improvements to the Mortgaged Assets. Such Construction Amount will only be paid to the Borrower in case certain conditions are met. The aggregate amount of the Construction Amounts as of the Cut-Off Date was Euro 1,682,124.51. The Issuer will agree with the Seller in the Mortgage Receivables Purchase Agreement that the Issuer will be entitled to withhold from the Initial Purchase Price an amount equal to the aggregate Construction Amounts as of the Cut-Off Date. Such amounts will be deposited in the Construction Account. On each Quarterly Payment Date the Issuer will release from the Construction Account such part of the Initial Purchase Price which equals the difference between the aggregate Construction Amounts and the balance standing to the credit of the Construction Account on such Quarterly Payment Day and pay such amount to the Seller.

Pursuant to the NHG Conditions, Construction Amounts have to be paid out after the building activities or renovation activities have been finalised. If the remaining Construction Amount exceeds Euro 2,500, such Construction Amount will be set-off against the Mortgage Receivable up to the amount of the Construction Amount, in which case the Issuer shall have no further obligation towards the Seller to pay the remaining relevant part of the Initial Purchase Price, and consequently any remaining part of the Construction Account will be part of the Principal Available Amount. Pursuant to the NHG Conditions, if such amount is less than Euro 2,500, the Seller has the right to pay out the remaining amount to the relevant Borrower. If a Notification Event has occurred, the Issuer will no longer be under the obligation to pay such remaining relevant part of the Initial Purchase Price. The amount for which the Borrower can invoke set-off or defences may, depending on the circumstances, exceed the amount of the Construction Amount.

#### Savings Participation

On the Closing Date, the Issuer will enter into the Savings Mortgage Sub-Participation Agreement with, *inter alia*, the Savings Insurance Companies under which each of the Savings Insurance Companies will acquire participations in the relevant Savings Mortgage Receivables equal to the Savings Premia paid by the relevant Borrower to the Savings Insurance Company in respect of a Savings Insurance Policy with interest accrued on such Savings Premia.

Under the Savings Mortgage Sub-Participation Agreement the Savings Insurance Companies will undertake to pay to the Issuer all amounts received as Savings Premium on the Savings Insurance Policies. In

return, the Savings Insurance Companies are entitled to receive the Savings Participation Redemption Available Amount from the Issuer as far as it relates to the relevant Savings Participation acquired by it. The Issuer will apply all amounts received from the Savings Insurance Companies towards redemption of the Notes. See *Credit Structure*.

The amount of each Savings Participation with respect to a Savings Mortgage Loan, consists of the Initial Savings Participation increased on a monthly basis with the sum of (i) the Savings Premium received by the Savings Insurance Companies and paid to the Issuer and (ii) a *pro rata* part, corresponding to the Savings Participation in the relevant Savings Mortgage Receivable of the interest due by the Borrower and received by the Issuer in respect of such Savings Mortgage Receivable. See *Savings Mortgage Sub-Participation Agreement*.

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

#### **CASH FLOW STRUCTURE:**

**Seller Accounts:** All payments made by the Borrowers under the Mortgage Loans are paid into the Portfolio Accounts, i.e. the various (currently 19) bank accounts maintained by the Seller with Rabobank Nederland, whereby each such account is linked to a particular mortgage distribution channel through which the related Mortgage Loans are originated. The Portfolio Accounts are handled by Stater on behalf of the Seller. The amounts received on the Portfolio Accounts are swept on a daily basis to the Seller Central Collection Account, maintained by the Seller with Rabobank Nederland. For a discussion of the consequences of certain downgrades of the rating assigned to the Rabobank Nederland's short-term, unsecured, unsubordinated and unguaranteed debt obligations, see *Credit Structure*.

**Issuer Collection Account:** The Issuer will maintain with the GIC Provider the Issuer Collection Account to which on the 19th calendar day (or, if such day is not a business day, the immediately following business day) of each month, *inter alia*, all amounts of interest and principal and other collections received under the Mortgage Loans will be transferred by the Seller, or by Stater on its behalf. For a discussion of the consequences of certain downgrades of the rating assigned to the short term unsecured, unsubordinated and unguaranteed debt obligations of either the Seller or the GIC Provider see *Credit Structure*.

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

**Construction Account:** The Issuer will maintain with the GIC Provider the Construction

Account to which on the Closing Date an amount corresponding to the aggregate Construction Amounts will be credited. The Construction Account will be debited for (i) payments by the Issuer to the Seller upon Construction Amounts being paid out by the Seller to or on behalf of the Borrowers; and (ii) for transfer to the Issuer Collection Account in case the Issuer has no obligation to pay any such part of the Initial Purchase Price to the Seller (as described in *Construction Amounts* above).

**Reserve Account:**

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

If and to the extent that the Notes Interest Available Amount on any Quarterly Calculation Date exceeds the aggregate amount applied in satisfaction of items (a) up to and including (f) of the Interest Priority of Payments, the excess amount will be deposited on or, if a drawing has been made previously, used to replenish the Reserve Account by paying such amount to the Reserve Account until the balance standing to the credit thereof equals the Reserve Account Target Level.

As long as any Senior Class A Notes are outstanding, if and to the extent that the Notes Interest Available Amount exceeds the amount required to deposit in, or replenish, the Reserve Account up to the Reserve Account Target Level, the excess will be transferred to the Issuer Collection Account and used as part of the Notes Interest Available Amount towards satisfaction of items (h) up to and including (m) but not items (k) and (l), of the Priority of Payments in respect of interest.

If the Senior Class A Notes have been redeemed in full, the Reserve Account Target Level becomes zero and the balance of the Reserve Account will be transferred to the Issuer Collection Account to be applied to redeem the Subordinated Class B Notes and the Subordinated Loan.

The Reserve Account Target Level means, on any Quarterly Calculation Date, an amount equal to 1.5 per cent. of the Outstanding Principal Amount of the Mortgage Receivables at the Closing Date minus, in respect of the Savings Mortgage Loans, the Savings Participations.

**Liquidity Facility:**

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

**GIC:** The Issuer, the Security Trustee and the GIC Provider will enter into the GIC, under which the GIC Provider will agree to pay a guaranteed rate of interest determined by reference to Euribor on the balance standing from time to time to the credit of the relevant Transaction Accounts.

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

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

The Issuer will enter into a swap agreement with the Swap Counterparty to hedge against the potential variance between the amounts received by the Issuer in respect of the Mortgage Receivables and the interest payable in respect of the Notes. See *Swap Agreement*.

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

**OTHER:**

**Issuer Services Agreement:** Under the Issuer Services Agreement (i) the MPT Provider will agree to provide certain services as agreed in the Issuer Services Agreement in relation to the Mortgage Receivables on a day-to-day basis, including, without limitation, the collection of payments of principal, interest and all other amounts in respect of the Mortgage Receivables (the “**MPT Services**”), (ii) the MPT Provider will agree to the implementation of arrears procedures including, if applicable, the enforcement of Mortgaged Assets and the Borrower Pledges (the “**Defaulted Loan Services**”) and (iii) the Issuer Administrator will agree to provide certain administration, calculation and cash management services to the Issuer on a day-to-day basis, including, without limitation, all calculations to be made in respect of the Notes pursuant to the Conditions.

**Management Agreements:** Each of the Issuer, Stichting Holding and the Security Trustee will enter into a Management Agreement with the relevant Director, whereupon the relevant Director will undertake to act as director of the Issuer, Stichting Holding or the Security Trustee, respectively, and to perform certain services in connection therewith.

**Listing:** Application has been made for the Senior Class A Notes to be listed on the ISE.

**Rating:** It is a condition precedent to issuance that (i) the Senior Class A Notes, on issue, will be assigned an “Aaa” rating by Moody's. The Subordinated Class B Notes will not be rated.

Clearing: Euroclear and Clearstream, Luxembourg.

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

## CREDIT STRUCTURE

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

### **Mortgage Loan Interest Rates**

The Mortgage Loans pay interest either on a fixed rate basis, subject to a reset from time to time, or a monthly variable rate of interest. On 30 September 2007 (the “**Cut-off Date**”) the weighted average interest rate of the Mortgage Loans was 4.08 per cent. Interest rates vary between individual Mortgage Loans. The range of interest rates is described further in *Description of the Mortgage Loans*.

### **Cash Collection Arrangements**

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

On the 19th calendar day (or, if such day is not a business day, the immediately following business day) of each month the Seller (or Stater on its behalf), will transfer to the Issuer Collection Account all amounts received in connection with the Mortgage Receivables from the Seller Central Collection Account other than Prepayment Penalties, if any.

If the short term unsecured, unsubordinated, unguaranteed debt obligations of the Seller are assigned a rating of P-1 by Moody's, amounts relating to the Mortgage Loans may not be maintained on the Seller Central Collection Account beyond the next Mortgage Payment Date. Within 30 calendar days of the short-term unsecured, unsubordinated, unguaranteed debt obligations of the Seller being assigned a rating other than P-1 by Moody's, the maximum holding period must be reduced to no later than the 5<sup>th</sup> business day of each month.

If at any time the short-term unsecured, unsubordinated and unguaranteed debt obligations of the bank with which the Seller Central Collection Account is maintained are assigned a rating of less than P-1 by Moody's or any such rating is withdrawn by Moody's and such withdrawal will have an adverse effect on the ratings of the Senior Class A Notes, then the Seller will within 30 calendar days of reduction or withdrawal of such rating use its best endeavours to (i) find an alternative bank acceptable to Moody's and the Security Trustee or (ii) find either any other solution acceptable to Moody's to maintain the then current ratings assigned to the Senior Class A Notes.

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

### **Transaction Accounts**

#### *Issuer Collection Account*

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

The Issuer Administrator will identify all amounts paid into the Issuer Collection Account by crediting such amounts to ledgers established for such purpose. Payments received in respect of the Mortgage Loans will be

identified as principal or revenue receipts and credited to the Principal Ledger or the Revenue Ledger, as the case may be.

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

#### *Reserve Account*

The Issuer will also maintain with the GIC Provider the Reserve Account. The net proceeds of the Subordinated Class B Notes will be deposited into the Reserve Account on the Closing Date. See below under *Reserve Account*.

#### *Construction Account*

The Issuer will also maintain with the GIC Provider the Construction Account. Part of the Initial Purchase Price equal to the Construction Amount will be deposited thereon.

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

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

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

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

- (i) interest, including, for the avoidance of doubt, penalty interest, but excluding Prepayment Penalties received on the Mortgage Receivables less with respect to each Savings Mortgage Receivable an amount equal to the amount received multiplied by the relevant Savings Participation Fraction;
- (ii) interest credited to the Issuer Collection Account, the Reserve Account and the Construction Account (excluding interest received on the Mortgage Receivables);
- (iii) Net Proceeds on any Mortgage Receivables, to the extent such proceeds do not relate to principal, less with respect to each Savings Mortgage Receivable an amount equal to the amount received multiplied by the relevant Savings Participation Fraction;
- (iv) amounts to be drawn under the Liquidity Facility (other than Liquidity Facility Stand-by Drawings) on the immediately succeeding Quarterly Payment Date;
- (v) amounts to be drawn from the Reserve Account on the immediately succeeding Quarterly Payment Date;
- (vi) amounts to be received from the Swap Counterparty under the Swap Agreement on the immediately succeeding Quarterly Payment Date;
- (vii) amounts received in connection with a repurchase of Mortgage Receivables pursuant to the Mortgage Receivables Purchase Agreement or any other amounts received pursuant to the Mortgage

Receivables Purchase Agreement to the extent such amounts do not relate to principal less with respect to each Savings Mortgage Receivable an amount equal to the amount received multiplied by the relevant Savings Participation Fraction;

- (viii) amounts received in connection with a sale of Mortgage Receivables to the extent such amounts do not relate to principal less with respect to each Savings Mortgage Receivable an amount equal to the amount received multiplied by the relevant Savings Participation Fraction;
- (ix) amounts received as post-foreclosure proceeds on the Mortgage Receivables as calculated at the time the foreclosure procedures commenced;
- (x) until the Senior Class A Notes have been fully redeemed, any amounts standing to the credit of the Issuer Collection Account to the extent not relating to principal and, thereafter any amounts standing to the credit of the Issuer Collection Account;
- (xi) *less* (i) the amount of return or transfer of any Excess Swap Collateral as set out under the Swap Agreement (ii) prior to the designation of an Early Termination Date (as defined in the Swap Agreement) and the resulting application of collateral by way of netting or set-off, an amount equal to the value of all collateral other than any Excess Swap Collateral, provided by the Swap Counterparty (and any interest or distributions in respect thereof) and (iii) an amount equal to any Tax Credit(s) received in relation to the Swap Agreement and payable directly to the Swap Counterparty pursuant to the terms of the Swap Agreement; and
- (xii) *less* on the first Quarterly Payment Date of each calendar year an amount equal to 10 per cent. of the annual fee with a minimum of Euro 2,500 due and payable by the Issuer to the Directors in connection with the Management Agreement between the Issuer and the Directors relating to the management of the Issuer,

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

- (a) *first*, in or towards satisfaction, *pro rata*, according to the respective amounts thereof, of the fees or other remuneration due and payable to the Directors in connection with the Management Agreements and any costs, charges, liabilities and expenses incurred by the Security Trustee under or in connection with any of the Relevant Documents;
- (b) *second*, in or towards satisfaction, *pro rata*, according to the respective amounts thereof, of administration fees and expenses due and payable to the Issuer Administrator and the MPT Provider under the Issuer Services Agreement;
- (c) *third*, in or towards satisfaction, *pro rata*, according to the respective amounts thereof, (i) of any amounts due and payable to third parties under obligations incurred in the Issuer's business (other than under the Relevant Documents) and the fees and expenses of Moody's, the Security Trustee and any legal advisor, auditor and accountants appointed by the Issuer or the Security Trustee, (ii) fees and expenses due to the Paying Agent and the Reference Agent under the Paying Agency Agreement; and (iii) in or towards satisfaction of any amounts due and payable to the Liquidity Facility Provider under the Liquidity Facility Agreement but excluding any Liquidity Facility Subordinated Amount;
- (d) *fourth*, in or towards satisfaction, *pro rata*, according to the respective amounts thereof, of amounts, if any, due or accrued but unpaid under the Swap Agreement to the Swap Counterparty but excluding any Swap Subordinated Amount and, for the avoidance of doubt, excluding any amount relating to Excess Swap Collateral and Tax Credit;

- (e) *fifth*, in or towards satisfaction of all amounts of interest due or interest accrued but unpaid in respect of the Senior Class A Notes;
- (f) *sixth*, in or towards making good any shortfall reflected in the Class A Principal Deficiency Ledger until the debit balance on the Class A Principal Deficiency Ledger is reduced to zero;
- (g) *seventh*, in or towards satisfaction of any sums required to be deposited on the Reserve Account or, as the case may be, to replenish the Reserve Account up to the amount of the Reserve Account Target Level;
- (h) *eighth*, in or towards satisfaction of interest due or interest accrued but unpaid on the Subordinated Class B Notes;
- (i) *ninth*, in or towards satisfaction of a Liquidity Facility Subordinated Amount due, if any, to the Liquidity Facility Provider pursuant to the Liquidity Facility Agreement;
- (j) *tenth*, in or towards satisfaction to the Swap Counterparty of any Swap Subordinated Amount due under the Swap Agreement;
- (k) *eleventh*, in or towards satisfaction of principal amounts due under the Subordinated Class B Notes but only if all principal amounts due under the Senior Class A Notes have been fully redeemed;
- (l) *twelfth*, in or towards interest due or interest accrued but unpaid and principal on the Subordinated Loan; and
- (m) *thirteenth*, in or towards satisfaction of a Deferred Purchase Price Instalment due and payable to the Seller.

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

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 (vii), hereinafter referred to as the “**Notes Redemption Available Amount**”):

- (i) as repayment and prepayment in full of principal under the Mortgage Receivables, from any person (including any Insurance Company), whether by set-off or otherwise, but, for the avoidance of doubt, excluding Prepayment Penalties, if any, less, with respect to each Savings Mortgage Receivable, an amount equal to the amount received multiplied by the Savings Participation Fraction;
- (ii) as Net Proceeds, to the extent such proceeds relate to principal less, with respect to each Savings Mortgage Receivable, an amount equal to the amount received multiplied by the Savings Participation Fraction;
- (iii) as amounts received in connection with a repurchase of Mortgage Receivables pursuant to the Mortgage Receivables Purchase Agreement and any other amounts received pursuant to the Mortgage Receivables Purchase Agreement to the extent such amounts relate to principal less, with respect to each Savings Mortgage Receivable, an amount equal to the amount received multiplied by the Savings Participation Fraction;
- (iv) as amounts received in connection with a sale of Mortgage Receivables pursuant to the Trust Deed and the Issuer Services Agreement to the extent such amounts relate to principal less, with respect to each Savings Mortgage Receivable, an amount equal to the amount received multiplied by the Savings Participation Fraction;

- (v) as amounts of interest received to be credited to the Principal Deficiency Ledger on the immediately succeeding Quarterly Payment Date in accordance with the Issuer Services Agreement;
- (vi) as Savings Participation Increase pursuant to the Savings Mortgage Sub-Participation Agreement;
- (vii) as amounts received on the Issuer Collection Account from the credit of the Construction Account (for the avoidance of doubt, excluding any amount relating to interest) in accordance with the Mortgage Receivables Purchase Agreement; and

will be applied by the Issuer on the immediately succeeding Quarterly Payment Date to redeem the Senior Class A Notes on the Quarterly Payment Date falling in March 2008 and each Quarterly Payment Date thereafter.

## **II Priority of Payments after the Enforcement Date**

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

- (a) *first*, in or towards satisfaction, *pro rata*, according to the respective amounts thereof, of (i) the fees or other remuneration due to the Directors, (ii) the fees and expenses of the Paying Agent and the Reference Agent incurred under the provisions of the Paying Agency Agreement, and (iii) the fees and expenses of the Issuer Administrator and the MPT Provider;
- (b) *second*, in or towards satisfaction of any sums due or sums accrued but unpaid under the Liquidity Facility Agreement, but excluding any Liquidity Facility Subordinated Amount payable under (n) below;
- (c) *third*, in or towards satisfaction of amounts, if any, due or accrued but unpaid under the Swap Agreement to the Swap Counterparty, but excluding any Swap Subordinated Amount and, for the avoidance of doubt, excluding any amount relating to Excess Swap Collateral or Tax Credits;
- (d) *fourth*, in or towards satisfaction of all amounts of interest due or interest accrued but unpaid in respect of the Senior Class A Notes;
- (e) *fifth*, in or towards satisfaction of all amounts of principal and any other amount due but unpaid in respect of the Senior Class A Notes;
- (f) *sixth*, in or towards satisfaction of all amounts of interest due or interest accrued but unpaid in respect of the Subordinated Class B Notes;
- (g) *seventh*, in or towards satisfaction of a Liquidity Facility Subordinated Amount due, if any, to the Liquidity Facility Provider pursuant to the Liquidity Facility Agreement;
- (h) *eight*, in or towards satisfaction of all Swap Subordinated Amounts due under the Swap Agreement to the Swap Counterparty;
- (i) *ninth*, in or towards satisfaction of all amounts of principal and any other amount due but unpaid in respect of the Subordinated Class B Notes;
- (j) *tenth*, in or towards satisfaction of interest due or accrued but unpaid on the Subordinated Loan;

- (k) *eleventh*, in or towards satisfaction of principal due but unpaid on the Subordinated Loan; and
- (l) *twelfth*, in or towards satisfaction of the Deferred Purchase Price Instalment to the Seller.

### **Subordinated Loan**

On the Closing Date, Bank of Scotland Netherlands will make available to the Issuer the Subordinated Loan. The Subordinated Loan will be in an amount of Euro 925,000 and will be used by the Issuer to pay certain initial costs and expenses in connection with the issue of the Notes. The Subordinated Loan will only be redeemed after the Senior Class A Notes and the Subordinated Class B Notes have been fully redeemed.

### **Liquidity Facility**

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

The Issuer will be entitled on any Quarterly Payment Date (other than a Quarterly Payment Date if and to the extent that on such date the Notes are redeemed in full) to make drawings under the Liquidity Facility up to the Liquidity Facility Amount less the balance of the aggregate principal amount of all drawings advanced and outstanding under the Liquidity Facility Agreement at such time. The Liquidity Facility Agreement is for a maximum term of 364 days. Any drawing under the Liquidity Facility by the Issuer will only be made on a Quarterly Payment Date if and to the extent that, after the application of amounts available in the Reserve Account and taking into account any drawing under the Liquidity Facility, there is a shortfall in the Notes Interest Available Amount to meet items (a) to (e) (inclusive) in the Interest Priority of Payments in full on that Quarterly Payment Date, provided that no drawing may be made to meet item (e) in the Interest Priority of Payments if there is a debit balance on the Class A Principal Deficiency Ledger exceeding 50 per cent. of the aggregate Principal Amount Outstanding of the Senior Class A Notes.

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 P-1 by Moody's or such rating is withdrawn, and (ii) the Liquidity Facility is not renewed or replaced by the Issuer within 30 calendar days of such downgrading or withdrawal to an alternative Liquidity Facility Provider, acceptable to Moody's and the Security Trustee, and (iii) any other solution acceptable to Moody's is not found to maintain the then current ratings of the Senior Class A Notes, the Issuer may be required forthwith to make a Liquidity Facility Standby Drawing and credit such amount to the Issuer Collection Account with a corresponding credit to the Liquidity Facility Standby Ledger. Amounts so credited to the Issuer Collection Account may be utilised by the Issuer in the same manner as if the Liquidity Facility had not been so drawn. A Liquidity Facility Standby Drawing may also be made if the Liquidity Facility is not renewed following its commitment termination date.

### **Reserve Account**

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

If and to the extent that the Notes Interest Available Amount on any Quarterly Calculation Date exceeds the amounts required to meet items (a) up to and including (f) of the Interest Priority of Payments, such excess amount will be deposited in or, as the case may be, used to replenish the Reserve Account, by crediting such amount to the Reserve Account up to the Reserve Account Target Level (see item (g) of the Interest Priority of Payments). Until all Senior Class A Notes have been redeemed, if and to the extent that the Notes Interest Available Amount exceeds the amount required to deposit in, or replenish, the Reserve Account up to the Reserve Account Target Level, the excess will be transferred to the Issuer Collection Account and used as

part of the Notes Interest Available Amount towards satisfaction of items (h) up to and including (m) but not items (k) and (l) of the Priority of Payments in respect of interest.

If the Senior Class A Notes have been redeemed in full the Reserve Account Target Level becomes zero and the balance of the Reserve Account will be transferred to the Issuer Collection Account to be applied to redeem the Subordinated Class B Notes, as further set out in “*Credit Structure – Reserve Account*”. In that case the balance standing to the credit of the Reserve Account (after items (a) up to and including (j) have been met) will be transferred to the Issuer Collection Account and will, together with any other Notes Interest Available Amount remaining after payments of items (a) up to and including (i) have been met, be applied to redeem or, as the case may be partially redeem on a *pro rata* basis, the Subordinated Class B Notes in accordance with Condition 6(f). If the Subordinated Class B Notes have been fully redeemed, any remaining balance of the Reserve Account will be used to pay items (k) and (l) subject to and in accordance with the Interest Priority of Payments.

The balance of the Reserve Account is pledged to the Security Trustee. Consequently, after the Enforcement Date the Security Trustee may execute its right of pledge and the balance of the Reserve Account will hence be available to the Security Trustee for application in accordance with the Priority of Payments after Enforcement.

### **Principal Deficiency Ledger**

The Issuer will record Realised Losses on the Mortgage Receivables by making debits to the Class A Principal Deficiency Ledger.

### **Swap Agreement**

Approximately 96.16 per cent. of the Mortgage Loans sold and assigned to the Issuer on the Closing Date carry a fixed rate of interest, all for a certain set interest period (*rentevastperiode*). At the end of an interest period, the interest rate will be reset, unless the Borrower redeems the Mortgage Loans. In general, fixed rate reset terms can be set for periods of 1, 5, 6, 10, 15, 20, 25 and 30 years. In addition, a portion of the Mortgage Loans carry a variable rate of interest. This variable rate is reset monthly. However, the interest rate payable by the Issuer with respect to the Notes is calculated as margin over EURIBOR for three-month euro deposits. To provide a hedge against possible variance between (i) the variable rates of interest and fixed rates of interest payable on the Mortgage Loans and (ii) a EURIBOR-based rate for three-month euro deposits, the Issuer, the Swap Counterparty and the Security Trustee will enter into the Swap Agreement on the Closing Date. The Swap Agreement will have a notional amount that is sized to hedge against any potential interest rate mismatches in relation to the Notes.

In the event that the Swap Agreement is terminated prior to the service of any Enforcement Notice, the Issuer shall enter into a replacement swap agreement on terms acceptable to Moody's, with the Security Trustee and with a swap counterparty which will have the required ratings as set out in the relevant Moody's criteria to maintain the current rating assigned to the Senior Class A Notes. If the Issuer is unable to enter into a replacement swap agreement on terms acceptable to Moody's, this may affect amounts available to pay interest on the Notes.

## OVERVIEW OF THE DUTCH RESIDENTIAL MORTGAGE MARKET

### **Total registered mortgage debt**

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

### **The Dutch Residential Mortgage Market**

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

### **Market characteristics**

#### *Low level of owner-occupancy*

The Netherlands has a relatively low, but increasing, owner-occupancy ratio. Approximately 54 per cent. of all houses are owner-occupied, compared to 43 per cent. in 1982 and 29 per cent. in 1957. The average level of home ownership for all EU countries is above 60 percent. The efforts to increase the home ownership ratio include grants under the Home Ownership Promotion Act and guarantees through the Home Ownership Guarantee Fund.

#### *Tax system gives home owners incentive to maximise mortgage indebtedness*

Compared to other European countries, the Dutch market has a relatively high degree of mortgage indebtedness. The Dutch tax system gives an incentive to home owners to maximise their mortgage loans through tax deductibility of mortgage interest payments. Because borrowers tend to take full advantage of the tax system, this leads to a relatively high loan-to-income in the Netherlands. Due to rising home ownership, rising house prices and falling mortgage rates, total mortgage debt accumulation increased strongly in the last 10 years. According to the Dutch Central Bank (“**DNB**”) the level of outstanding mortgage debt reached Euro 535 billion at the end of the first quarter of 2007.

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

The National Mortgage Guarantee (“**NHG**”) is a government-related entity that guarantees mortgages complying with certain criteria. This entity has had an additional upward effect on mortgage borrowing. Typically lenders in the Netherlands offer mortgage loans for existing property up to 125 percent of foreclosure value. For new construction, financial institutions are prepared to finance up to 110 percent of the total costs of the house. Foreclosure value is approximately 85-90 percent of the Market Value. By September 2007, the average new mortgage amounted to Euro 287,641, while the average house price was Euro 257,921, according to [www.kadaster.nl](http://www.kadaster.nl).

#### *The borrowing capacity of households increased*

Dutch commercial banks determine the theoretical maximum borrowing capacity of a household by calculating the percentage of the disposable household income that is being spent on repayments and interest payments. The borrowing capacity of households used to be based on one household salary. Since the early 1990s, a second household salary is also taken into account. This has resulted in a substantial increase in the borrowing capacity of double-income households. In 2007 the CHF-standards (self-regulation) were introduced, protecting customers against too high mortgage loans.

### *Default losses have always been relatively low*

Despite relatively high LTV ratios, default losses have always been relatively low but slightly increasing over the last years. The relatively prolonged economic downturn of 2001 to 2005 led to a significant rise in the amount of mortgage payment arrears and correspondingly forced house sales. After an increase from 743 in 2002 to 967 in 2003 and 1,504 in 2004, the number of foreclosures in the Netherlands increased in 2005 to 1,911. In 2006, this number increased up to 1,968 (*Source: [www.kadaster.nl](http://www.kadaster.nl)*). The absolute number of forced sales is obviously still extremely small compared to the total number of residential mortgage loans outstanding. There are no precise data on the number of residential mortgage loans outstanding in the Netherlands. However, based on the published total amount of residential mortgage debt outstanding and the current average mortgage loan amount it is estimated that the total number of residential mortgage loans outstanding in the Netherlands exceeds 3 million. A total of around 1,968 foreclosures per year therefore corresponds with approximately 0.06 per cent. of the total number of residential mortgage loans outstanding.

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

### *The tax system operates as a strong disincentive for prepayment*

Prepayments in the Netherlands have always been relatively low. In general interest rates decreased between 1991-2005. From 2006 till now, interest rates have increased. As a result many borrowers refinanced their mortgage with a longer, fixed interest term in the last couple of years. The most important explanation for low prepayments is the deductibility of mortgage interest payments. Prepayment will lead to a loss of the tax advantage offered to borrowers. Moreover, when current interest rates are lower than at the time of origination prepayment can be severe, although the penalty is tax-deductible for the borrower. Lending legislation in the Netherlands allows a borrower to prepay up to 10 – 15 per cent. a year of the original amount that has been borrowed without incurring a prepayment penalty. Full prepayment without penalty is usually possible when interest rates are higher than at the time of origination, in case of moving home and in cases of death. A borrower can also prepay his mortgage on an interest-reset date without incurring a penalty.

## **Market players**

### *Banks are the most dominant players on the Dutch mortgage market*

The traditional mortgage lenders are either commercial banks or specialised mortgage banks. Mortgage lenders can also be found among building societies, insurance companies and pension funds. Research by DNB shows the Dutch mortgage market to be highly competitive. Large commercial banks are the dominant players. Competition among issuers is based on product innovation, extension of distribution channels, cross-selling and price competition.

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

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

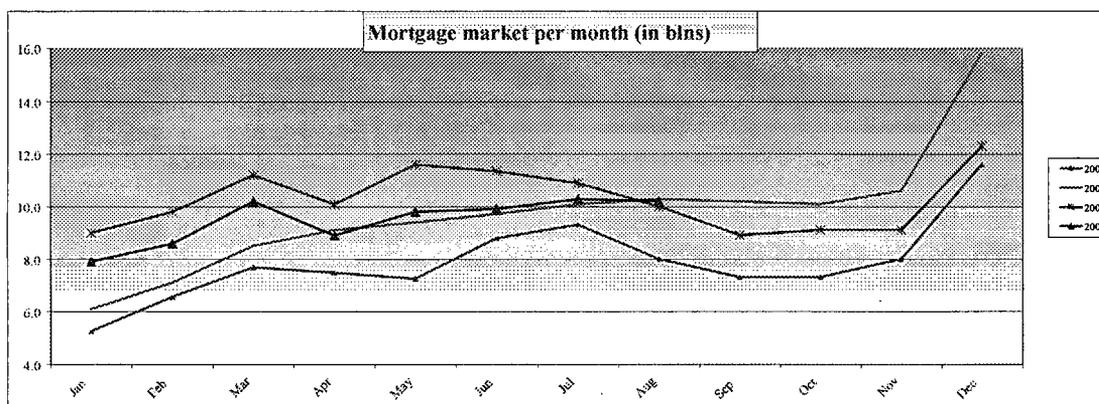
## Government policy and restrictions

### *Mortgage interest payments are tax-deductible*

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

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

### Monthly values new production Dutch mortgages (in Euro mio), source [www.kadaster.nl](http://www.kadaster.nl)



8.

## BANK OF SCOTLAND GROUP

### General

The Governor and Company of the Bank of Scotland was originally established by an Act of the Parliament of Scotland on 17 July 1695. On 17 September 2007 (the “**Effective Date**”), in accordance with the HBOS Group Reorganisation Act 2006, The Governor and Company of the Bank of Scotland:

- (i) was registered as a public limited company under the Companies Act under the name Bank of Scotland plc, registered number SC327000; and
- (ii) succeeded, to and has assumed all of the business, assets and liabilities of Halifax plc, Capital Bank plc and HBOS Treasury Services plc (the “**Affected Entities**”) including all existing obligations of the Affected Entities in place on 17 September 2007.

This series of transactions is referred to as the “HBOS Group Reorganisation”.

The HBOS Group Reorganisation had, on the Effective Date, a significant impact on the consolidated balance sheet of Bank of Scotland plc arising from the inclusion of the assets and liabilities of Halifax plc as a fellow subsidiary of HBOS plc. However, the transfer of the business, assets and liabilities of Capital Bank plc and HBOS Treasury Services plc did not have any significant impact as both were wholly-owned subsidiaries of The Governor and Company of the Bank of Scotland.

Bank of Scotland plc is a United Kingdom clearing bank and is an “authorised person” under the FSMA. The registered office of Bank of Scotland plc is located at The Mound, Edinburgh EH1 1YZ, Scotland, with telephone number 0870 600500.

Bank of Scotland plc together with its subsidiaries and subsidiary undertakings (as defined in the Companies Act 1985) are collectively referred to as the “Bank of Scotland group”. The Bank of Scotland group is engaged in a range of banking, insurance broking, financial services and finance-related activities throughout the United Kingdom and internationally.

Bank of Scotland plc is a wholly owned subsidiary of HBOS plc.

### Bank of Scotland Netherlands

Bank of Scotland Netherlands is a branch office of Bank of Scotland plc, operating as a part of the Europe & North America Division which itself is part of the International Division of the Bank of Scotland group. Bank of Scotland Netherlands started its activities in the Netherlands in 1999. Bank of Scotland Netherlands was registered with the Amsterdam Chamber of Commerce (*Kamer van Koophandel*) under number 34122516 on 1st October, 1999. The corporate seat of Bank of Scotland Netherlands is in Amsterdam, the Netherlands and its registered office is at De Entrée 254, 1101 EE in Amsterdam.

Bank of Scotland Netherlands has outsourced the handling of its mortgages to Stater which is an established provider of such services in the Netherlands.

Bank of Scotland Netherlands started originating mortgage loans via the internet in 1999. Since then, Bank of Scotland Netherlands has achieved strong growth in its business with a mortgage book of over Euro 8 billion in September 2007. At present most sales are originated via packagers and intermediaries (90 per cent.) approximately 10 per cent. is originated via internet and the telephone, supported by an in-house mortgage desk.

## DESCRIPTION OF THE MORTGAGE LOANS

*References in this chapter to ratios and amounts are to those applied by the Seller at the date of this Prospectus and such ratios and amounts may change in the future.*

### **Types of Mortgage Loans**

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

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

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

### **Characteristics of the Mortgage Loans**

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

The absolute maximum loan amount is Euro 265,000. The loan amount is also limited by the amount of income and the Market Value of the property. With respect to the latter:

- for the purchase of existing properties, the loan amount is broadly based on the sum of (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 stamp duty (*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).

### **Linear Mortgage Loans**

Under Linear Mortgage Loans the Borrower redeems a fixed amount on each instalment such that at maturity the entire loan will be redeemed. The Borrower's payment obligation decreases with each payment as interest owed under the Linear Mortgage Loan declines over time.

### **Investment Mortgage Loans**

Under Investment Mortgage Loans, instead of paying amounts towards redemption prior to maturity, the Borrower undertakes to invest, either on an instalment basis (for at least two instalments) or up front, an agreed minimum amount in certain investment funds. The rights under these investments have been pledged to the relevant Seller as security for repayment of the Investment Mortgage Loan. The redemption value of the investments is not guaranteed and the return on investments is not guaranteed.

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

Under Interest-only Mortgage Loans, the Borrower is obliged to pay only interest during the term of such Mortgage Loan, so that the Borrower does not pay principal towards redemption of the relevant Mortgage Receivable until maturity, when the entire principal amount is due. Interest-only Mortgage Loans may not exceed 50 per cent. of the Market Value.

### **Annuity Mortgage Loans**

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

### **Life Mortgage Loans**

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

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

The capital insurance element of the premium is used by the Life Insurance Company to build up capital. The mortgage loans consist of two distinct types of Life Mortgage Loans: (i) 'Unit Linked', where the capital element of the premium paid by the Borrower may be invested by the Insurance Company in certain investment funds, and (ii) 'Life', where the capital element of the premium paid by the Borrower may also be invested in a interest guarantee product. Typically the capital built up under the Insurance Policy is applied towards redemption of the principal amount of the Life Mortgage Loan at maturity thereof.

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

### **Savings Mortgage Loans**

Under a Savings Mortgage Loan, the capital element of the premium is referred to as the Savings Premium. The Savings Premium is applied by the relevant Savings Insurance Company to invest in the related Savings Mortgage Loan. The Savings Premium is calculated in such a manner that, on an annuity basis, the proceeds of the Savings Insurance Policy due by the Savings Insurance Company to the relevant Borrower is equal to the principal amount due by the Borrower to the Seller at maturity of the Savings Mortgage Loan. The proceeds of these Savings Insurance Policies are applied towards principal redemption of the Savings Mortgage Receivables.

### **Savings Mortgage Sub-Participation Agreement**

On the Closing Date, the Issuer will enter into the Savings Mortgage Sub-Participation Agreement with the Savings Insurance Companies under which, *inter alia*, each of the Savings Insurance Companies will acquire on the Closing Date the Initial Participation in respect of the Savings Mortgage Receivables and Life Mortgage Receivables with a Savings Element.

## **Interest Payments/Interest Rate Setting**

A portion of the Mortgage Loans carries a fixed rate of interest, all for a certain set interest period (*rentevastperiode*). At the end of an interest period, the interest rate will be reset, unless the Borrower redeems the Mortgage Loan. In general, fixed rate reset terms can be set for periods of 1, 5, 6, 10, 15, 20, 25 and 30 years.

In addition a portion of the Mortgage Loan carries a variable rate of interest. This variable rate is reset monthly.

## **NHG Mortgage Loans**

At Closing the Mortgage Receivables assigned to the Issuer are “NHG Mortgage Loans”.

A “NHG Mortgage Loan” is a mortgage loan with the following characteristics:

- (a) a linear, investment, savings, life, interest-only or annuity mortgage loan;
- (b) 15 per cent. early redemption annually is allowed without penalty and 10 per cent. early redemption is allowed for loans originated after 1 February 2006;
- (c) a floating interest rate or an interest rate which may be fixed for 1, 5, 6, 10, 15, 20, 25 or 30 years;
- (d) an offer period of 3 months, which may be extended to a maximum of 6 months against a commitment fee;
- (e) a maximum mortgage amount of Euro 265,000;
- (f) compliant with the relevant NHG *financieringslasttabellen* (i.e. tables setting out the allowed financing burdens, as published by the ‘*Stichting Waarborgfonds Eigen Woningen*’ obtainable from the website [www.nhg.nl](http://www.nhg.nl)); and
- (g) an NHG Guarantee is applicable.

## **Valuation**

At origination, each Mortgaged Asset relating to a Mortgage Loan is required to be valued not more than 12 months before the application for such loan is made, unless the Mortgaged Asset is new-to-build, in which case a valuation report is not necessary.

The valuation forms must be drawn up in accordance with the latest issued model ‘valuation report financing property’, as determined by the “*Contactorgaan Hypothecaire Financiers*” (CHF), the “*Landelijke Makelaarsvereniging in onroerende zaken*” (LMV), the “*Nederlandse Vereniging van Makelaars in onroerende goederen en vastgoeddeskundigen*” (NVM), the “*Vereniging van Register Vastgoed Taxateurs*” (RVT) and the “*Vereniging Bemiddeling Onroerend Goed*” (VBO), by an independent qualified appraiser who is registered in one of the approved registers (*Stichting Vastgoedcertificatie*, kamer Wonen/MKB or SCVM (*Stichting Certificering VBO Makelaars*)) and who must not be involved in the relevant transaction.

## **Lending Criteria**

### *Minimum and Maximum Amounts*

There is no minimum mortgage amount. The maximum amount of a Mortgage Loan is Euro 265,000.

### *Age restrictions*

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

### *Creditworthiness*

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

### *Income from self-employment*

The self-employed applicant's income must be demonstrated by means of annual accounts of the self-employed borrower for the three most recent financial years. In addition, the applicant must submit tax returns for the most recent three years and a copy of the tax inspector's tax assessments

### *National Credit Register*

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

### *Other Lending Criteria*

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

### **Mortgage pool**

All of the Mortgage Loans forming the mortgage pool were selected on the Cut-off Date and were originated by the Seller between January 2003 and September 2007. For a description of the representations and warranties given by the Seller with respect to the Mortgage Loans, see *Mortgage Receivables Purchase Agreement*.

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

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

**KEY FIGURES**

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Number of Loanparts.....	4,560
Number of Loans.....	2,328
Min Coupon (%).....	3.05
Max Coupon (%).....	6.20
Weighted Average Coupon (%).....	4.08
Weighted Average Seasoning (Months) .....	26.98
Weighted Average Maturity (Months) .....	70.13
Original Balance (EUR) .....	379,244,986.76
Outstanding Principal Balance (EUR) .....	376,382,529.20
Average Balance by Borrower (EUR) .....	161,676.34
Maximum Loan Value (EUR) .....	249,999.00
Current Loan-to-Value (Recorded Foreclosure Value) .....	111.22%
Current Loan-to-Value (Indexed Recorded Foreclosure Value) .....	101.16%
Current Loan-to-Value (Estimated Fair Market Value) .....	99.10%
Current Loan-to-Value (Indexed Estimated Fair Market Value) .....	90.14%

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

	Aggregate Outstanding Principal Amount (Euro)	Proportion of pool (%)	Number of Loan parts	Proportion of pool (%)	WAM (Months)	WAC (%)
2000 Q1	70,307.05	0.02%	2	0.04%	0.00	4.95
2000 Q2	330,255.51	0.09%	5	0.11%	10.30	5.38
2000 Q3	424,911.76	0.11%	6	0.13%	0.00	4.95
2000 Q4	847,680.04	0.23%	14	0.31%	30.48	5.51
2001 Q1	417,073.00	0.11%	4	0.09%	29.13	5.52
2001 Q2	1,328,289.94	0.35%	18	0.39%	43.70	5.37
2001 Q3	364,385.51	0.10%	5	0.11%	45.66	5.82
2001 Q4	690,866.47	0.18%	12	0.26%	48.66	4.86
2002 Q1	420,434.00	0.11%	6	0.13%	29.65	4.71
2002 Q2	961,914.67	0.26%	13	0.29%	65.72	5.50
2002 Q3	510,950.00	0.14%	5	0.11%	18.42	5.14
2002 Q4	661,445.00	0.18%	7	0.15%	61.20	5.09
2003 Q1	2,016,318.30	0.54%	22	0.48%	38.47	4.77
2003 Q2	1,692,130.00	0.45%	18	0.39%	22.59	4.26
2003 Q3	3,482,167.49	0.93%	41	0.90%	50.37	4.47
2003 Q4	4,724,908.89	1.26%	57	1.25%	30.52	4.57
2004 Q1	9,387,363.67	2.49%	108	2.37%	30.51	4.38
2004 Q2	72,502,881.91	19.26%	926	20.31%	31.86	4.08
2004 Q3	39,296,509.04	10.44%	476	10.44%	33.66	4.18
2004 Q4	7,596,113.91	2.02%	90	1.97%	28.48	4.26
2005 Q1	9,325,979.16	2.48%	111	2.43%	38.51	4.01
2005 Q2	11,900,421.25	3.16%	143	3.14%	57.26	3.61
2005 Q3	36,024,334.62	9.57%	432	9.47%	62.65	3.59
2005 Q4	54,799,578.52	14.56%	662	14.52%	77.12	3.58
2006 Q1	19,640,849.41	5.22%	232	5.09%	88.24	3.81
2006 Q2	7,047,002.18	1.87%	87	1.91%	85.16	4.17
2006 Q3	5,282,572.28	1.40%	63	1.38%	104.15	4.51
2006 Q4	33,508,660.59	8.90%	383	8.40%	125.11	4.31
2007 Q1	22,844,640.20	6.07%	273	5.99%	126.47	4.36
2007 Q2	18,926,503.42	5.03%	228	5.00%	143.56	4.60
2007 Q3	9,355,081.41	2.49%	111	2.43%	143.86	4.86
	376,382,529.20	100%	4,560	100%	70.13	4.08

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

	Aggregate Outstanding Principal Amount (Euro)	Proportion of pool (%)	of Number of Loan parts	Proportion of pool (%)	WAM (Months)	WAC (%)
Annuity	5,578,047.46	1.48%	84	1.84%	71.58	4.25
Interest only	153,312,461.92	40.73%	2,242	49.17%	72.36	4.08
Investment	1,609,017.00	0.43%	14	0.31%	133.05	4.47
Life	1,392,115.20	0.37%	12	0.26%	74.02	4.23
Savings	4,198,965.13	1.12%	43	0.94%	173.78	4.83
Savings/Life	41,388,470.79	11.00%	415	9.10%	98.85	4.02
Unit Linked	168,903,451.70	44.88%	1,750	38.38%	57.82	4.06
	376,382,529.20	100.00%	4,560	100.00%	70.13	4.08

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

	Aggregate Outstanding Principal Amount (Euro)	Proportion of pool (%)	Number of Loan parts	Proportion of pool (%)	WAM (Months)	WAC (%)
3.0%≤r<3.5%	54,263,387.33	14.42%	663	14.54%	46.11	3.30
3.5%≤r<4.5%	238,574,711.93	63.39%	2894	63.46%	63.70	4.01
4.5%≤r<5.5%	80,096,477.70	21.28%	958	21.01%	106.13	4.74
5.5%≤r<6.5%	3,447,952.24	0.92%	45	0.99%	57.15	5.81
	376,382,529.20	100%	4,560	100%	70.13	4.08

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

	Aggregate Outstanding Principal Amount (Euro)	Proportion of pool (%)	of Number of Loan parts	Proportion of pool (%)	WAM (Months)	WAC (%)
2007	16,325,550.65	4.34%	211	4.63%	0.09	4.85
2008	10,074,246.54	2.68%	125	2.74%	8.09	4.41
2009	13,560,255.37	3.60%	176	3.86%	21.26	3.99
2010	105,663,336.78	28.07%	1309	28.71%	32.23	3.99
2011	59,824,954.20	15.89%	738	16.18%	45.91	3.55
2012	20,328,051.58	5.40%	250	5.48%	56.82	4.09
2013	13,409,046.70	3.56%	166	3.64%	66.03	4.44
2014	10,124,410.76	2.69%	116	2.54%	79.61	4.65
2015≤interest reset date<2020	90,823,566.88	24.13%	1064	23.33%	103.36	4.08
2020≤interest reset date<2025	19,698,602.78	5.23%	223	4.89%	165.75	4.33
2025≤interest reset date<2030	11,391,448.66	3.03%	125	2.74%	230.67	4.64
2030≤interest reset date<2035	73,835.08	0.02%	1	0.02%	311.00	6.05
2035≤interest reset date<2040	5,085,223.22	1.35%	56	1.23%	339.07	4.80
	376,382,529.20	100%	4,560	100%	70.13	4.08

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

	Aggregate Outstanding Principal Amount (Euro)	Proportion of pool (%)	Number of Loan parts	Proportion of pool (%)	WAM (Months)	WAC (%)
maturity<2015	117,298.29	0.03%	6	0.13%	37.43	3.63
2015<=maturity<2020	570,368.89	0.15%	15	0.33%	68.32	4.31
2020<=maturity<2025	2,492,112.34	0.66%	32	0.70%	58.84	4.24
2025<=maturity<2030	11,346,665.91	3.01%	143	3.14%	77.86	4.08
2030<=maturity<2035	181,390,112.46	48.19%	2209	48.44%	47.37	4.19
2035<=maturity<2040	180,465,971.31	47.95%	2155	47.26%	92.72	3.96
	376,382,529.20	100%	4,560	100%	70.13	4.08

**TABLE F*****Size of outstanding mortgage loans in the Provisional Pool***

Range of loan sizes	Aggregate Outstanding Principal Amount (Euro)	Proportion of pool (%)	Number of Loan parts	Proportion of pool (%)	WAM (Months)	WAC (%)
loan size < 50,000	209,220.80	0.06%	5	0.21%	44.34	4.48
50,000 <= loan size < 100,000	14,552,465.74	3.87%	172	7.39%	62.04	4.24
100,000 <= loan size < 150,000	99,118,569.74	26.33%	775	33.29%	61.89	4.07
150,000 <= loan size < 200,000	153,166,274.92	40.69%	879	37.76%	66.32	4.07
200,000 <= loan size < 250,000	107,000,476.31	28.43%	488	20.96%	83.05	4.06
250,000 <= loan size < 300,000	2,335,521.69	0.62%	9	0.39%	131.09	4.59
	376,382,529.20	100%	2,328	100%	70.13	4.08

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

	Aggregate Outstanding Principal Amount (Euro)	Proportion of pool (%)	Number of Loan parts	Proportion of pool (%)	WAM (Months)	WAC (%)
Drenthe	10,261,547.11	2.73%	68	2.92%	65.12	4.00
Flevoland	14,088,097.45	3.74%	82	3.52%	56.45	4.09
Friesland	14,562,268.51	3.87%	103	4.42%	57.83	4.09
Gelderland	32,054,678.47	8.52%	185	7.95%	73.13	4.11
Groningen	12,238,418.07	3.25%	86	3.69%	76.99	4.13
Limburg	20,172,386.60	5.36%	123	5.28%	70.56	4.09
Noord-Brabant	45,664,162.65	12.13%	263	11.30%	65.64	4.02
Noord-Holland	53,070,318.28	14.10%	310	13.32%	73.44	4.06
Overijssel	29,453,771.75	7.83%	189	8.12%	67.56	4.17
Utrecht	29,632,115.03	7.87%	165	7.09%	76.48	4.10
Zeeland	7,049,912.59	1.87%	49	2.10%	76.90	4.13
Zuid-Holland	102,636,509.20	27.27%	675	28.99%	71.06	4.06
Unknown	5,498,343.49	1.46%	30	1.29%	71.88	3.99
	376,382,529.20	100%	2,328	100%	70.13	4.08

**TABLE H**  
*Income data of borrowers in the Provisional Pool*

Region of income (EUR)	Aggregate Outstanding Principal Amount (Euro)	Proportion of pool (%)	Number of Loan parts	Proportion of pool (%)	WAM (Months)	WAC (%)
income<10,000	55,000.00	0.01%	1	0.04%	79.00	4.60
10,000 <= income < 20,000	5,305,042.62	1.41%	61	2.62%	40.15	4.07
20,000 <= income < 30,000	67,494,024.02	17.93%	547	23.50%	50.46	3.97
30,000 <= income < 40,000	109,085,055.60	28.98%	702	30.15%	58.54	4.02
40,000 <= income < 50,000	110,817,111.62	29.44%	600	25.77%	76.16	4.11
50,000 <= income < 60,000	57,418,543.78	15.26%	288	12.37%	96.57	4.20
60,000 <= income < 70,000	18,220,865.45	4.84%	89	3.82%	97.94	4.23
70,000 <= income < 80,000	4,688,997.01	1.25%	23	0.99%	85.58	4.27
80,000 <= income < 100,000	2,595,744.75	0.69%	13	0.56%	75.15	4.08
100,000 <= income < 150,000	702,144.35	0.19%	4	0.17%	31.02	4.70
	376,382,529.20	100%	2,328	100%	70.13	4.08

**TABLE I**  
*Employment of borrowers in the Provisional Pool*

	Aggregate Outstanding Principal Amount (Euro)	Proportion of pool (%)	Number of Loan parts	Proportion of pool (%)	WAM (Months)	WAC (%)
(early) retirement	713,056.14	0.19%	8	0.34%	81.63	4.19
Full time permanent employment	308,628,551.81	82.00%	1,901	81.66%	70.01	4.09
Full time temporary employment	39,823,288.72	10.58%	246	10.57%	69.42	4.02
Part time permanent employment	10,032,124.97	2.67%	64	2.75%	84.70	3.99
Part time temporary employment	2,043,073.53	0.54%	12	0.52%	79.61	4.08
Self employed	7,622,157.97	2.03%	47	2.02%	63.60	4.19
Other	7,520,276.06	2.00%	50	2.15%	62.62	3.87
	376,382,529.20	100%	2,328	100%	70.13	4.08

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

Range of DTI	Aggregate Outstanding Principal Amount (Euro)	Proportion of pool (%)	Number of Loan parts	Proportion of pool (%)	WAM (Months)	WAC (%)
DTI <= 10%	940,994.68	0.25%	11	0.47%	78.72	4.37
10% < DTI <= 15%	8,629,452.34	2.29%	71	3.05%	76.54	4.04
15% < DTI <= 20%	33,694,857.00	8.95%	237	10.18%	69.47	4.02
20% < DTI <= 25%	105,993,505.61	28.16%	640	27.49%	79.49	4.07
25% < DTI <= 30%	175,658,227.33	46.67%	1,048	45.02%	72.07	4.10
30% < DTI <= 35%	49,376,844.64	13.12%	307	13.19%	41.80	4.05
35% < DTI <= 40%	1,012,018.94	0.27%	7	0.30%	107.16	4.35
40% < DTI <= 50%	664,000.00	0.18%	4	0.17%	70.46	4.37
50% < DTI <= 60%	412,628.66	0.11%	300.00%	0.13%	43.82	4.21
	376,382,529.20	100%	2,328	100%	70.13	4.08

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

Property type	Aggregate Outstanding Principal Amount (Euro)	Proportion of pool (%)	Number of Loan parts	Proportion of pool (%)	WAM (Months)	WAC (%)
Condominium	108,893,817.10	28.93%	770	33.08%	60.86	4.02
Condominium with garage	872,653.38	0.23%	6	0.26%	52.40	3.74
Single family house	221,180,984.52	58.76%	1,289	55.37%	73.57	4.10
Single family house with garage	44,572,448.15	11.84%	257	11.04%	75.66	4.09
farm house	326,801.05	0.09%	2	0.09%	150.24	4.85
timber framed house	217,000.00	0.06%	1	0.04%	33.00	3.90
Unknown	318,825.00	0.08%	3	0.13%	69.89	4.22
	376,382,529.20	100%	2,328	100%	70.13	4.08

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

Range of Loan-to-Value	Aggregate Outstanding Principal Amount (Euro)	Proportion of pool (%)	Number of Loan parts	Proportion of pool (%)	WAM (Months)	WAC (%)
LTV < 25%	734,182.80	0.20%	10	0.43%	76.95	4.10
25% <= LTV < 50%	6,602,200.10	1.75%	61	2.62%	101.95	4.20
50% <= LTV < 60%	6,475,428.16	1.72%	48	2.06%	87.97	4.19
60% <= LTV < 70%	7,949,325.98	2.11%	64	2.75%	83.67	4.15
70% <= LTV < 80%	12,706,758.05	3.38%	87	3.74%	77.28	4.12
80% <= LTV < 90%	15,581,999.25	4.14%	100	4.30%	81.27	4.15
90% <= LTV < 100%	25,327,120.87	6.73%	160	6.87%	81.93	4.12
100% <= LTV < 105%	17,078,283.64	4.54%	108	4.64%	76.30	4.04
105% <= LTV < 110%	20,547,904.25	5.46%	123	5.28%	76.83	4.14
110% <= LTV < 115%	32,249,371.79	8.57%	190	8.16%	70.45	4.02
115% <= LTV < 120%	59,483,456.02	15.80%	356	15.29%	69.97	4.09
120% <= LTV < 125%	115,243,074.92	30.62%	681	29.25%	65.57	4.07
125% <= LTV < 130%	40,358,509.21	10.72%	239	10.27%	60.17	4.00
130% <= LTV < 135%	11,850,288.93	3.15%	72	3.09%	52.82	4.05
135% <= LTV < 140%	2,696,362.22	0.72%	19	0.82%	32.81	3.93
140% <= LTV < 145%	778,950.00	0.21%	5	0.21%	60.90	4.12
145% <= LTV < 150%	598,313.01	0.16%	4	0.17%	71.31	3.94
150% <= LTV <= 160%	121,000.00	0.03%	1	0.04%	33.00	4.60
	376,382,529.20	100%	2,328	100%	70.13	4.08

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

Range of Loan-to-Value	Aggregate Outstanding Principal Amount (Euro)	Proportion of pool (%)	Number of Loan parts	Proportion of pool (%)	WAM (Months)	WAC (%)
LTV < 25%	837,299.08	0.22%	12	0.52%	81.69	4.19
25% <= LTV < 50%	9,082,299.38	2.41%	80	3.44%	97.58	4.23
50% <= LTV < 60%	7,580,287.27	2.01%	58	2.49%	75.64	4.08
60% <= LTV < 70%	12,049,550.01	3.20%	88	3.78%	72.78	4.15
70% <= LTV < 80%	17,215,752.99	4.57%	120	5.15%	69.21	4.18
80% <= LTV < 90%	26,337,867.09	7.00%	169	7.26%	73.55	4.15
90% <= LTV < 100%	46,250,693.79	12.29%	281	12.07%	65.51	4.17
100% <= LTV < 105%	48,046,373.53	12.77%	295	12.67%	57.62	4.10
105% <= LTV < 110%	85,308,483.88	22.67%	510	21.91%	55.42	4.04
110% <= LTV < 115%	61,685,077.61	16.39%	358	15.38%	65.46	3.84
115% <= LTV < 120%	33,907,018.20	9.01%	197	8.46%	88.99	4.05
120% <= LTV < 125%	22,100,363.23	5.87%	124	5.33%	119.43	4.36
125% <= LTV < 130%	4,163,119.40	1.11%	24	1.03%	114.09	4.40
130% <= LTV < 135%	1,459,343.74	0.39%	10	0.43%	93.26	4.20
135% <= LTV < 140%	-	0.00%	-	0.00%	0.00	0.00
140% <= LTV <= 145%	359,000.00	0.10%	2	0.09%	87.36	4.60
	376,382,529.20	100%	2,328	100%	70.13	4.08

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

Range of Loan-to-Value	Aggregate Outstanding Principal Amount (Euro)	Proportion of pool (%)	Number of Loan parts	Proportion of pool (%)	WAM (Months)	WAC (%)
LTV < 25%	964,964.19	0.26%	13	0.56%	98.09	4.16
25% <= LTV < 50%	10,553,812.03	2.80%	90	3.87%	96.98	4.20
50% <= LTV < 60%	7,605,886.17	2.02%	60	2.58%	81.95	4.17
60% <= LTV < 70%	13,770,485.57	3.66%	96	4.12%	77.91	4.15
70% <= LTV < 80%	15,868,500.62	4.22%	103	4.42%	83.31	4.12
80% <= LTV < 90%	30,126,260.37	8.00%	191	8.20%	80.12	4.11
90% <= LTV < 100%	50,198,182.69	13.34%	304	13.06%	73.82	4.08
100% <= LTV < 105%	47,885,210.35	12.72%	279	11.98%	66.08	4.08
105% <= LTV < 110%	99,808,871.22	26.52%	595	25.56%	69.03	4.05
110% <= LTV < 115%	82,680,395.74	21.97%	490	21.05%	62.51	4.06
115% <= LTV < 120%	12,247,377.20	3.25%	75	3.22%	57.01	4.04
120% <= LTV < 125%	2,769,720.04	0.74%	20	0.86%	43.08	3.92
125% <= LTV < 130%	1,183,550.00	0.31%	7	0.30%	47.45	4.02
130% <= LTV < 135%	598,313.01	0.16%	4	0.17%	71.31	3.94
135% <= LTV < 140%	-	0.00%	-	0.00%	0.00	0.00
140% <= LTV < 145%	-	0.00%	-	0.00%	0.00	0.00
145% <= LTV <= 150%	121,000.00	0.03%	1	0.04%	33.00	4.60
	<b>376,382,529.20</b>	<b>100%</b>	<b>2,328</b>	<b>100%</b>	<b>70.13</b>	<b>4.08</b>

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

Range of Loan-to-Value	Aggregate Outstanding Principal Amount (Euro)	Proportion of pool (%)	Number of Loan parts	Proportion of pool (%)	WAM (Months)	WAC (%)
LTV < 25%	1,221,820.08	0.32%	16	0.69%	85.05	4.25
25% ≤ LTV < 50%	13,693,820.58	3.64%	113	4.85%	87.71	4.17
50% ≤ LTV < 60%	11,076,628.49	2.94%	85	3.65%	74.00	4.18
60% ≤ LTV < 70%	16,573,026.50	4.40%	117	5.03%	79.57	4.12
70% ≤ LTV < 80%	30,121,817.04	8.00%	194	8.33%	66.58	4.18
80% ≤ LTV < 90%	55,237,639.50	14.68%	334	14.35%	65.15	4.16
90% ≤ LTV < 100%	155,692,457.62	41.37%	928	39.86%	56.76	4.02
100% ≤ LTV < 105%	50,631,477.67	13.45%	296	12.71%	73.32	3.85
105% ≤ LTV < 110%	30,230,339.04	8.03%	175	7.52%	112.57	4.29
110% ≤ LTV < 115%	9,950,210.95	2.64%	57	2.45%	125.84	4.45
115% ≤ LTV < 120%	1,469,398.75	0.39%	10	0.43%	69.87	4.18
120% ≤ LTV < 125%	124,892.98	0.03%	1	0.04%	93.00	3.75
125% ≤ LTV ≤ 130%	359,000.00	0.10%	2	0.09%	87.36	4.60
	376,382,529.20	100%	2,328	100%	70.13	4.08

## 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 *Risk Factors*).

### Financing of the WEW

The WEW finances itself, inter alia, by a one-off charge to the borrower of 0.4 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.

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.

Furthermore, according to the NHG Conditions for 2007 interest-only mortgage loans are allowed, provided that the interest-only part does not exceed 50 per cent. of the Market Value of the property.

An NHG Guarantee can be issued up to a maximum of Euro 265,000 (as of 1 January 2007).

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

When a borrower is in arrears with payments under the mortgage loan for a period of 4 months, the Seller 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 Market 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 2007**

With respect to the 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 so-called “*woonquote*” tables and an annuity style redemption (even if the actual loan is (partially) interest only). The interest rate to be used is 6% for loans with an interest rate period less than or equal to 5 years and the actual interest rate for loans with an 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 Euro 265,000. The loan amount is also limited by the amount of income and the Market Value of the property. With respect to the latter:
  - For the purchase of existing properties, the loan amount is broadly based on the sum of (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 ORIGINATION

### *Underwriting*

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

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

The NHG underwriting criteria have been incorporated in Stater's automated lending decision management system (“**Capstone**”). Capstone is part of the International Stater Mortgages System (*internationaal Stater Hypotheken Systeem* “**iSHS**”), used by Bank of Scotland Netherlands in the origination of the mortgage loans. Capstone is a rule based system used to regulate the NHG underwriting process.

### *Origination process – general*

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

### *Origination: outsourced final credit approval*

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

In case the loan application complies with all underwriting criteria or an overrule has been given by Bank of Scotland Netherlands, with regards to the non-NHG underwriting criteria only, iSHS submits an offer which is sent by the packager to the intermediary. The borrower must accept, sign and return the offer together with the required documentation to the intermediary. Once the offer has been accepted by the applicant, the intermediary collects the signed offer and all required loan documents and sends it to the packager, who will review the documents and send them to Stater for Final Credit Approval (“**FCA**”) on behalf of, and according to criteria set out by, NHG.

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

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

Bank of Scotland Netherlands has outsourced FCA to Stater's front office in respect of mortgage loans originated in the Hague, Schiedam, Dordrecht, Sliedrecht and Amsterdam postal code 1100-1109 and Rotterdam is not outsourced but given by the underwriters of Bank of Scotland Netherlands.

*Origination: [www.Bankofscotland.nl](http://www.Bankofscotland.nl)*

Where loan application forms are submitted by applicants directly to the Bank of Scotland Netherlands via its website, the information received is automatically entered into the Business Rule Checker (“**BRC**”). BRC is a pre-qualification decision tool which generates a positive or negative decision based on the underwriting criteria of NHG. Only a positive decision generates a mortgage loan offer. Once the offer has been accepted by the applicant it is automatically entered into iSHS. After the application data have been entered into iSHS, the application is evaluated by Capstone. Each application is automatically evaluated against the underwriting criteria of NHG. In case of violation of the underwriting criteria, Capstone generates a stop code. Once the offer has been accepted by the applicant, the Bank of Scotland Netherlands front office collects the signed offer and all required loan documents, which will be reviewed by a Bank of Scotland Netherlands employee. The FCA includes, amongst other things, a review of evidence of the applicant's income, the sales contract, identity check, fraud check, appraisal report and insurance application, if applicable. FCA is performed by the underwriters of Bank of Scotland Netherlands. After FCA, the loan file is scanned into HYARCHIS (mortgage archive system), which is connected to iSHS and the loan file is then available online.

*Completion of the loan*

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

## HANDLING OF THE MORTGAGE LOANS

### **Mortgage Handling**

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

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

### *Collections*

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

### *Arrears procedure*

The MPT Provider currently sub-contracts its arrears management responsibilities to Stater. Stater performs the arrears management on behalf and instruction of the Seller. Every day iSHS detects and keeps track of arrears. Directly after a missed payment a service letter is sent, reminding the Borrower in a friendly way that the direct debit was bounced. Two weeks after the first payment has been missed, a first reminder letter is sent to the Borrower. If the Borrower does not pay or react to the first reminder letter, a second reminder letter is sent after two weeks. The second reminder letter notifies the Borrower that measures for collecting the outstanding payment will be taken, including the engagement of a bailiff. After the second reminder letter, the Borrower will also be notified about the missed payment through telephone calls. Reminder letters include a specification of the penalty interest charged. Reminder letters are automatically generated by iSHS and sent to Borrowers by Stater.

During the four weeks following the appointment of the bailiff, the Borrower will be contacted by the bailiff four times. The following procedures are: a summons, a telephone call, a service of a writ and another telephone call. A Borrower that has been in an arrears procedure with Bank of Scotland before (repeated defaulters) does not receive a second reminder letter from Stater. Consequently, the bailiff will be appointed immediately after the first reminder call.

Where a Borrower falls into arrears, a credit check is carried out at BKR, the outcome of which indicates whether the Borrower is experiencing difficulties making other payments on consumer loans or other debt instruments. After 90 days of delinquency, BKR is notified of such delinquency by Bank of Scotland Netherlands after 120 days.

At any time, the Borrower can make a proposal to Bank of Scotland Netherlands for repaying the arrears balance. Stater's arrears department will then assess the Borrower's proposal and a counter-proposal can be made, if necessary. The Borrower may also propose selling the property at any stage through a private sale. Bank of Scotland Netherlands may accept a private sale if (a) revenues from the sale are expected to cover

the outstanding debt in full, or (b) it is estimated that the costs of the foreclosure process will result in a lower recovery value than a private sale of the property by the Borrower (see below).

### *Foreclosure process*

The right to foreclosure is afforded to Bank of Scotland Netherlands as mortgagee under Dutch law. Bank of Scotland Netherlands has, as a first ranking mortgagee, an “executorial title”, which means that it does not have to obtain court permission prior to foreclose on the mortgaged property in case of default (*verzuim*) of the Borrower. If the proceeds from the sale or auction of the mortgaged property do not fully cover Bank of Scotland Netherlands' claims, Bank of Scotland Netherlands may sell any pledged associated life insurance or investment deposit. However, Dutch law requires that, before a lender may foreclose on a Borrower's mortgaged property, the Borrower must be notified in writing of the default and it must be given reasonable time to comply with the lender's claims. This notification must include the amount outstanding and the amount of any expenses incurred. The name of the civil law notary responsible for the foreclosure sale should also be given.

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

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

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

Throughout the foreclosure process, Bank of Scotland Netherlands works according to the guidelines set down by Dutch law, the Code of Conduct of Mortgage Loans and the BKR.

### *Outstanding amounts*

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

## STATER NEDERLAND B.V

Stater Nederland B.V. (“**Stater**”) is the leading service provider for the Dutch mortgage market. In fulfilling this role, Stater focuses on support for mortgage funders in the sale, handling and financing of mortgage portfolios.

After starting life as part of Bouwfonds Hypotheken, Stater started its activities in January 1997 as an independent service provider in the mortgage market. Stater has since grown to become an international force in the market with circa 1,000 employees.

Stater is a 100 per cent subsidiary of Stater N.V., of which the shares are held for 100 per cent by ABN AMRO Bank N.V.

Stater provides activities consisting of mortgage payment transactions and ancillary activities with regard to a total of more than Euro 140 billion and approximately 1 million mortgage loans. In the Netherlands, Stater has a market share of about 30 per cent.

The activities are provided in a completely automated and paperless electronic format. Stater has pioneered the use of technology through its e-transactions concept for owners of residential mortgage loan portfolios and features capabilities to enhance, accelerate and facilitate securitisation transactions.

Stater provides an origination system that includes automated underwriting, allowing loan funders to specify underwriting criteria for each loan pool.

In November 2006, Stater was awarded high marks by rating agency Fitch Ratings for the quality of its services. On a scale of 1 to 5 (1 the highest), Stater received a 2 for its role as ‘primary servicer’ and a 3+ for that of ‘special servicer’. This is an excellent result, especially since this is the first time Stater has been rated.

For Stater’s customers, a high rating will positively influence credit enhancement for securitizations.

The high score on both ratings boosts Stater’s image on the international market and provides a stimulus for further quality improvement.

Stater’s external chartered auditor has issued a SAS 70 Type II assurance report on 5 February 2007 for Stater with respect to the second half year of 2006.

The head office is located at De Brand 40- 3823 LL Amersfoort, the Netherlands.

**The information under this heading has been provided by Stater.**

## MORTGAGE RECEIVABLES PURCHASE AGREEMENT

### Transfer of Legal Title

Under the Mortgage Receivables Purchase Agreement the Issuer will purchase and, on the Closing Date, accept from the Seller the assignment of the Mortgage Receivables and, to the extent legally possible the Beneficiary Rights relating thereto by means of the Deed of Assignment and the registration thereof. Following the assignment, the Issuer will be entitled to all proceeds, except for Prepayment Penalties, in respect of the Mortgage Receivables as of the Closing Date. The Seller is entitled to withhold any Prepayment Penalties from the Seller Central Collection Account. After notification of the assignment of the Mortgage Receivables, the Issuer will be contractually obliged to pass on to the Seller any Prepayment Penalties which the Issuer has received from the Borrowers.

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

### Purchase Price

The purchase price for the Mortgage Receivables will consist of the Initial Purchase Price which will be payable on the Closing Date and the Deferred Purchase Price. Part of the Initial Purchase Price will be withheld by the Issuer and will be deposited in the Construction Account. The Deferred Purchase Price will be equal to the sum of all Deferred Purchase Price Instalments.

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

### Representations and Warranties

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

- (1) each Mortgage Receivable and each Beneficiary Right is duly and validly existing;
- (2) each Mortgage Loan was originated by the Seller;
- (3) each of the Mortgage Loans conforms to the Mortgage Loans Criteria;
- (4) the Seller has full right and title (*titel*) to the Mortgage Receivables and the Beneficiary Rights and no restrictions on the sale and assignment of the Mortgage Receivables and the Beneficiary Rights are in effect and the Mortgage Receivables are capable of being assigned;
- (5) the Seller has the power (*is beschikkingsbevoegd*) to sell and assign the Mortgage Receivables and each Beneficiary Right relating thereto;
- (6) the Mortgage Receivables and each Beneficiary Right relating thereto are free and clear of any rights of pledge or other or similar rights (*beperkte rechten*), encumbrances and attachments (*beslagen*) and no option rights have been granted in favour of any third party with regard to the Mortgage Receivables or the Beneficiary Rights other than pursuant to the Relevant Documents and no claims or other contractual entitlements of third parties exist in respect of the Mortgage Receivables and the

Beneficiary Rights that could be adverse to the Issuer's interest therein to the validity/enforceability of the Relevant Documents;

- (7) the Mortgage Loans and the Mortgage Conditions comply in all material respects with the laws of the Netherlands applicable thereto, including mortgage credit and consumer protection legislation;
- (8) each Mortgage Receivable is secured by a mortgage right (*hypotheekrecht*) on a Mortgaged Asset located in the Netherlands and is governed by Dutch law;
- (9) all Mortgages and Borrower Pledges (i) constitute valid mortgage rights (*hypotheekrechten*) and rights of pledge (*pandrechten*) respectively on the assets which are the subject of the Mortgages and the Borrower Pledges, as applicable, and, to the extent relating to the Mortgages, have been entered into the appropriate public register (*Dienst van het Kadaster en de Openbare Registers*); (ii) have first priority (*eerste in rang*) or, as the case may be, first and one or more sequential lower ranking priority in favour of the Seller; and (iii) were vested to secure the repayment of an Outstanding Principal Amount which at least equals the Outstanding Principal Amount at origination, increased with interest, penalties, costs and any damages together up to an amount equal to 40 per cent. of the Outstanding Principal Amount at origination;
- (10) each Mortgage Receivable, the Mortgage and the Borrower Pledge securing such receivable, if any, constitute legal, valid, binding and enforceable obligations of the relevant Borrower vis-à-vis the Seller, except for any limitation on enforceability due to applicable bankruptcy or insolvency laws;
- (11) the Mortgage Deeds contain the provision that the Mortgages will partially follow, *pro rata*, the Mortgage Receivables upon their assignment;
- (12) at origination, each Mortgaged Asset was valued by an independent qualified appraiser not more than 12 months before application for a Mortgage Loan was made;
- (13) each Mortgage Loan has been granted to a Borrower in accordance with all applicable legal requirements and the Code of Conduct on Mortgage Loans (*Gedragscode Hypothecaire financieringen*) prevailing at the time of origination in all material respects and each Mortgage Loan meets in all material respects the standard underwriting criteria and procedures of the Seller, including Borrower income requirements, prevailing at the time of origination;
- (14) the Borrowers have committed in the Mortgage Conditions to take out a building insurance policy (*opstalverzekering*) for the full reinstatement value (*herbouwwaarde*) at the time the Mortgage Loan was advanced;
- (15) the notarial mortgage deeds (*minuut*) relating to the mortgage rights are filed by Stater while the loan files, which include authenticated copies of the notarial mortgage deeds, and which loan files could be in electronic form, are kept by Stater to the order of the Seller or, as the case may be, the Issuer or the Security Trustee;
- (16) to the best of the knowledge of the Seller, the Borrowers are not in any material breach of any provision of their Mortgage Loans;
- (17) the Mortgage Conditions provide that all payments by the Borrower should be made without any deduction or set-off;
- (18) each Mortgage Loan constitutes the entire loan granted to the relevant Borrower that is secured by the Mortgage and not merely one or more loan parts (*leningdelen*);
- (19) the particulars of each Mortgage Receivable, as set forth in the list of Mortgage Receivables (i) attached to the Mortgage Receivables Purchase Agreement and to the Deed of Assignment to be

signed on the Closing Date and (ii) to be deposited with the civil-law notary, are true, correct and complete in all material respects;

- (20) all Mortgage Receivables secured by a Mortgage on a long lease (*erfpacht*) provide that the Outstanding Principal Amount, including interest, will become immediately due and payable if the long lease terminates, if the leaseholder materially breaches or ceases to perform its payment obligation under the long lease (*canon*) or if the leaseholder in any other manner breaches the conditions of the long lease;
- (21) the Seller has no Other Claim vis-à-vis a Borrower;
- (22) the Seller does not have a current account relationship with a Borrower and holds no amounts on deposit for a Borrower other than the Construction Amounts;
- (23) under each Mortgage Receivables interest and, if applicable, principal due with respect to at least one month has been paid by the relevant Borrower;
- (24) with respect to Mortgage Loans with a Insurance Policy between the Borrower and Insurance Companies other than Allianz, Cordares, Goudse, Zwitserleven or VVAA (i) there is no connection between the Life Mortgage Loan and the Life Insurance Policy, other than the Borrower Insurance Pledge, (ii) the Life Mortgage Loan and the Life Insurance Policy are in the relevant Seller's or the Insurance Company's promotional materials not offered as one product under one name and (iii) the Insurance Company is not a group company of the Seller;
- (25) each Mortgage Loan has the benefit of an NHG Guarantee and (A) each such NHG Guarantee connected to the Mortgage Loan (i) was granted for the full amount of the Mortgage Loan at origination, (ii) constitutes legal, valid and binding obligations of *Stichting Waarborgfonds Eigen Woningen*, enforceable in accordance with their terms, (iii) all terms and conditions ('*voorwaarden en normen*') applicable to the NHG Guarantee at the time of origination of the Mortgage Loans were complied with and (B) the Seller is not aware of any reason why any claim made in accordance with the requirements pertaining thereto under any NHG Guarantee in respect of any Mortgage Loan should not be met in full and in a timely manner;
- (26) each Mortgage Loan meets in all material respects the NHG Underwriting Criteria and procedures of the Seller, including Borrower income requirements, prevailing at the time of origination;
- (27) other than the aggregate Construction Amounts under construction mortgage loans (*bouwhypotheken*), all Mortgage Loans have been fully disbursed;
- (28) no amount is held in respect of all Mortgage Loans in deposit with respect to premia and interest payments (*rente- en premiedepots*);
- (29) if at any time (a) a Borrower invokes a right to set off amounts due by the Seller or any Life Insurance Company to it, of whatever nature, with the relevant Mortgage Receivables and (b) as a consequence thereof the Issuer does not receive the full amount due in respect of such Mortgage Receivable, the Seller undertakes to pay on the next Mortgage Payment Date 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; and
- (30) as of the Cut-Off Date, the aggregate Construction Amounts did not exceed the amount of Euro 1,682,124.51.

## Repurchase of Mortgage Receivables

Under the Mortgage Receivables Purchase Agreement, the Seller will be obliged to repurchase and accept re-assignment of the Mortgage Receivable:

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

1. if at any time after the Closing Date any of the representations and warranties relating to a Mortgage Loan and/or Mortgage Receivable proves to have been untrue or incorrect in any material respect, the Seller will within 14 days of having knowledge of such breach or receipt of written notice thereof from the Issuer or the Security Trustee, remedy the matter giving rise thereto and if such matter is not capable of remedy or is not remedied within those 14 days the Seller will repurchase and accept re-assignment of the relevant Mortgage Receivable on the immediately succeeding Mortgage Payment Date;
2. on the immediately succeeding Mortgage Payment Date after it agrees with a Borrower to amend the terms of the Mortgage Loan and as a result thereof the Mortgage Loan no longer meets each of the Mortgage Loans Criteria and the representations and warranties of the Mortgage Receivables Purchase Agreement or if such amendment, as a result, changes the maturity date of the loan, the interest rate (other than as a result of an interest reset) or monthly payment amount (other than as a result of an interest reset), provided that if such amendment is made as part of the enforcement procedures to be complied with upon a default by the Borrower under the Mortgage Loan or is otherwise made as part of a restructuring or renegotiation of the Mortgage Loan due to a deterioration of the credit quality of the Borrower of such Mortgage Loan the Seller shall not repurchase the relevant Mortgage Receivable;
3. on the immediately succeeding Mortgage Payment Date after the date on which it has agreed to grant a Further Advance to the relevant Borrower; and/or
4. if it obtains an Other Claim vis-à-vis the Borrower under such Mortgage Receivable on the Mortgage Payment Date immediately succeeding the day such Other Claim is obtained.
5. on the Quarterly Payment Date immediately following the Quarterly Payment Date on which the Issuer, if so instructed by the MPT Provider, has exercised the Clean-up Call Option; or
6. on the Mortgage Payment Date immediately following the date on which the Mortgage Loan no longer has the benefit of the NHG Guarantee; or
7. on the Mortgage Payment Date immediately following the date on which a formal request for payment under the NHG Guarantee has been made and *Stichting Waarborgfonds Eigen Woningen* refuses to pay the full amount so requested; or
8. on the Mortgage Payment Date immediately following the date on which the MPT Provider receives notice from a regulatory agency, the Seller, a Borrower or any other party indicating that it has failed to comply with its undertaking in the Issuer Servicing Agreement to administer the Mortgage Loans, including the foreclosure thereof, in accordance with the terms and conditions (*voorwaarden en normen*) of *Stichting Waarborgfonds Eigen Woning*; or
9. on the Mortgage Payment Date immediately following the date on which after foreclosure the Net Proceeds (excluding the amount to be received under the NHG Guarantee) are not sufficient to repay the relevant Mortgage Receivable in full and the Seller or the MPT Provider decides not to make a claim under the NHG Guarantee.

## **Seller Clean-Up Call**

The Seller may (without the obligation to do so) exercise the Seller Clean-Up Call Option and repurchase and accept re-assignment of all (but not some only) the Mortgage Receivables on any Quarterly Payment Date on which the Outstanding Principal Amount due on the Senior Class A Notes then outstanding minus, in respect of the Savings Mortgage Loans, the Savings Participations is less than 10 per cent. of the Outstanding Principal Amount of the Senior Class A Notes on the Closing Date minus, in respect of the Savings Mortgage Loans, the Savings Participations.

## **Mortgage Loans Criteria**

On the Cut-Off Date, each of the Mortgage Loans met the Mortgage Loans Criteria:

- (a) the Mortgage Loans are in one of the following forms:
  - (1) Life Mortgage Loans (*levenhypotheken*),
  - (2) Savings Mortgage Loans (*spaarhypotheken*),
  - (3) Investment Mortgage Loans (*beleggingshypotheken*),
  - (4) Annuity Mortgage Loans (*annuïteiten hypotheken*),
  - (5) Linear Mortgage Loans (*lineaire hypotheken*);
  - (6) Interest-only Mortgage Loans (*aflossingsvrije hypotheken*), or
  - (7) a combination of any of the above mentioned types of mortgage loans (*combinatiehypotheken*);
- (b) the Borrower is a resident of the Netherlands and not employed by the Seller;
- (c) each Mortgage Loan is secured by a first ranking – or first ranking and sequentially lower ranking – right of mortgage on a Mortgaged Asset situated in the Netherlands;
- (d) none of the Mortgage Loans are bridging loans mortgages (*overbruggingskredieten*);
- (e) in respect of all Mortgage Loans, the Borrowers' income statements have been verified and no income was taken into account other than employment income, self-employment income and (early) retirement income;
- (f) the Mortgaged Asset had to be destined to be occupied by the Borrower at and after the time of origination. No consent for residential letting of the mortgaged property has been given by or on behalf of the Seller;
- (g) the interest rate on each Mortgage Loan is a fixed rate, subject to an interest reset from time to time, or a floating rate;
- (h) all scheduled payments on the Mortgage Loans are to be made monthly in arrear by direct debit;
- (i) no Mortgage Loan will have a legal maturity beyond 30 years;
- (j) all Mortgage Loans are fully disbursed to the Borrower (other than the Construction Amounts);

- (k) in respect of all Interest-only Mortgage Loans, or in the case of a combination of types of mortgage loans, the LTMV-ratio of the interest-only loan part does not exceed 50 per cent.;
- (l) the Borrower does not have more than one settled negative credit history record with the BKR;
- (m) the total amount of arrears of interest and principal, together with any fees, commissions and premiums payable at the same time as that interest payment or principal repayment in respect of any Mortgage Loan is not, on the date of sale and assignment to the Issuer, more than the amount of three monthly payments when due.
- (n) the Outstanding Principal Amount of each of the Mortgage Loans did not exceed the maximum loan amount as stipulated by the NHG Underwriting Criteria;
- (o) no Mortgage Loan has fixed interest periods longer than 30 years;

### **Assignment Notification Events**

The Mortgage Receivables Purchase Agreement provides that the Borrowers are notified of the assignment of the Mortgage Receivables to the Issuer if, *inter alia*:

- (a) a default is made by the Seller in the payment on the due date of any amount due and payable by it under the Mortgage Receivables Purchase Agreement or under any other Relevant Document to which it is a party and such default is not remedied within ten (10) business days after having knowledge of such failure or notice thereof has been given by the Issuer or the Security Trustee to the Seller; or
- (b) the Seller fails duly to perform or comply with any of its obligations under the Mortgage Receivables Purchase Agreement or under any other Relevant Document to which it is a party and, if such failure is capable of being remedied, such default is not remedied within ten (10) business days after having knowledge of such failure or notice thereof has been given by the Issuer or the Security Trustee to the Seller; or
- (c) the Seller takes any corporate action or other steps are taken or legal proceedings have been instituted or threatened against it for its dissolution and liquidation or legal demerger involving a material part of the Seller's assets or its assets are placed under administration; or
- (d) the Seller, otherwise than for the purposes of such amalgamation or reconstruction as is referred to in subparagraph (g) below, ceases or threatens to cease to carry on its business or a substantial part of its business or the Seller is deemed unable to pay its debts within the meaning of Section 123(1)(a), (b), (c) or (d) of the Insolvency Act 1986 (as that section may be amended, modified or re-enacted) or the value of its assets falls to less than the amount of its liabilities (taking into account for both these purposes its contingent and prospective liabilities) or otherwise becomes insolvent; or
- (e) the Seller has taken any corporate action or any steps have been taken or legal proceedings have been instituted or threatened against it for submission to an emergency regulation (*noodregeling*) or for the bankruptcy (*faillissement*) or for any analogous insolvency proceedings under any applicable law or for the appointment of a receiver or a similar officer of it or of any or all of its assets; or
- (f) an order is made or an effective resolution is passed for the winding-up of the Seller except a winding-up for the purposes of or pursuant to an amalgamation or reconstruction the terms of which have previously been approved by the Security Trustee in writing; or
- (g) proceedings are otherwise initiated against the Seller under any applicable liquidation, insolvency, bankruptcy, composition, reorganisation or other similar laws (including, but not limited to, an application for an administration order, the filing of documents with the court for the appointment of

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

- (h) at any time it becomes unlawful for the Seller to perform all or a material part of its obligations hereunder or under any Relevant Document to which it is a party in such a manner that this would have a material adverse effect on its ability to perform such obligations; or
- (i) the Seller has given materially incorrect information or has not given material information which was essential for the Issuer and the Security Trustee in connection with the entering into of the Mortgage Receivables Purchase Agreement and/or any of the other Relevant Documents; or
- (j) the rating assigned to the unsecured, unsubordinated and unguaranteed long term debt obligations of the Seller fall below Baa3 by Moody's or is withdrawn; or
- (k) a Pledge Notification Event occurs,

then, and at any time thereafter, the Seller will, unless (but only in the case of the occurrence of the events mentioned under (a) and (b)) within a period of 10 business days an appropriate remedy to the satisfaction of the Security Trustee, having given prior notice to Moody's of the relevant event (as mentioned under (a) to (k) above), is found, forthwith notify the relevant Borrowers and any other relevant parties indicated by the Issuer and/or the Security Trustee of the assignment of the Mortgage Receivables to the Issuer or, at its option, the Issuer will be entitled to make such notifications itself.

In addition, pursuant to the Beneficiary Waiver Agreement the Seller will undertake to use its best efforts following an Assignment Notification Event to obtain the cooperation from all relevant parties (including the Life Insurance Companies) to (a) waive its rights as beneficiary and (b) appoint (i) the Issuer subject to the dissolving condition of a Pledge Notification Event relating to the Issuer and (ii) the Security Trustee under the condition precedent of the occurrence of a Pledge Notification Event relating to the Issuer as first beneficiary under the Insurance Policies. For the situation that a Borrower Insurance Proceeds Instruction exists, the Seller and the Savings Insurance Companies will in the Beneficiary Waiver Agreement undertake to use their best efforts, following a Notification Event to obtain the cooperation of all relevant parties to change the payment instruction in favour of (i) the Issuer subject to the dissolving condition of a Pledge Notification Event relating to the Issuer and (ii) the Security Trustee under the condition precedent of the occurrence of a Pledge Notification Event relating to the Issuer.

### **Interest reset agreements**

Pursuant to the Mortgage Receivables Purchase Agreement and the Issuer Services Agreement the Seller will determine and set the interest rates in accordance with the Mortgage Conditions in such a way, that the weighted average interest rate in respect of the Mortgage Receivables will at all times be at least equal to Euribor plus the Threshold Margin. If on a Quarterly Calculation Date the Issuer Administrator determines

that the weighted average interest rate has dropped below Euribor plus the Threshold Margin, the authority to set the interest rates in accordance with the Mortgage Conditions and Clause 5.1 of the Issuer Services Agreement will pass to the Security Trustee by way of a power of attorney from the Issuer until such time as the Issuer and the Security Trustee may in their sole discretion determine.

## ISSUER SERVICES AGREEMENT

### Services

In the Issuer Services Agreement, the MPT Provider will agree to provide the MPT Services (mortgage payment transactions services) to the Issuer on a day-to-day basis in relation to the Mortgage Loans and the Mortgage Receivables, including, without limitation, the collection of payments of principal, interest to the Issuer and other amounts in respect of the Mortgage Loans. The MPT Provider will also agree to provide the Defaulted Loan Services, including the implementation of arrears procedures and the enforcement of mortgage rights (see further *Mortgage Loan Underwriting and Origination*). The MPT Provider will be obliged to provide the services as set out above in respect of the Mortgage Loans and the Mortgage Receivables at the same level of skill, care and diligence as mortgage loans in its own portfolio. The MPT Provider will under the Sub MPT Agreement, in accordance with the Issuer Services Agreement, appoint Stater as its sub-agent to carry out the MPT Services and the Defaulted Loan Services described above upon the terms and provisions of and in accordance with the Issuer Services Agreement and the Sub MPT Agreement. Stater will accept this appointment and will commit itself, in favour of the Issuer, to carry out the activities subject to and on the terms provided in the Issuer Services Agreement. The Issuer and the Security Trustee have consented to the appointment of Stater as subagent. Finally, the MPT Provider will perform certain cash management services by instructing the Paying Agent to make such payments to such persons as calculated by the Issuer Administrator.

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

### Termination

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

In such events, the Security Trustee and the Issuer shall use their best efforts to appoint a substitute MPT Provider and/or the Issuer Administrator and such substitute MPT Provider and/or the Issuer Administrator shall enter into an agreement with the Issuer and the Security Trustee substantially on the terms of the Issuer Services Agreement, provided that such substitute MPT Provider and/or the Issuer Administrator shall have the benefit of a fee at a level to be then determined. With respect to the services to be provided under the Issuer Services Agreement such substitute MPT Provider must have (i) experience of administering mortgage loans and mortgages of commercial property in the Netherlands and (ii) hold a licence under the Wft as amended from time to time. The Issuer shall, promptly following the execution of such agreement, pledge its interest in such agreement in favour of the Security Trustee on the terms of the Pledge Agreement II, *mutatis mutandis*, to the satisfaction of the Security Trustee.

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

## SAVINGS MORTGAGE SUB-PARTICIPATION AGREEMENT

As discussed in "*Description of the Mortgage Loans*", Savings Mortgage Loans are connected to Savings Insurance Policies under which Borrowers pay savings premium on a monthly basis to the Savings Insurance Companies, who pass on the capital element of such premium to the Seller in exchange of an interest in the Savings Mortgage Loan. This way the Savings Insurance Companies build up their interests in the Savings Mortgage Loan over time and at maturity such interest is applied towards redemption of the Savings Mortgage Loans. In order to allow the Savings Insurance Companies to continue to build up their interests in the Savings Mortgage Loans upon Closing, the Issuer will enter into a Savings Mortgage Sub-Participation Agreement with each Savings Mortgage Participant. Under each such agreement the Issuer will grant to the relevant Savings Mortgage Participant a Savings Participation in the relevant Savings Mortgage Receivables in respect of which Borrowers have taken out a policy with such Savings Insurance Company.

### Savings Participation

Each savings mortgage participation (collectively the "**Savings Participations**") is equal to the Initial Savings Participation plus the monthly Savings Participations Increases.

#### *Initial Savings Participation*

On the Closing Date the Savings Insurance Companies will acquire an initial participation (each an "**Initial Savings Participation**") with respect to the Savings Mortgage Receivables assigned to the Issuer.

The Initial Savings Participation in respect of each Savings Mortgage Loan will in each case be equal to the nominal value of the Savings Parts which the Savings Insurance Companies previously owned in respect of the Savings Mortgage Receivables, but which they re-assigned to the Seller immediately prior to the Closing.

#### *Monthly Savings Participation Increase*

Pursuant to each Savings Mortgage Sub Participation Agreement, the Issuer and the relevant Savings Mortgage Participant have furthermore agreed that the Savings Mortgage Participant will, on or prior to each Monthly Payment Date, increase the Savings Participation in each Mortgage Loan (starting with the Initial Savings Participation) against payment by the Savings Mortgage Participant to the Issuer on each such Monthly Payment Date of the following amounts:

- (a) the Savings Premiums scheduled to be received by the Savings Insurance Companies during the Mortgage Calculation Period immediately preceding such Monthly Payment Date;
- (b) the *pro rata* portion of the interest payable by the Borrower with respect to the Mortgage Loan which the Savings Mortgage Participant is entitled to receive from the Issuer under the Savings Participation. The obligation of the Issuer towards the Savings Mortgage Participant to pay out the *pro rata* interest amount is set off against the right of the Issuer to receive an amount equal to such *pro rata* interest amount from the Savings Mortgage Participant to increase the Savings Participation.

The amount of the '**Savings Participations Increase**' is an increase of (the entitlement under) the Savings Participation compared to the first day of the relevant Mortgage Calculation Period immediately preceding the relevant Mortgage Calculation Date, which increase can be calculated on the relevant Mortgage Calculation Date by application of the following formula:

$(P/H) \times R + S$ , whereby

P = the Savings Participation on the first day of the relevant Mortgage Calculation Period;

- H = the principal amount outstanding on the Savings Mortgage Receivable on the first day of the relevant Mortgage Calculation Period;
- S = the amount of the Savings Premium actually received by the Issuer from the Savings Mortgage Participant in the relevant Mortgage Calculation Period in respect of the relevant Mortgage Receivable;
- R = the amount of (i) interest due, but not overdue, and actually received from the relevant Borrower in the relevant Mortgage Calculation Period in respect of the Mortgage Receivable.

### **Maximum Savings Participation Amount**

In respect of each relevant Savings Mortgage Receivable no amounts will be paid to the extent that as a result thereof the Savings Participation in such Savings Mortgage Receivable would exceed the Mortgage Outstanding Principal Amount of such Savings Mortgage Receivable at such time (the “**Maximum Savings Participation Amount**”).

### **Entitlement Savings Insurance Companies**

The Savings Participation will entitle each Savings Mortgage Participant on or prior to each Monthly Payment Date to receive from the Issuer the following amounts relating to participant up to the Maximum Savings Participation Amounts received during the relevant Mortgage Calculation Period:

- (i) amounts in connection with repayments and prepayments under the relevant Savings Mortgage Receivables from any person, whether by set-off or otherwise, but, for the avoidance of doubt, excluding prepayment penalties, if any, and, furthermore, excluding amounts paid as partial prepayments;
  - (ii) in connection with a repurchase or sale of the relevant Mortgage Receivables pursuant to the Mortgage Receivables Purchase Agreement or the Trust Deed and any other amounts received pursuant to the Mortgage Receivables Purchase Agreement, to the extent such amounts relate to principal (for the avoidance of doubt excluding the repurchase price with respect to Savings Parts repurchased by the Savings Insurance Companies); and
  - (iii) as Net Proceeds on the relevant Mortgage Receivables to the extent such amounts relate to principal
- (collectively referred to as the “**Savings Participation Redemption Available Amount**”).

### **Reduction of Savings Participation**

If:

- (i) a Borrower invokes a right of set-off or a defence against any person with respect to the relevant Savings Mortgage Receivable based upon a default in the performance, whether in whole or in part and for any reason, by the relevant Savings Mortgage Participant of its payment obligations under the relevant Savings Insurance Policy or Savings Investment Insurance Policy, as the case may be; or
- (ii) a Savings Mortgage Participant or the relevant Seller fails to pay any amount due by it with respect to the relevant Savings Mortgage Receivable or to assign any Savings Part required to be assigned by it, as the case may be, under or in connection with the relevant Savings Mortgage Sub-Participation Agreement and/or the Mortgage Receivables Purchase Agreement, respectively, or the Savings Mortgage Participant fails to pay any amount due by it to the Seller or the Issuer, as the case may be, under or in connection with any of the relevant Savings Insurance Policies,

and, as a consequence thereof, the Issuer does not receive any amount which it would have received if such defence or failure to pay or assign would not have been made with respect to such Savings Mortgage Receivable, the Savings Participation of the relevant Savings Mortgage Participant with respect to such Savings Mortgage Receivable will be reduced by an amount equal to the amount which the Issuer has failed to so receive and the calculation of the Savings Participation Redemption Available Amount shall be adjusted accordingly.

### **Enforcement Notice**

If an Enforcement Notice is given by the Security Trustee to the Issuer, then and at any time thereafter the Security Trustee on behalf of each of the Savings Insurance Companies may, and if so directed by a Savings Mortgage Participant shall, by notice to the Issuer:

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

### **Termination**

If one or more of the Savings Mortgage Receivables (excluding the Savings Parts, if any) are (i) repurchased by a Seller from the Issuer pursuant to the Mortgage Receivables Purchase Agreement or (ii) sold by the Issuer to a third party pursuant to the Mortgage Receivables Purchase Agreement or the Trust Deed, the Savings Participation in such Savings Mortgage Receivables will terminate and either (i) the Savings Participation Redemption Available Amount with respect to such Savings Mortgage Receivables will be paid by the Issuer to the relevant Savings Mortgage Participant and/or (ii) the Savings Parts relating to such Savings Mortgage Receivables having a nominal value equal to that when purchased by the Issuer, will be re-assigned by the Issuer to the relevant Savings Mortgage Participant and the purchase price will be set off against the Savings Participations Redemption Available Amount up to such nominal amount. If so requested by the relevant Savings Mortgage Participant, the Issuer will use its best efforts to ensure that the acquirer of the Savings Mortgage Receivables will enter into a sub-participation agreement with the relevant Savings Mortgage Participant in a form similar to the Savings Mortgage Sub-Participation Agreement entered into with such Savings Mortgage Participant. Furthermore, the Savings Participation envisaged in the Savings Mortgage Sub-Participation Agreement shall terminate if at the close of business on the relevant calculation date the Savings Mortgage Participant has received each Savings Participation with respect to the relevant Savings Mortgage Receivable.

## SWAP AGREEMENT

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

General Approximately 96.16 per cent. of the Mortgage Loans sold and assigned to the Issuer on the Closing Date carry a fixed rate of interest, all for a certain set interest period (*rentevastperiode*). At the end of an interest period, the interest rate will be reset, unless the Borrower redeems the Mortgage Loans. In general, fixed rate reset terms can be set for periods of 1, 5, 6, 10, 15, 20, 25 and 30 years. In addition, a portion of the Mortgage Loans carry a variable rate of interest. This variable rate is reset monthly. However, the interest rate payable by the Issuer with respect to the Notes is calculated as margin over EURIBOR for three-month euro deposits. To provide a hedge against possible variance between (i) the variable rates of interest and fixed rates of interest payable on the Mortgage Loans and (ii) a EURIBOR-based rate for three-month euro deposits, the Issuer, the Swap Counterparty and the Security Trustee will enter into the Swap Agreement on the Closing Date. The Swap Agreement will have a notional amount that is sized to hedge against any potential interest rate mismatches in relation to the Notes. Under the Swap Agreement, on each Quarterly Payment Date, the following amounts will be calculated:

- the amount produced by multiplying EURIBOR for three-month euro deposits (as determined in respect of the relevant Floating Rate Interest Period) plus the Swap Margin for the relevant Mortgage Calculation Period by the Notional Amount calculated on the basis of the actual number of days in such Mortgage Calculation Period, divided by 365 (the “**Mortgage Calculation Period Swap Provider Amount**”); and
- the amount produced by multiplying a rate equal to the weighted average (by Outstanding Principal Amount minus, in respect of the Savings Mortgage Loans, the Savings Participations) of:
  - (i) the fixed rates of interest payable on Mortgage Loans carrying a fixed rate of interest; and
  - (ii) EURIBOR for one-month euro deposits in respect of Mortgage Loans carrying a floating rate of interest,

for the relevant Mortgage Calculation Period by the Notional Amount calculated on the basis of the actual number of days in such Mortgage Calculation Period, divided by 365 (the “**Mortgage Calculation Period Issuer Amount**”); and

- an amount equal to the sum of each of the Mortgage Calculation Period Swap Provider Amounts calculated in respect of the Mortgage Calculation Periods which end on a date falling within the relevant Floating Rate Interest Period (the **Swap Provider Amount**); and
- an amount equal to the sum of each of the Mortgage Calculation Period Issuer Amounts calculated in respect of the Mortgage Calculation Periods which end on a date falling within the relevant Floating Rate Interest Period (the **Issuer Amount**).

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

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

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

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

- the aggregate Principal Amount Outstanding of the Notes on the first day of such Quarterly Calculation Period; less
- the balance of the Principal Deficiency Ledger attributable to the Notes on the first day of such Quarterly Calculation Period; less
- the amount of principal receipts in the Issuer Collection Account on the first day of such Quarterly Calculation Period.

In the event that the Swap Agreement is terminated prior to the service of any Enforcement Notice, the Issuer shall enter into a replacement swap agreement on terms acceptable to Moody's, with the Security Trustee and with a swap counterparty which will have the required ratings as set out in the relevant Moody's criteria to maintain the current rating assigned to the Senior Class A Notes. If the Issuer is unable to enter into a replacement swap agreement on terms acceptable to Moody's, this may affect amounts available to pay interest on the Notes.

#### **Ratings downgrade of the Swap Counterparty**

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

#### **Termination of the Swap Agreement**

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

- the Swap Agreement will terminate on the date on which the Principal Amount Outstanding of the Notes is reduced to zero;
- the Swap Agreement may also be terminated in certain other circumstances, including the following, each referred to as a "**Swap Early Termination Event**";
- at the option of one party to the Swap Agreement, if there is a failure by the other party to pay any amounts due under the Swap Agreement and such failure is not remedied on or before the third Local Business Day (as defined in the Swap Agreement) after notice of such failure is given to such party;
- at the option of the Swap Counterparty, if the Security Trustee serves an Enforcement Notice;

- at the option of either party, if a redemption or purchase of the Notes occurs pursuant to Conditions 6(a), (b), (c), (g), (i) or (j);
- at the option of the Issuer, if certain tax representations by the Swap Counterparty prove to have been incorrect or misleading in any material respect;
  - at the option of the Swap Counterparty, if certain insolvency events occur with respect to the Issuer;
  - at the option of the Issuer upon the occurrence of an insolvency of the Swap Counterparty, or its guarantor, or the merger of the Swap Counterparty without an assumption of its obligations under the Swap Agreement, or if a material misrepresentation is made by the Swap Counterparty under the Swap Agreement or a default by the Swap Counterparty under an over-the-counter derivatives transaction under another agreement between the Issuer and Swap Counterparty or if a breach of a provision of the Swap Agreement by the Swap Counterparty is not remedied within the applicable grace period, or, if applicable, the guarantor of the Swap Counterparty fails to comply with its obligations under any guarantee;
  - if a change in law results in the obligations of one of the parties becoming illegal;
  - at the option of the Swap Counterparty but subject to obtaining the consent of the Security Trustee, if withholding taxes are imposed on payments made by the Swap Counterparty under the Swap Agreement; and
  - if the Swap Counterparty or its guarantor, as applicable, is downgraded and fails to comply with the requirements of the ratings downgrade provision contained in the relevant swap agreement and described above under “**Ratings downgrade of the Swap Counterparty**”.

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

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

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

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

**Transfer of the Swap Agreement**

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

**Taxation**

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

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

**Governing law**

The Swap Agreement will be governed by English law.

## CANDIDE FINANCING 2007 NHG B.V.

The Issuer was incorporated with limited liability under the laws of the Netherlands on 11 December 2007 under number B.V. 1464780. The corporate seat (*statutaire zetel*) of the Issuer is in Amsterdam, the Netherlands and its registered office is at Frederik Roeskestraat 123, 1076 EE Amsterdam, the Netherlands, telephone number is +31 20 577 1177. The Issuer is registered with the Commercial Register of the Chamber of Commerce of Amsterdam under number 34222925.

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

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

The Issuer has an authorised share capital of Euro 90,000 of which Euro 18,000 has been issued and is fully paid. All shares of the Issuer are held by Stichting Holding. The rights of Stichting Holding as shareholder of the Issuer are contained in the articles of association of the Issuer and in the Dutch Civil Code.

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

The Issuer has the corporate power and capacity to issue the Notes, to acquire the Mortgage Receivables and to enter into and perform the Relevant Documents. Allen & Overy-LLP is the legal adviser to the Issuer in connection with the issue of the Notes.

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

ATC Management B.V. belongs to the same group of companies as Amsterdamsch Trustee's Kantoor B.V., being the sole Director of the Security Trustee. Therefore, a conflict of interest may arise. In this respect it is noted that each of the Directors in the management agreement it has entered into with the entity of which it has been appointed managing director (*statutair directeur*), agrees and undertakes to, *inter alia*, (a) do all that an adequate managing director (*statutair directeur*) should do or refrain from doing all that an adequate managing director should refrain from doing, and (b) refrain from taking any action detrimental to the obligations under any of the Relevant Documents or the then current rating assigned to the Senior Class A Notes outstanding. In addition each of the Directors agrees in the relevant management agreement that it will not enter into any agreement in relation to Candide Financing 2007 NHG B.V. and/or Stichting Holding and/or the Security Trustee other than the Relevant Documents to which it is a party, without, after having

given prior notice of the entering into such agreement to Moody's, the prior written consent of the Security Trustee.

Since the date of incorporation or establishment, the Issuer has not commenced operations and no financial statements have been made up as at the date of this document. The financial year of the Issuer coincides with the calendar year. The first financial year will end on 31 December 2008.

The Issuer is in compliance with the Wft due to the fact that the Notes will be (deemed to be) offered solely to professional market parties within the meaning of the Wft.

## **AUDITORS REPORT**

The following is the text of a report received by the Board of Managing Directors of the Issuer from KPMG Accountants N.V., the accountants of which are a member of the Royal Dutch Institute for registered accountants (*Koninklijk Nederlands Instituut voor-register accountants*) the auditors to the Issuer:

### **“Auditors' Report**

Candide Financing 2007 NHG B.V. (the “**Issuer**”) was incorporated on 11 December 2007 under number B.V. 1464780 with an issued share capital of Euro 18,000. The Issuer has not yet filed any financial statements.

Amstelveen, 18 December 2007

**KPMG ACCOUNTANTS N.V.**

L.M. Jansen RA”

## **USE OF PROCEEDS**

The net proceeds of the Senior Class A Notes to be issued on the Closing Date will amount to Euro 356,000,000.

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 Mortgage Receivables purchased under the Mortgage Receivables Purchase Agreement. The net proceeds of the issue of the Subordinated Class B Notes will be credited to the Reserve Account.

Furthermore, an amount of Euro 1,124,173.83 of the Initial Purchase Price will be withheld by the Issuer and deposited in the Construction Account.

Finally, the Issuer will be entitled to receive Euro 1,614,194.04 as consideration for the Initial Savings Participations granted to the Savings Insurance Companies in respect of the Savings Mortgage Receivables. Such amount is applied towards payment of the remaining part of the Initial Purchase Price.

## DESCRIPTION OF SECURITY

In the Parallel Debt Agreement, the Issuer will irrevocably and unconditionally undertake to pay to the Security Trustee the Parallel Debt. The Parallel Debt constitutes a separate and independent obligation of the Issuer and constitutes the Security Trustee's own separate and independent claim to receive payment of the Parallel Debt from the Issuer. Upon receipt by the Security Trustee of any amount in payment of the Parallel Debt, the payment obligations of the Issuer to the Secured Parties shall be reduced by an amount equal to the amount so received.

To the extent that the Security Trustee irrevocably receives any amount in payment of the Parallel Debt, the Security Trustee shall distribute such amount among the Secured Parties in accordance with the Priority of Payments after the Enforcement Date. The amounts due to the Secured Parties will be the sum of (a) amounts recovered (*verhaald*) by it on the Mortgage Receivables and the other assets pledged under the Pledge Agreement I and the Pledge Agreement II and (b) the amounts received from any of the Secured Parties, as received or recovered by any of them pursuant to the Parallel Debt Agreement; less (y) any amounts already paid by the Security Trustee to the Secured Parties pursuant to the Parallel Debt Agreement and (z) the costs and expenses of the Security Trustee (including, for the avoidance of doubt, any costs of, *inter alia*, the Irish Stock Exchange, Moody's and any legal advisor, auditor, or accountant appointed by the Security Trustee).

The Issuer shall grant a first ranking right of pledge (*pandrecht*) by means of the Pledge Agreement I over the Mortgage Receivables and the Beneficiary Rights (see further *Insurance Policies* under *Risk Factors*) to the Security Trustee on the Closing Date which will, *inter alia*, secure its payment obligation to the Security Trustee under the Parallel Debt Agreement.

The pledge on the Mortgage Receivables and the Beneficiary Rights provided in the Pledge Agreement I will not be notified to the Borrowers and the Life Insurance Companies respectively, except in case of the occurrence of any of the Pledge Notification Events. Prior to notification of the pledge to the Borrowers, the pledge will be a "silent" right of pledge (*stil pandrecht*) within the meaning of section 3:239 of the Dutch Civil Code. The pledge on the Savings Beneficiary Rights will be notified to the relevant Savings Insurance Companies and will, therefore, be a 'disclosed' right of pledge (*openbaar pandrecht*).

The Issuer will also vest a right of pledge by means of the Pledge Agreement II in favour of the Security Trustee on the Closing Date. This right of pledge secures any and all liabilities of the Issuer to the Security Trustee resulting from or in connection with the Parallel Debt Agreement, the Trust Deed and any other Relevant Document and will be vested on all rights of the Issuer under or in connection with (i) the Mortgage Receivables Purchase Agreement, (ii) the Issuer Services Agreement, (iii) the Liquidity Facility Agreement, (iv) the GIC, (v) the Swap Agreement, (vi) the Subordinated Loan Agreement, (vii) the Savings Mortgage Sub-Participation Agreement and (viii) in respect of the Transaction Accounts and to the extent such rights do not result from these legal relationships exist at the Closing Date, the Issuer undertakes to grant a first ranking right of pledge on such rights to the extent required. The right of pledge created pursuant to the Pledge Agreement II will be notified to the relevant obligors and will therefore be a "disclosed" right of pledge (*openbaar pandrecht*).

The amounts due to the Security Beneficiaries will broadly be equal to amounts recovered (*verhaald*) by the Security Trustee on the Mortgage Receivables and other assets pledged to the Security Trustee under Pledge Agreement I and Pledge Agreement II. To the extent that the Security Trustee irrevocably receives any amount in payment of the Parallel Debt, the Security Trustee shall distribute such amount among the Security Beneficiaries in accordance with the Post-Enforcement Priority of Payments, save for amounts due to the Savings Insurance Companies in connection with the Savings Participations. The amounts due to the Security Beneficiaries, other than to the Savings Insurance Companies, will be the sum of (i) amounts recovered (*verhaald*) by it (a) on the Mortgage Receivables and the other assets pledged under Pledge Agreement I and Pledge Agreement II, other than the Savings Mortgage Receivables and (b) on Savings Mortgage Receivables to the extent the amount exceeds the relevant Savings Participation in the relevant

Savings Mortgage Receivables and (ii) the pro rata part of amounts received from any of the Security Beneficiaries, as received or recovered by any of them pursuant to the Parallel Debt Agreement (by reference to the proportion the Savings Participations bear to the aggregate Mortgage Receivables); less (y) any amounts already paid by the Security Trustee to the Security Beneficiaries (other than the Savings Insurance Companies) pursuant to the Parallel Debt Agreement and (z) the pro rata part of the costs and expenses of the Security Trustee (including, for the avoidance of doubt, any costs of, inter alia, Moody's and of any legal adviser, auditor or accountant appointed by the Security Trustee) (by reference to the proportion the Savings Participations bear to the aggregate Mortgage Receivables).

The amounts due to the Savings Insurance Companies consists of, inter alia (i) the amounts actually recovered (*verhaald*) by it on the Savings Mortgage Receivables, but only to the extent such amounts do not exceed the Savings Participation in such Savings Mortgage Receivables and (ii) the pro rata part of the amounts received from any of the Security Beneficiaries, as received or recovered by any of them pursuant to the Parallel Debt Agreement (by reference to the proportion the Savings Participations bear to the aggregate Mortgage Receivables), less (y) any amounts already paid to the Savings Insurance Companies by the Security Trustee pursuant to the Parallel Debt Agreement and (z) the pro rata part of the costs and expenses of the Security Trustee (including, for the avoidance of doubt, any costs of, inter alia, Moody's and any legal adviser, auditor or accountant appointed by the Security Trustee) (by reference to the proportion the Savings Participations bear to the aggregate Mortgage Receivables).

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

## **THE SECURITY TRUSTEE**

The Security Trustee is a foundation (*stichting*) incorporated under the laws of the Netherlands on 11 December 2007. It has its registered office in Amsterdam, the Netherlands.

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

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

## TERMS AND CONDITIONS OF THE NOTES

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

The issue of the Euro 356,000,000 Senior Class A Mortgage-Backed Notes 2007 due 2047 (the “**Senior Class A Notes**”) and the Euro 5,350,000 Subordinated Class B Notes 2007 due 2047 (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 Candide Financing 2007 NHG B.V. (the “**Issuer**”) passed on 13 December 2007. The Notes are issued under a Trust Deed dated 18 December 2007 (the “**Trust Deed**”) between the Issuer, Stichting Candide Financing Holding and Stichting Security Trustee Candide Financing 2007 NHG (the “**Security Trustee**”). Under a paying agency agreement (the “**Paying Agency Agreement**”) dated 17 December 2007 between the Issuer, the Security Trustee, and ABN AMRO as paying agent (the “**Paying Agent**”) and as reference agent (the “**Reference Agent**”), provision is made for, amongst others, the payment of principal and interest in respect of the Notes.

The statements in these terms and conditions of the Notes (the “**Conditions**”) include summaries of, and are subject to, the detailed provisions of (i) the Trust Deed, which will include the form of the Notes and the coupons appertaining to the Notes (the “**Coupons**”) and the forms of the Temporary Global Notes and the Permanent Global Notes, (ii) the Paying Agency Agreement, (iii) a servicing agreement (the “**Issuer Services Agreement**”) dated 17 December 2007 between the Issuer, ATC Financial Services B.V. as the Issuer Administrator, Bank of Scotland plc acting through its Amsterdam Branch as the Seller, the Swap Counterparty, the MPT Provider, the Security Trustee and Stater, (iv) a pledge agreement dated 18 December 2007 between the Security Trustee and the Issuer and (v) a pledge agreement dated 18 December 2007, between the Issuer, the Security Trustee and others (jointly with the other pledge agreement referred to under (iv) above, the “**Pledge Agreements**”).

Certain words and expressions used below are defined in a master definitions agreement (the “**Master Definitions Agreement**”) dated 17 December 2007 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. 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. As used herein, “**Class**” means either the Senior Class A Notes or the Subordinated Class B Notes, as the case may be.

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

### 1. Form, Denomination and Title

The Notes will be in bearer form serially numbered with Coupons attached on issue in denominations of Euro 50,000 each and will initially be presented by a Temporary Global Note. Under Dutch law, the valid transfer of Notes requires, *inter alia*, delivery (*levering*) thereof. The Issuer, the Security Trustee and the Paying Agent may, to the fullest extent permitted by law, treat the holder of any Note and of the Coupons appertaining thereto as its absolute owner for all purposes (whether or not payment under such Note or Coupon is overdue and notwithstanding any notice of ownership or writing thereon or any notice of previous

loss or theft thereof) for any purposes, including payment and no person will be liable for so treating such holder. The signatures on the Notes will be in facsimile.

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

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

- (a) The Notes of each Class are direct and unconditional obligations of the Issuer and rank *pari passu* and rateably without any preference or priority among Notes of the same Class;
- (b) In accordance with 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 payments of 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 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 under or in connection with the Issuer Services Agreement; (c) against the MPT Provider under or in connection with the Issuer Services Agreement; (d) against the Swap Counterparty under or in connection with the Swap Agreement; (e) against the GIC Provider under or in connection with the GIC; (f) against the Liquidity Facility Provider under or in connection with the Liquidity Facility Agreement; (g) against the Savings Insurance Companies under the Savings Mortgage Sub-Participation Agreement, (h) against the GIC Provider in respect of the Transaction Accounts and (h) against the Subordinated Loan Provider under the Subordinated Loan Agreement and to the extent such rights do not exist at the Closing Date the Issuer will undertake to vest such first ranking right of pledge on such rights.
- (d) The Senior Class A Notes and the Subordinated Class B Notes will be secured (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 interest between the Secured Parties the priority of payments upon enforcement set forth in the Trust Deed determines which interest of which Secured Party prevails.

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

So long as any of the Notes remain outstanding, the Issuer shall carry out its business in accordance with the requirements of Dutch law and accounting practice and shall not, except to the extent permitted by the Mortgage Receivables Purchase Agreement, the Deeds of Assignment, any Purchase Deeds of Assignment, the Issuer Services Agreement, the Pledge Agreements, the Parallel Debt Agreement, the Swap Agreement,

the GIC, the Savings Mortgage Sub-Participation Agreement, the Liquidity Facility Agreement, the Notes Purchase Agreements, the Notes, the Paying Agency Agreement, the Beneficiary Waiver Agreement, the Management Agreements and the Trust Deed (together 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;
- (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 Mortgage and the Borrower Pledge whatsoever over any of its assets, or use, invest, sell, transfer or otherwise dispose of any part of its assets, except as contemplated in the Relevant Documents;
- (d) take action for its dissolution (*ontbinding*), request the court to grant a suspension of payments (*surseance van betaling*) or declare its bankruptcy (*faillissement*);
- (e) consolidate or merge with any other person or convey or transfer its assets substantially or as an entirety to one or more persons;
- (f) permit the validity or effectiveness of the Pledge Agreements, or the priority of the security created thereby or pursuant thereto to be amended, terminated, postponed or discharged, or permit any person whose obligations form part of such security rights to be released from such obligations except as contemplated in the Relevant Documents;
- (g) have any employees or premises or have any subsidiary or subsidiary undertaking; or
- (h) have an interest in any bank account other than the Issuer Collection Account, the Reserve Account, and the Construction Account or an account to which collateral under the Swap Agreement is transferred, unless all rights in relation to such account will have been pledged to the Security Trustee as provided in Condition 2(c)(ii) hereof.

#### 4. Interest

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

The Notes shall bear interest on their Principal Amount Outstanding (as defined in Condition 6 hereof) from and including the Closing Date. Each Note (or in the case of the redemption of part only of a Note that part only of such Note) shall cease to bear interest from its due date for redemption unless, upon due presentation payment of the relevant amount of principal or any part thereof is improperly withheld or refused. In such event, interest will continue to accrue thereon (before and after any judgement) at the rate applicable to such Note up to but excluding the date on which, on presentation of such Note, payment in full of the relevant amount of principal is made or (if earlier) the seventh day after notice is duly given by the Paying Agent to the holder thereof (in accordance with Condition 13 hereof) that upon presentation thereof, such payments will be made, provided that upon such presentation payment is in fact made. Whenever it is necessary to compute an amount of interest in respect of any Note for any period, such interest shall be calculated on the basis of actual days elapsed in the Floating Rate Interest Period divided by 360 days.

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

Interest on the Notes will be payable by reference to successive quarterly interest periods (each a “**Floating Rate Interest Period**”) and will be payable quarterly in arrear in Euro in respect of the Principal Amount Outstanding (as defined in Condition 6 hereof) of the Notes, respectively, on the 20th day of March, June, September, December 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 20<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 and London, provided that such day

is also a day on which the Trans-European Automated Real-Time Gross Settlement European Transfer System (“**TARGET System**”) or any successor thereto is operating credit or transfer instructions in respect of payments in Euro. Each successive Floating Rate Interest Period will commence on (and include) a Quarterly Payment Date and end on (but exclude) the next succeeding Quarterly Payment Date, except for the first Floating Rate Interest Period, which will commence on (and include) the Closing Date and end (but exclude) the Quarterly Payment Date falling on 20 March 2008.

*(c) Interest on the Senior Class A Notes*

Except for the first Floating Rate Interest Period, during which interest will accrue from (and including) the Closing Date at an annual rate equal to the linear interpolation between the Euro Interbank Offered Rate (“**Euribor**”) for three months deposits in Euro and Euribor for four months deposits in Euro rounded, if necessary, to the 5th decimal place with 0.000005 being rounded upwards, plus the margin as set out below, interest on the Senior Class A Notes for each Floating Rate Interest Period will accrue at an annual rate equal to Euribor for three-months deposits in Euro, rounded, if necessary, to the 5th decimal place with 0.000005 being rounded upwards plus a margin of 0.14 per cent. per annum until the Final Maturity Date.

*(d) Interest on the Subordinated Class B Notes*

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

*(e) Euribor*

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

- (i) the Reference Agent will obtain for each Floating Rate Interest Period, except for the first Floating Rate Interest Period, the rate equal to the sum of Euribor for three months deposits in Euro. The Reference Agent shall use the Euribor rate as determined and published jointly by the European Banking Federation and ACI – The Financial Market Association and which appears for information purposes on Reuters EURIBOR01 (or, if not available, any other display page on any screen service maintained by any registered information vendor (including, without limitation, the Reuters Monitor Money Rate Service and the Bloomberg Service) for the display of the Euribor rate selected by the Reference Agent) as at or about 11.00 a.m. (Central European time) on the day that is two Business Days preceding the first day of each Floating Rate Interest Period (each an “**Interest Determination Date**”); or
- (ii) if, on the relevant Interest Determination Date, such Euribor rate is not determined and published jointly by the European Banking Association and ACI – The Financial Market Association, or if it is not otherwise reasonably practicable to calculate the rate under (i) above, the Reference Agent will:
  - (i) request the principal Euro-zone office of each of four major banks in the Euro-zone interbank market (the “**Reference Banks**”) to provide the offered quotations for the rate at which three months Euro deposits are offered by it in the Euro-zone interbank market at approximately 11.00 a.m. (Central European time) on the relevant Interest Determination Date to prime banks in the Euro-zone interbank market in an amount that is representative for a single transaction at that time; and determine the arithmetic mean (rounded, if necessary, to the fifth decimal place with 0.000005 being rounded upwards) of such quotation as is provided; or
  - (ii) if fewer than two such quotations are provided as requested, the Reference Agent will determine the arithmetic mean (rounded, if necessary, to the fifth decimal place with 0.000005 being rounded upwards) of the offered rates quoted by major banks, of which there will be at least two in number, in the Euro-zone, selected by the Reference Agent, at approximately 11.00 a.m. (Central European time) on the relevant Interest Determination Date for one month deposits to

leading Euro-zone banks in an amount that is representative for a single transaction in that market at that time,

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

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

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

The Reference Agent will cause the relevant Floating Rate of Interest and the relevant Floating Interest Amount and the Quarterly Payment Date applicable to each relevant Class of Notes to be notified to the Issuer, the Security Trustee, the Paying Agent, the Issuer Administrator, to each stock exchange and competent listing authority (if any) on which the Notes are then listed and will cause notice thereof to be given to the holders of such Class of Notes in accordance with Condition 13. The Floating Interest Amount and Quarterly Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Floating Rate Interest Period.

*(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 will 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 hereof. If any person will be unable or unwilling to continue to act as a Reference Bank or the Reference Agent (as the case may be) or if the appointment of any Reference Bank or the Reference Agent will be terminated, the Issuer will, with the prior written consent of the Security Trustee, appoint a successor Reference Bank or Reference Agent (as the case may be) to act in its place, provided that neither the resignation nor removal of the Reference Agent shall take effect until a successor approved in writing by the Security Trustee has been appointed.

## **5. Payment**

(a) Payment of principal and interest in respect of Definitive Notes will be made upon presentation of the Note and against surrender of the relevant Coupon appertaining thereto, at any specified office of the Paying Agent in cash or by transfer to a Euro account maintained by the payee with a bank in the Netherlands, as the holder may specify. All such payments are subject to any fiscal or other laws and regulations applicable in the place of payment.

- (b) At the Final Maturity Date (as defined in Condition 6 hereof), or such earlier date the Notes become due and payable, the Notes should be presented for payment together with all unmatured Coupons appertaining thereto, failing which the full amount of any such missing unmatured Coupons (or, in the case of payment not being made in full, that proportion of the full amount of such missing unmatured Coupons which the sum of principal so paid bears to the total amount of principal due) will be deducted from the sum due for payment. Each amount so deducted will be paid in the manner mentioned above against surrender of the relevant missing Coupon at any time before the expiry of five years following the due date for payment of such principal (whether or not such Coupons would have become unenforceable pursuant to Condition 8 hereof).
- (c) If the relevant Quarterly Payment Date is not a day on which banks are open for business in the place of presentation of the relevant Note or Coupon ("**Local Business Day**"), the holder thereof shall not be entitled to payment until the next following such day, or to any interest or other payment in respect of such delay, provided that in the case of payment by transfer to an Euro account as referred to above, the Paying Agent shall not be obliged to credit such account until the Local Business Day immediately following the day on which banks are open for business in the Netherlands. The name of the Paying Agent and of its office is set out below.
- (d) The Issuer reserves the right at any time to vary or terminate the appointment of the Paying Agent and to appoint additional or other paying agents provided that no paying agent located in the United States of America will be appointed and that the Issuer will at all times maintain a paying agent having a specified office in the European Union. Notice of any termination or appointment of a Paying Agent and of any changes in the specified offices of the Paying Agent will be given to the Noteholders in accordance with Condition 13 hereof.

## 6. Redemption and purchase

### (a) Final redemption

Unless previously redeemed as provided below, the Issuer will redeem the Senior Class Notes (in respect of the Subordinated Class B Notes subject to Condition 9(b) hereof) at their respective Principal Amount Outstanding on the Quarterly Payment Date falling in December 2047 (the "**Final Maturity Date**").

### (b) Mandatory redemption

Provided that no Enforcement Notice has been served in accordance with Condition 10 hereof, the Issuer will be obliged to apply on each Quarterly Payment Date the Notes Redemption Available Amount to redeem (or partially redeem) the Notes at their Principal Amount Outstanding, subject to Condition 9(b) hereof (and in each case only if and to the extent that payments or provisions of a higher priority have been made in full):

- (i) *first*, the Senior Class A Notes, until fully redeemed and, thereafter
- (ii) *second*, the Subordinated Class B Notes, until fully redeemed.

The principal amount so redeemable in respect of each Senior Class A Note (each a "**Principal Redemption Amount**") on the relevant Quarterly Payment Date shall be the Notes Redemption Available Amount on the relevant Quarterly Payment Date divided by the number of Senior Class A Notes (rounded down to the nearest Euro). The Principal Redemption Amount may never exceed the Principal Amount Outstanding of the relevant Note. Following application of the Principal Redemption Amount to redeem a Senior Class A Note, the Principal Amount Outstanding of such Note shall be reduced accordingly.

### (c) Definitions

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

The "**Principal Amount Outstanding**" on any Quarterly Payment Date (i) of any Senior Class A Note will be the principal amount of that Note upon issue less the aggregate amount of all Principal Redemption Amounts in respect of that Note that have become due and payable prior to such Quarterly Payment Date and

(ii) of any Subordinated Class B Note will be the principal amount of such Notes upon issue less the aggregate amount of all Class B Redemption Amounts in respect of that Note that have become due and payable prior to such Quarterly Payment Date.

**“Notes Redemption Available Amount”** shall mean, on any Quarterly Payment Date, the aggregate amount received by the Issuer during the immediately preceding Quarterly Calculation Period (items (i) up to and including (vii):

- (i) as repayment and prepayment in full of principal under the Mortgage Receivables, from any person (including any Insurance Company), whether by set-off or otherwise, but, for the avoidance of doubt, excluding Prepayment Penalties, if any, less, with respect to each Savings Mortgage Receivable, an amount equal to the amount received multiplied by the Savings Participation Fraction;
- (ii) as Net Proceeds, to the extent such proceeds relate to principal less, with respect to each Savings Mortgage Receivable, an amount equal to the amount received multiplied by the Savings Participation Fraction;
- (iii) as amounts received in connection with a repurchase of Mortgage Receivables pursuant to the Mortgage Receivables Purchase Agreement and any other amounts received pursuant to the Mortgage Receivables Purchase Agreement to the extent such amounts relate to principal less, with respect to each Savings Mortgage Receivable, an amount equal to the amount received multiplied by the Savings Participation Fraction;
- (iv) as amounts received in connection with a sale of Mortgage Receivables pursuant to the Trust Deed and the Issuer Services Agreement to the extent such amounts relate to principal less, with respect to each Savings Mortgage Receivable, an amount equal to the amount received multiplied by the Savings Participation Fraction;
- (v) as amounts of interest received to be credited to the Principal Deficiency Ledger on the immediately succeeding Quarterly Payment Date in accordance with the Issuer Services Agreement;
- (vi) as Savings Participation Increase pursuant to the Savings Mortgage Sub-Participation Agreement; and
- (vii) as amounts received on the Issuer Collection Account from the credit of the Construction Account (for the avoidance of doubt, excluding any amount relating to interest) in accordance with the Mortgage Receivables Purchase Agreement;

and in respect of the Subordinated Class B Notes, the Class B Redemption Amount as defined in Condition 6(f) below.

**“Mortgage Calculation Period”** means the period commencing on (and including) the first day of each calendar month and ending on (and including) the last day of such calendar month except for the first Mortgage Calculation Period which shall commence on (and include) 18 December 2007 and will end on (and include) 31 December 2007.

**“Net Proceeds”** means (a) the proceeds of a foreclosure on the mortgage right, (b) the proceeds of foreclosure on any other collateral securing the Mortgage Receivable, (c) the proceeds, if any, of collection of any insurance policies in connection with the Mortgage Receivable, including but not limited to fire insurance and the Insurance Policies, (d) the proceeds of any guarantees or sureties and (e) the proceeds of foreclosure on any other assets of the relevant debtor, after deduction of foreclosure costs in respect of such Mortgage Receivable.

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

**“Quarterly Calculation Period”** means, in relation to a Quarterly Calculation Date, the three successive Mortgage Calculation Periods immediately preceding such Quarterly Calculation Date except for the first Quarterly Calculation Period which shall commence on (and include) 18 December 2007 and end on (and include) 29 February 2008.

**“Savings Participation Fraction”** means, in respect of a Savings Mortgage Receivable an amount equal to the relevant Savings Participation on the first day of the Mortgage Calculation Period divided by the Outstanding Principal Amount of such Savings Mortgage Receivable on the first day of such Mortgage Calculation Period.

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

- (i) On each Quarterly Calculation Date, the Issuer shall determine (or cause the Issuer Administrator to determine) (a) the Principal Redemption Amount and the Class B Redemption Amount (b) the Principal Amount Outstanding of the relevant Notes on the first day following the Quarterly Payment Date. Each determination by or on behalf of the Issuer of any Principal Redemption Amount or the Principal Amount Outstanding of a Note shall in each case (in the absence of manifest error) be final and binding on all persons.
- (ii) The Issuer will cause each determination of a Principal Redemption Amount, the Class B Redemption Amount and Principal Amount Outstanding of Notes to be notified forthwith to the Security Trustee, the Paying Agent, the Reference Agent, Euroclear, Clearstream, Luxembourg, to each stock exchange and competent listing authority (if any) on which the Notes are then listed and will cause notice thereof to be given to the holders of such Class of Notes in accordance with Condition 13. If no Principal Redemption Amount is due to be made on the Notes on any applicable Quarterly Payment Date a notice to this effect will be given to the Noteholders in accordance with Condition 13.
- (iii) If the Issuer does not at any time for any reason determine (or cause the Issuer Administrator to determine) the Principal Redemption Amount, the Class B Redemption Amount or the Principal Amount Outstanding of a Note, such Principal Redemption Amount or such Principal Amount Outstanding shall be determined by the Security Trustee in accordance with this paragraph (d) and paragraph (c) above (but based upon the information in its possession as to the Notes Redemption Available Amount each such determination or calculation shall be deemed to have been made by the Issuer).

*(e) Optional Redemption*

The Issuer may, at its option, on giving not more than sixty (60) nor less than thirty (30) days written notice to the Security Trustee and the Noteholders in accordance with Condition 13, on the Quarterly Payment Date falling in December 2017 (the **“First Optional Redemption Date”**) and on each Quarterly Payment Date thereafter (each an **“Optional Redemption Date”**) redeem, less the relevant Principal Shortfall as set out in Condition 9(b), all (but not some only) of the Notes, at their Principal Amount Outstanding plus accrued but unpaid interest thereon, after payment of the amounts to be paid in priority to the Notes in accordance with the Priority of Payments.

*(f) Redemption of Subordinated Class B*

Prior to the redemption in full of the Senior Class A Notes, the Subordinated Class B Notes will not be redeemed (subject to Condition 10). Provided that no Enforcement Notice has been served in accordance with Condition 10 and provided that on a Quarterly Payment Date all Senior Class A Notes (thus not the Subordinated Class B Notes) have been fully redeemed, the Issuer will on such Quarterly Payment Date apply an amount equal to (i) the balance of the Reserve Account after items (a) up to including (f) of the Interest Priority of Payments have been met and (ii) any other part of the Notes Interest Available Amount remaining after items (a) up to and including (j) have been met, to redeem (or partially redeem on a *pro rata* basis) the Subordinated Class B Notes until fully redeemed. The amount so available for redemption of each

Subordinated Class B Note will be such amount divided by the number of Subordinated Class B Notes (rounded down to the nearest Euro) (the “**Class B Redemption Amount**”).

*(g) Redemption following Clean-Up Call*

In case on any Quarterly Payment Date the aggregate Principal Amount Outstanding of the Notes is not more than ten (10) per cent. of the aggregate Principal Amount Outstanding of the Notes on the Closing Date (in case of a Principal Shortfall in respect of any Class of Notes, less such Principal Shortfall) the Issuer has the right to (but is not obligated to) redeem all of the Notes (other than the Subordinated Class B Notes), in whole but not in part at their Principal Amount Outstanding together with accrued interest thereon up to but excluding the date of redemption, subject to and in accordance with the Condition 9(b) and after payment of the amounts to be paid in priority to the Notes (the “**Clean-Up Call**”). No Class of Notes may be redeemed under such circumstances unless the other Classes of Notes (or such of them as are then outstanding) are also redeemed in full at the same time.

*(h) Purchases*

The Issuer may at any time purchase Notes at any price in the open market or otherwise. Such Notes may, at the option of the Issuer be held, re-issued or resold at their Principal Amount Outstanding together with accrued interest thereon up to and including the date of redemption, subject to and in accordance with this Condition. No Class of Notes may be redeemed under such circumstances unless the other Classes of Notes (or such of them as are then outstanding) are also redeemed in full at the same time.

*(i) Redemption for tax reasons*

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

## **7. Taxation**

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

## **8. Prescription**

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

## 9. Subordination

### (a) Interest

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

In the event that on any Quarterly Calculation Date the Issuer has insufficient funds available to it to satisfy its obligations in respect of amounts of interest due on the Subordinated Class B Notes on the next Quarterly Payment Date, the amount available (if any) shall be applied *pro rata* to the amount of the interest due on such Quarterly Payment Date to the holders of such Class of Notes (after payment of amounts ranking higher in priority). In the event of a shortfall, the Issuer shall credit the relevant Interest Deficiency Ledger, with an amount equal to the amount by which the aggregate amount of interest paid on the Subordinated Class B Notes on any Quarterly Payment Date (in accordance with this Condition) 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 Conditions 4 and 10, 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 will be aggregated with the amount of, and treated for the purpose of these Conditions as if it were interest due, subject to this Condition, on each Note of the Subordinated Class B Notes on the next succeeding Quarterly Payment Date.

### (b) Principal

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

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

### (c) General

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

## 10. Events of Default

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

- (i) the Issuer is in default for a period of fifteen (15) days or more in the payment on the due date of any amount due in respect of the Notes of the Relevant Class; or
- (ii) the Issuer fails to perform any of the other obligations binding on it under the Notes of the Relevant Class, the Trust Deed, the Paying Agency Agreement or the Pledge Agreements and, except where such failure, in the reasonable opinion of the Security Trustee, is incapable of remedy, such default

continues for a period of thirty (30) days after written notice by the Security Trustee to the Issuer requiring the same to be remedied; or

- (iii) if a conservatory attachment (*conservatoir beslag*) or an executory attachment (*executoriaal beslag*) on any major part of the Issuer's assets is made and not discharged or released within a period of thirty (30) days; or
- (iv) if any order shall be made by any competent court or other authority or a resolution passed for the dissolution or winding-up of the Issuer or for the appointment of a liquidator or receiver of the Issuer or of all or substantially all of its assets; or
- (v) the Issuer makes an assignment for the benefit of, or enters into any general assignment (*akkoord*) with its creditors; or
- (vi) the Issuer files a petition for a suspension of payments (*surseance van betaling*) or for bankruptcy (*faillissement*) or is declared bankrupt;

provided that, if Senior Class A Notes are outstanding, no Enforcement Notice may or will be given by the Security Trustee to the Issuer in respect of 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) Enforcement*

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

### *(b) No direct action against Issuer by Noteholders*

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

### *(c) No petition, limited recourse*

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

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

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

## **13. Notices**

With the exception of the publications of the Reference Agent in Condition 4, all notices to the Noteholders will only be valid if published in at least one daily newspaper of wide circulation in the Netherlands, or, if all such newspapers shall cease to be published or timely publication therein shall not be practicable, in such

newspaper as the Security Trustee shall approve having a general circulation in Europe and, as long as the Notes are listed on the Irish Stock Exchange by a notification in writing to the Irish Stock Exchange who will in turn release this notice via the Regulatory News Service. Any such notice shall be deemed to have been given on the first date of such publication or, if published more than once or on different dates, on the first date on which publication shall have been made. If publication is not practicable as is mentioned above, notice will be valid if given in such other manner, and shall be deemed to have been given on such date, as the Security Trustee shall determine.

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

- (a) 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, provided that no change of certain terms by the Noteholders of any Class including the date of maturity of the Notes of the relevant Class, or a change which would have the effect of postponing any day for payment of interest in respect of such Notes, reducing or cancelling the amount of principal payable in respect of such Notes or altering the majority required to pass an Extraordinary Resolution or any alteration of the date or priority of redemption of such Notes (any such change in respect of any such class of Notes referred to below as a “**Basic Terms Change**”) shall be effective, unless such Basic Terms Change or any other event is sanctioned by an Extraordinary Resolution of the Noteholders of the relevant Class of Notes as described below, in which case no such default is required, except that, if the Security Trustee is of the opinion that such a Basic Terms Change is being proposed by the Issuer as a result of, or in order to avoid, an Event of Default no such Extraordinary Resolution is required.

A meeting as referred to above may be convened by the Issuer or by Noteholders of any Class holding not less than 10 per cent. in Principal Amount Outstanding of the Notes of such Class. The quorum for any meeting convened to consider an Extraordinary Resolution for any Class of Notes shall be two-thirds of the Principal Amount Outstanding of the Notes of the relevant Class, as the case may be, and at such a meeting an Extraordinary Resolution is adopted with not less than a two-third majority of the validly cast votes, except that the quorum required for an Extraordinary Resolution including the sanctioning of a Basic Terms Change shall be at least 75 per cent. of the amount of the Principal Amount Outstanding of the Notes of the relevant Class and the majority required shall be at least 75 per cent. of the validly cast votes at that Extraordinary Resolution. If at such meeting the aforesaid quorum is not represented, a second meeting of Noteholders shall be held within one month, with due observance of the same formalities for convening the meeting which governed the convening of the first meeting; at such second meeting an Extraordinary Resolution is adopted with not less than a two-thirds majority of the validly cast votes, except that (for an Extraordinary Resolution including a sanctioning of a Basic Terms Change the majority required shall be 75 per cent. of the validly cast votes, regardless of the Principal Amount Outstanding of the Notes of the relevant Class then represented, except if the Extraordinary Resolution relates to the removal and replacement of any or all of the managing directors of the Security Trustee, in which case at least 30 per cent. of the Notes of the relevant Class should be represented.

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

An Extraordinary Resolution of the Subordinated Class B Noteholders shall only be effective when the Security Trustee is of the opinion that it shall not be materially prejudicial to the interests of the Senior Class A Noteholders 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 shall be binding on the Subordinated Class B Noteholders, irrespective of the effect on their interests.

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

- (b) The Security Trustee may agree, without the consent of the Noteholders, to any modification of any of the provisions of the Relevant Documents which is of a formal, minor or technical nature or is made to correct a manifest error. The Security Trustee shall only agree to any other modification (except if prohibited in the Relevant Documents), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Relevant Documents which is in the opinion of the Security Trustee not materially prejudicial to the interests of the Noteholders. Any such modification (except if prohibited in the Relevant Documents), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Relevant Documents shall be deemed not to be materially prejudicial to the interests of the Noteholders if, after having given prior notice of such modification, authorisation or waiver to Moody's, it is expected that the then current ratings of the Senior Class A Notes would not be adversely affected by any such modification, authorisation or waiver. Any such modification, authorisation or waiver shall be binding on the Noteholders and, if the Security Trustee so requires, such modification shall be notified to the Noteholders in accordance with Condition 13 as soon as practicable thereafter.
- (c) In connection with the exercise of its functions (including but not limited to those referred to in this Condition) the Security Trustee shall have regard to the interests of the Senior Class A Noteholders and the 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 Paying Agent upon payment by the claimant of the expenses incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered, in the case of Notes together with all unmatured Coupons appertaining thereto, in the case of Coupons together with the Note and all unmatured Coupons to which they appertain (*mantel en blad*), before replacements shall be issued.

#### **16. Governing Law**

The Notes and Coupons are governed by, and shall be construed in accordance with, the laws of the Netherlands. In relation to any legal action or proceedings arising out of or in connection with the Notes and Coupons the Issuer and the Security Trustee irrevocably submit to the exclusive jurisdiction of the District Court in Amsterdam, the Netherlands.

## THE GLOBAL NOTES

Each Class of Notes will be initially represented by (i) in the case of the Senior Class A Notes a Temporary Global Note in bearer form, without coupons, in the principal amount of Euro 356,000,000 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 5,350,000. The Global Notes will be issued in NGN form. Each Temporary Global Note will be deposited with Euroclear as common safekeeper for Euroclear and Clearstream, Luxembourg on or about 18 December 2007. Upon deposit of each such Temporary Global Note, Euroclear and Clearstream, Luxembourg will credit each purchaser of Notes represented by such Temporary Global Note with the principal amount of the relevant Class of Notes equal to the principal amount thereof for which it has purchased and paid. Interests in each Temporary Global Note will be exchangeable (provided certification of non-U.S. beneficial ownership by the Noteholders has been received) on the Exchange Date for interests in a Permanent Global Note, in bearer form, without coupons, in the principal amount of the Notes of the relevant Class. On the exchange of a Temporary Global Note for a Permanent Global Note of the relevant Class, the Permanent Global Note will remain deposited with the common safekeeper. The exchange will be recorded in the records of Euroclear and Clearstream, Luxembourg.

The Global Notes will be transferable by delivery. Each Permanent Global Note will be exchangeable for notes in definitive form only in the circumstances described below. 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 issue 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. Payments of principal and interest in respect of Notes represented by a Global Note will, subject as set out below, be made by the Issuer to the bearer hereof and, if no further payment falls to be made in respect of the Notes, surrender of such Global Note to the Paying Agent. Upon any payment in respect of a Global Note, the Issuer shall procure that the amount so paid shall be entered *pro rata* in the records of Euroclear or Clearstream, Luxembourg. Any failure to make such entries shall not affect the discharge of liability of the Issuer for the monies paid to the bearer of such Global Note. Payments of interest on the Temporary Global Note (if permitted by the first sentence of this paragraph) will be made only upon certification as to non-U.S. beneficial ownership unless such certification has already been made.

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

For so long as a Class of Notes is represented by a Global Note, each person who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular principal amount of that Class of Notes will be deemed to be owner of, and treated by the Issuer and the Security Trustee as a holder of such principal amount of that Class of Notes and the expression Noteholder is without prejudice to

the entitlement of the bearer of relevant Global Note to be paid principal thereon and interest with respect thereto in accordance with and subject to its terms. Any statement in writing issued by Euroclear or Clearstream, Luxembourg as to the persons shown in its records as being entitled to such Notes and the respective principal amount of such Notes held by them will be conclusive for all purposes.

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

- (i) Senior Class A Notes in definitive form in exchange for the whole outstanding interest in the Permanent Global Note in respect of the Senior Class A Notes; 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 30 days of the occurrence of the relevant event, subject in each case to certification as to non-U.S. beneficial ownership.

## TAXATION IN THE NETHERLANDS

### General

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

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

This summary does not address the Netherlands tax consequences for:

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

### Withholding tax

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

### Corporate and individual income tax

- (a) Residents of the Netherlands

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

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

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

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

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

(b) Non-residents of the Netherlands

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

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

If the holder is a corporate entity, that corporate entity is subject to a maximum corporate income tax rate of 25.5%. If the holder is an individual, that holder is subject to a maximum individual income tax rate of 52%.

### **Gift and Inheritance taxes**

(a) Residents of the Netherlands

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

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

(b) Non-residents of the Netherlands

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

- (i) such holder at the time of the gift, or at the time of his or her death, has an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands and to which permanent establishment or a permanent representative, the Notes are (deemed to be) attributable; or
- (ii) the Notes are (deemed to be) attributable to the assets of an enterprise that is effectively managed in the Netherlands and the donor or the deceased is entitled, other than by way of securities or through an employment contract, to a share in the profits of that enterprise, at the time of the gift or at the time of his or her death; or
- (iii) in the case of a gift of the Notes by a holder who at the date of the gift was neither a resident nor deemed to be a resident of the Netherlands, such holder dies within 180 days after the date of the gift, while at the time of his or her death being a resident or deemed to be a resident of the Netherlands.

#### **Value added tax**

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

#### **Other taxes and duties**

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

#### **EU Savings Directive**

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

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

## PURCHASE AND SALE

The Manager has, pursuant to the Notes Purchase Agreement agreed with the Issuer, subject to certain conditions, to purchase the Notes at their respective issue price. The Issuer has agreed to indemnify and reimburse the Manager against certain liabilities and expenses in connection with the issue of the relevant Class of Notes.

### European Economic Area

In relation to each Member State of the European Economic Area which has implemented the 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 Managers has agreed that (i) it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom and (ii) it will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the Financial Services and Markets Act 2000 does not apply to the Issuer.

### United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, US persons (as defined in Regulation S under the Securities Act) except to certain persons in offshore transactions in reliance on Regulation S under the Securities Act. The Manager has agreed that it will not offer, sell or deliver the Notes, (i) as part of its distribution at any time, or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date, within the United States or to, or for the account or benefit of, US persons, and it will have sent to each dealer to which it sells Notes during such distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to or for the account or benefit of US persons. In addition, until the expiration of 40 days after the commencement of the offering, an offer or sale of the Notes within the United States by any dealer (whether or not participating

in the offering) may violate the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

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

#### **Notice to investors**

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

The Notes will bear a legend to the following effect:

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

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

#### **General**

The distribution of 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 13 December 2007.
- (2) The Senior Class A Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg and will bear common code 033646534 and ISIN XS0336465348.
- (3) The Subordinated Class B Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg and will bear common code 033647174 and ISIN XS0336471742.
- (4) The addresses of the clearing systems are: Euroclear Bank S.A./N.V., 1 Boulevard de Roi Albert II, 1210 Brussels, Belgium and Clearstream Banking, société anonyme, 42 Avenue J.F. Kennedy, L-1855 Luxembourg.
- (5) KPMG Accountants N.V. has given and has not withdrawn its written consent to the issue of this Prospectus with their report included herein in the form and context in which it appears.
- (6) Since its incorporation, the Issuer is not involved in any governmental, 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.
- (7) For the life of the Prospectus copies of the following documents may be inspected in physical form at the specified offices of the Security Trustee during normal business hours:
  - (i) the Deed of Incorporation of the Issuer;
  - (ii) the Mortgage Receivables Purchase Agreement;
  - (iii) the Notes Purchase Agreements;
  - (iv) the Paying Agency Agreement;
  - (v) the Trust Deed;
  - (vi) the Parallel Debt Agreement;
  - (vii) the Pledge Agreements;
  - (viii) the Issuer Services Agreement;
  - (ix) the Savings Mortgage Sub-Participation Agreement;
  - (x) the GIC;
  - (xi) the Swap Agreement;
  - (xii) the Liquidity Facility Agreement;
  - (xiii) the Beneficiary Waiver Agreement
  - (xiv) the Retransfer of Parts Agreement;
  - (xv) the Master Definitions Agreement; and

- (xvi) the articles of association of the Issuer.
- (8) The audited financial statements of the Issuer prepared annually will be made available, free of charge, at the specified offices.
- (9) The estimated total costs involved with the admission to trading of the Senior Class A Notes amounts to approximately Euro 5,000.
- (10) US Tax:

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.

- (11) A quarterly report on the performance, including the arrears and the losses, of the transactions can be obtained at the website [www.hbosplc.com/treasury](http://www.hbosplc.com/treasury). This website does not form part of the Prospectus.
- (12) Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in connection with the Notes and is not itself seeking admission of the Notes to the Official List of the Irish Stock Exchange or to trading on the Irish Stock Exchange for the purposes of the Prospectus Directive.

## ANNEX A

THE FOLLOWING EXPRESSIONS, AS USED IN THE PROSPECTUS, HAVE THE FOLLOWING MEANINGS:

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

**ABN AMRO London**, means ABN AMRO acting through its London Branch, having its address at 250 Bishopsgate, London London, EC2M 4AA, the United Kingdom;

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

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

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

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

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

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

**Bank of Scotland** means Bank of Scotland plc, incorporated in Scotland under the Companies Act 1985 (Company Number SC327000) and having its head office at The Mound, Edinburgh, EH1 1YZ, United Kingdom;

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

**Beneficiary Rights** means the Risk Beneficiary Rights, the Savings Beneficiary Rights and the Life Beneficiary Rights;

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

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

**Borrower Insurance Pledge** means a right of pledge (*pandrecht*) in favour of the Seller on the rights of the relevant Borrower against the relevant Insurance Company under the relevant Insurance Policy securing the Savings Mortgage Receivable or the Life Mortgage Receivable or the Investment Mortgage Receivable, as

the case may be, as created under the Mortgage Conditions in the form attached to the Mortgage Receivables Purchase Agreement;

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

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

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

**Business Day** means a day on which banks are open for business in Amsterdam and London, provided that such day is also a day on which the TARGET System or any successor thereto is operating credit or transfer instructions in respect of payments in Euro;

**Class** means either the Senior Class A Notes or the Subordinated Class B Notes;

**Class A Margin** means 0.14 per cent. per annum;

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

**Class A Principal Deficiency Ledger** means the ledger on which the Principal Deficiency is recorded;

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

**Class B Redemption Amount** has the meaning given to it in Condition 6(f).

**Clean-Up Call Option** has the meaning given to it in Condition 6(g);

**Clearstream, Luxembourg** means Clearstream Banking, société anonyme;

**Closing**" and **Closing Date** means 18 December 2007 (or such later date as may be agreed between the Issuer and the Manager);

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

**Construction Account** means the account of the Issuer held with the GIC Provider to which (i) on the Closing Date an amount corresponding to the aggregate Construction Amounts of the Mortgage Receivables will be credited;

**Construction Amount** means such part of a Mortgage Loan that at the request of the relevant Borrower was withheld by the Seller on deposit to be paid out for the building or improvements of the Mortgaged Assets;

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

**Cut-Off Date** means 30 September 2007;

**DBV** means DBV Levensverzekeringsmaatschappij N.V., a public company (*naamloze vennootschap*) organised under the laws of the Netherlands and established in Zeist, the Netherlands

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

**Defaulted Loan Services** means the arrears management activities in respect of Mortgage Receivables which are in arrears for at least 1 day;

**Deferred Purchase Price Instalment** means an amount equal to (i) prior to the Enforcement Date, the positive difference, if any, between the Notes Interest Available Amount as calculated on each Quarterly Calculation Date and the sum of all amounts payable by the Issuer as set forth in the Interest Priority of Payments under (a) up to and including (l) on the immediately succeeding Quarterly Payment Date and (ii) after the Enforcement Date, the amount remaining after payments as set forth in the Priority of Payments upon Enforcement under (a) up to and including (k) have been made on such date;

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

**Enforcement Date** means the date of an Enforcement Notice;

**Enforcement Notice** means a notice referred to in Condition 10;

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

**Euribor** has the meaning ascribed to it in the Condition 4;

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

**Excess Swap Collateral** means an amount equal to the value of any collateral transferred to the Issuer by the Swap Counterparty in respect of the Swap Agreement that is in excess of the Swap Counterparty's mark-to-market exposure to the Issuer thereunder (i) as at the date such Swap Agreement is terminated or (ii) as at any other date of valuation or (iii) that is otherwise due to the Swap Counterparty in accordance with the terms of the Swap Agreement or (iv) as a result of a Rating Event or as a result of the remedy of a Rating Event (as such term is defined in the Swap Agreement);

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

**Final Maturity Date** means the Quarterly Payment Date falling in December 2047;

**First Optional Redemption Date** means the Quarterly Payment Date falling in December 2017;

**Fixed Rate Mortgage Loans** means Mortgage Loans with interest reset periods that are greater than one month;

**Floating Rate Interest Period** means the successive quarterly interest periods in which interest on the Notes will be payable, which will commence on (and include) a Quarterly Payment Date and end on (but exclude) the next succeeding Quarterly Payment Date, except for the first Floating Rate Interest Period, which will commence on (and include) the Closing Date and end on (but exclude) the Quarterly Payment Date falling in March 2008;

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

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

**Further Advance Receivable** means any and all rights of the Seller (or its assignee) against any Borrower under or in connection with any Further Advance relating to a Mortgage Loan;

**GIC** means the guaranteed investment contract to be entered into by the Issuer, the Security Trustee and the GIC Provider on the Closing Date, as the same may be amended, supplemented, restated or otherwise modified from time to time;

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

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

**Goudse** means De Goudse Levensverzekeringen N.V., a public company with limited liability (*naamloze vennootschap*) incorporated under the laws of the Netherlands and established in Gouda, the Netherlands;

**Initial Purchase Price** means the aggregate Outstanding Principal Amount of the Mortgage Receivables at 17 December 2007 of Euro 357,614,194.04, which shall be payable on the Closing Date;

**Initial Savings Participation** means in respect of each of the Savings Mortgage Receivables the amount of the participation therein being (a) at the Closing an amount equal to the Savings Premium received by the relevant Savings Insurance Company in respect of each Savings Mortgage Receivable from the Borrower in a month increased by  $(IR/12) \times S$  for each month on a capitalised basis from the month of the first payment of Savings Premium by the relevant Borrower up to but excluding the Cut-Off Date and accrued interest thereon, being the amount of euro, whereby  $IR$  = the interest rate on such Savings Mortgage Receivable and  $S$  = the Savings Premium;

**Insurance Companies** means the Life Insurance Companies and the Savings Insurance Companies;

**Insurance Policies** means the Life Insurance Policies, the Risk Insurance Policies and the Savings Insurance Policies;

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

**Interest Priority of Payments** means (in each case only if and to the extent that payments of a higher order of priority have been made in full):

- (a) *first*, in or towards satisfaction, *pro rata*, according to the respective amounts thereof, of the fees or other remuneration due and payable to the Directors in connection with the Management Agreements and any costs, charges, liabilities and expenses incurred by the Security Trustee under or in connection with any of the Relevant Documents;
- (b) *second*, in or towards satisfaction, *pro rata*, according to the respective amounts thereof, of administration fees and expenses due and payable to the Issuer Administrator and the MPT Provider under the Issuer Services Agreement;
- (c) *third*, in or towards satisfaction, *pro rata*, according to the respective amounts thereof, (i) of any amounts due and payable to third parties under obligations incurred in the Issuer's business (other than under the Relevant Documents) and the fees and expenses of Moody's, the Security Trustee and any legal advisor, auditor and accountants appointed by the Issuer or the Security Trustee, (ii) fees and expenses due to the Paying Agent and the Reference Agent under the Paying Agency Agreement; and (iii) in or towards satisfaction of any amounts due and payable to the Liquidity

Facility Provider under the Liquidity Facility Agreement but excluding any Liquidity Facility Subordinated Amount;

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

**Investment Mortgage Loans** means any Mortgage Loan in respect of which the Borrower does not pay principal prior to maturity, but undertakes to invest, whether or not on an instalment basis or up front, an agreed minimum amount in certain investment funds;

**ISDA Definitions** means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. (“ISDA”);

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

**ISE** means the Irish Stock Exchange;

**Issuer** means Candide Financing 2007 NHG B.V., a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) organised under the laws of the Netherlands and established in Amsterdam;

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

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

**Issuer Collection Account** means the account of the Issuer maintained with the GIC Provider, to which, *inter alia*, all amounts of interest, Prepayment Penalties, principal and all other collections received under the Mortgage Loans relating to the Mortgage Receivables will be transferred by the Seller in accordance with the Mortgage Receivables Purchase Agreement or, as the case may be, the MPT Provider in accordance with the Issuer Services Agreement;

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

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

**Life Insurance Company** means any life insurance company established in the Netherlands;

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

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

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

**Linear Mortgage Loan** ("*lineaire hypotheek*") means a loan under which the Borrower pays a fixed amount on each instalment such that at maturity the entire loan will be redeemed. The Borrower's payment obligation decreases with each payment as interest owed under the Linear Mortgage Loan declines over time;

**Liquidity Facility Agreement** means the maximum 364 day term liquidity facility agreement to be entered into by the Issuer and the Liquidity Facility Provider and the Security Trustee on the Closing Date;

**Liquidity Facility Maximum Amount** means, on each Quarterly Calculation Date, the higher of (a) an amount equal to 1.4 per cent. of the aggregate Principal Amount Outstanding of the Senior Class A Notes on such date and (b) 0.6 per cent. of the aggregate Principal Amount Outstanding of the Senior Class A Notes on the Closing Date;

**Liquidity Facility Provider** means Bank of Scotland Netherlands in its capacity as liquidity facility provider under the Liquidity Facility Agreement;

**Liquidity Facility Stand-by Drawing** means the drawing of the Issuer of the entirety of the undrawn portion of the Liquidity Facility if (a) the short-term unsecured, unsubordinated and unguaranteed debt obligations of the Liquidity Facility Provider are assigned a rating of less than Prime-1 by Moody's or (b) the Liquidity Facility Provider does not extend the Liquidity Facility notwithstanding the request of the Issuer;

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

**Liquidity Facility Subordinated Amount** means the sum of (a) any additional amounts due to any withholding taxes and increased costs on the provision of the Liquidity Facility and (b) any additional costs incurred by the Liquidity Facility Provider to comply with the requirements of the Bank of England and/or the Dutch Central Bank and/or the European Central Bank and/or changes to the capital adequacy rules applicable to the Liquidity Facility Provider and the Issuer;

**LTMV-ratio** means the quotient of the aggregate Outstanding Principal Amount of a Mortgage Loan divided by the Market Value of the Mortgaged Asset;

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

**Manager** means ABN AMRO;

**Margin** means the margins which will be applicable up to the Final Maturity Date and be equal to 0.14 per cent. per annum for the Senior Class A Notes and 1.85 per cent. per annum for the Subordinated Class B Notes;

**Market Value** means the market value of the Mortgaged Assets (i) as valued by an independent qualified appraiser in case of an existing property in accordance with the NHG Underwriting Criteria, provided that such assessment is not older than one year at the time of offer or (ii) purchase/construction amount (*koop-/aanneemsom*) increased with, if applicable, costs related to items such as architects, daily supervision, utility connections and VAT in accordance with the NHG Underwriting Criteria;

**Moody's** means Moody's Investors Service Limited;

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

**Mortgage Calculation Date** means the 6th business day of each month;

**Mortgage Calculation Period** means the period commencing on (and including) the first day of each calendar month and ending on (and including) the last day of such calendar month, and the first Mortgage Calculation Period will commence on (and include) 18 December 2007 and ends on (and include) 31 December 2007;

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

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

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

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

**Mortgage Payment Date** means the nineteenth (19<sup>th</sup>) calendar day (or if such day is not a business day, the immediately following business day) or, if the short term, unsecured, unsubordinated, unguaranteed debt obligations of the Seller are assigned a rating of Prime-2 by Moody's or is withdrawn, the 5<sup>th</sup> business day of each month;

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

**Mortgage Receivables Purchase Agreement** means the mortgage receivables purchase agreement to be entered into by the Seller, the Issuer and the Security Trustee on the date of this Prospectus;

**MPT Provider** means Bank of Scotland Netherlands in its capacity as mpt provider under the Issuer Services Agreement and its successor or successors;

**MPT Services** means the services to be provided by the MPT Provider under the Issuer Services Agreement;

**NHG Conditions** means the terms and conditions of the NHG Guarantee;

**NHG Guarantee** means guarantees (*borgtochten*) issued by *Stichting Waarborgfonds Eigen Woningen* under the terms and conditions of the Nationale Hypotheek Garantie, as from time to time amended;

**NHG Mortgage Loan** is a mortgage loan with the following characteristics:

- (c) a linear, investment, savings, life, interest-only or annuity mortgage loan;
- (d) 15 per cent. early redemption annually is allowed without penalty and 10 per cent. early redemption is allowed for loans originated after 1 February 2006;
- (e) a floating interest rate or an interest rate which may be fixed for 1, 5, 6, 10, 15, 20, 25 or 30 years;
- (f) an offer period of 3 months, which may be extended to a maximum of 6 months against a commitment fee;
- (g) a maximum mortgage amount of Euro 265,000;
- (h) compliant with the relevant NHG *financieringslasttabellen* (i.e. tables setting out the allowed financing burdens, as published by the '*Stichting Waarborgfonds Eigen Woningen*' obtainable from the website [www.nhg.nl](http://www.nhg.nl)); and
- (i) an NHG Guarantee is applicable;

**NHG Underwriting Criteria** means the criteria (*Normen*) as set out in the *Voorwaarden & Normen 2007* or earlier versions issued by the *Stichting Waarborgfonds Eigen Woningen*;

**Net Proceeds** means (a) the proceeds of a foreclosure on the mortgage right, (b) the proceeds of foreclosure on any other collateral securing the Mortgage Receivable, (c) the proceeds, if any, of collection of any Insurance Policies in connection with the Mortgage Receivable, including but not limited to fire insurance and Insurance Policies, (d) the proceeds of 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 Mortgage Receivable;

**Noteholders** means the several persons who are for the time being holders of any Notes;

**Notes** means the Senior Class A Notes and the Subordinated Class B Notes;

**Notes Interest Available Amount** shall mean, on any Quarterly Calculation Date, the sum of the following amounts received by the Issuer during the Quarterly Calculation Period immediately preceding such Quarterly Calculation Date:

- (i) interest, including, for the avoidance of doubt, penalty interest, but excluding Prepayment Penalties received on the Mortgage Receivables less with respect to each Savings Mortgage Receivable an amount equal to the amount received multiplied by the relevant Savings Participation Fraction ;
- (ii) interest credited to the Issuer Collection Account, the Reserve Account and the Construction Account (excluding interest received on the Mortgage Receivables);
- (iii) Net Proceeds on any Mortgage Receivables, to the extent such proceeds do not relate to principal, less with respect to each Savings Mortgage Receivable an amount equal to the amount received multiplied by the relevant Savings Participation Fraction ;
- (iv) amounts to be drawn under the Liquidity Facility (other than Liquidity Facility Stand-by Drawings) on the immediately succeeding Quarterly Payment Date;
- (v) amounts to be drawn from the Reserve Account on the immediately succeeding Quarterly Payment Date;
- (vi) amounts to be received from the Swap Counterparty under the Swap Agreement on the immediately succeeding Quarterly Payment Date;
- (vii) amounts received in connection with a repurchase of Mortgage Receivables pursuant to the Mortgage Receivables Purchase Agreement or any other amounts received pursuant to the Mortgage Receivables Purchase Agreement to the extent such amounts do not relate to principal less with respect to each Savings Mortgage Receivable an amount equal to the amount received multiplied by the relevant Savings Participation Fraction;
- (viii) amounts received in connection with a sale of Mortgage Receivables to the extent such amounts do not relate to principal less with respect to each Savings Mortgage Receivable an amount equal to the amount received multiplied by the relevant Savings Participation Fraction;
- (ix) amounts received as post-foreclosure proceeds on the Mortgage Receivables as calculated at the time the foreclosure procedures commenced;
- (x) until the Senior Class A Notes have been fully redeemed, any amounts standing to the credit of the Issuer Collection Account to the extent not relating to principal and, thereafter any amounts standing to the credit of the Issuer Collection Account;
- (xi) *less* (i) the amount of return or transfer of any Excess Swap Collateral as set out under the Swap Agreement (ii) prior to the designation of an Early Termination Date (as defined in the Swap Agreement) and the resulting application of collateral by way of netting or set-off, an amount equal to the value of all collateral other than any Excess Swap Collateral, provided by the Swap Counterparty (and any interest or distributions in respect thereof) and (iii) an amount equal to any Tax Credit(s) received in relation to the Swap Agreement and payable directly to the Swap Counterparty pursuant to the terms of the Swap Agreement; and
- (xii) *less* on the first Quarterly Payment Date of each calendar year an amount equal to 10 per cent. of the annual fee with a minimum of Euro 2,500 due and payable by the Issuer to the Directors in connection with the Management Agreement between the Issuer and the Directors relating to the management of the Issuer minus the Dutch corporate income tax due and payable by the Issuer on this amount;

**Notes Purchase Agreement I** means a notes purchase agreement dated 17 December 2007, among the Manager, the Issuer and the Seller to purchase the Senior Class A Notes;

**Notes Purchase Agreement II** means a notes purchase agreement dated 17 December 2007, among Issuer and the Seller, to purchase the Subordinated Class B Notes;

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

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

- (i) as repayment and prepayment in full or in part of principal under the Mortgage Receivables, from any person (including any Insurance Company), whether by set-off or otherwise, but, for the avoidance of doubt, excluding Prepayment Penalties, if any, less, with respect to each Savings Mortgage Receivable, an amount equal to the amount received multiplied by the Savings Participation Fraction;
- (ii) as Net Proceeds, to the extent such proceeds relate to principal less, with respect to each Savings Mortgage Receivable, an amount equal to the amount received multiplied by the Savings Participation Fraction;
- (iii) as amounts received in connection with a repurchase of Mortgage Receivables pursuant to the Mortgage Receivables Purchase Agreement and any other amounts received pursuant to the Mortgage Receivables Purchase Agreement to the extent such amounts relate to principal less, with respect to each Savings Mortgage Receivable, an amount equal to the amount received multiplied by the Savings Participation Fraction;
- (iv) as amounts received in connection with a sale of Mortgage Receivables pursuant to the Trust Deed and the Issuer Services Agreement to the extent such amounts relate to principal less, with respect to each Savings Mortgage Receivable, an amount equal to the amount received multiplied by the Savings Participation Fraction;
- (v) as amounts of interest received to be credited to the Principal Deficiency Ledger on the immediately succeeding Quarterly Payment Date in accordance with the Issuer Services Agreement;
- (vi) as Savings Participation Increase pursuant to the Savings Mortgage Sub-Participation Agreement;
- (vii) as amounts received on the Issuer Collection Account from the credit of the Construction Account (for the avoidance of doubt, excluding any amount relating to interest) in accordance with the Mortgage Receivables Purchase Agreement;

**Notification Events** means the Assignment Notification Events and the Pledge Notification Events collectively;

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

- (a) the aggregate Principal Amount Outstanding of the Senior Class A Notes on the first day of such Mortgage Calculation Period; less
- (b) the balance of the Principal Deficiency Ledger attributable to the Senior Class A Notes on the first day of such Mortgage Calculation Period; less
- (c) the amount of principal receipts in the Issuer Collection Account on the first day of such Mortgage Calculation Period received in connection with the Mortgage Loans;

**Optional Redemption Date** means each Quarterly Payment Date after the First Optional Redemption Date;

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

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

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

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

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

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

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

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

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

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

**Pledge Notification Events** means

- (a) an Enforcement Notice has been given; or
- (b) any amount due to the Security Trustee under or in connection with any Secured Liabilities is not paid when due; or
- (c) the Issuer fails duly to perform or comply with any of its obligations under the Pledge Agreement I or under any of the other Relevant Documents to which it is a party and if such failure is capable of being remedied, such failure is not remedied within ten (10) business days after notice thereof has been given by the Security Trustee to the Issuer or such other party; or
- (d) any representation, warranty or statement made by the Issuer in the Pledge Agreement I or under any of the other Relevant Documents to which it is a party or in any notice or other document, certificate or statement delivered by it pursuant thereto proves to have been, and continues to be after the expiration of any applicable grace period provided for in any Relevant Document, in the Security Trustee's reasonable opinion, untrue or incorrect in any material respect; or
- (e) the Issuer is in breach of or in default under any agreement to an extent or in a manner which has or which, in the Security Trustee's reasonable opinion, could have a material adverse effect on it or on its ability to perform its obligations under the Pledge Agreement I or any of the other Relevant Documents to which it is a party; or
- (f) the Issuer takes any corporate action or other steps are taken or legal proceedings are initiated or threatened against it for its dissolution (*ontbinding*), liquidation (*vereffening*), legal merger

(*juridische fusie*) or legal demerger (*juridische splitsing*), liquidation (*vereffening*) or placing its assets under administration (*onder bewind gesteld*); or

- (g) the Issuer becomes involved in negotiations with any one or more of its creditors with a view to the general readjustment or rescheduling of its indebtedness or makes a general composition (*akkoord*) for the benefit of its creditors; or
- (h) the Issuer has taken any corporate action or any steps have been taken or legal proceedings have been initiated or threatened against it for its entering into a suspension of payments or for bankruptcy or for becoming subject to any analogous insolvency proceedings under any applicable law or for the appointment of a receiver or similar officer of it or of any or all of its assets; or
- (i) there is any change in the shares or shareholders in the Issuer; or
- (j) the articles of association of the Issuer are amended after the Closing Date and the nature of the amendment is, in the opinion of the Security Trustee, materially detrimental to the interests of the Secured Parties; or
- (k) at any time it becomes unlawful for the Issuer to perform any or all of its obligations hereunder or under any other Relevant Document to which it is a party; or
- (l) the Issuer ceases to carry on all or a substantial part of its business; or
- (m) the Issuer has given incorrect information or not given information which was essential for the Security Trustee in connection with entering into the Pledge Agreement I and/or any of the other Relevant Documents; or
- (n) a creditor of the Issuer attaches, or takes possession of, all or any material part of its undertakings, assets, rights or revenues and the same is not released or discharged within forty-five (45) days.

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

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

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

**Principal Deficiency** means on any date any Realised Losses debited to the Principal Deficiency Ledger less any amounts credited to the Principal Deficiency Ledger up to such date;

**Principal Deficiency Ledger** means the ledger to which any Realised Losses are credited;

**Principal Shortfall** means an amount equal to the amount of the balance of the Principal Deficiency Ledger, divided by the number of Senior Class A Notes on such Quarterly Payment Date;

**Prospectus** means this prospectus dated 18 December 2007 relating to the issue of the Notes and as contemplated in the Relevant Documents;

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

**Provisional Pool** means the Mortgage Loans forming the mortgage pool as on the Cut-off Date;

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

**Quarterly Calculation Period** means, in relation to a Quarterly Calculation Date, the three successive Mortgage Calculation Periods immediately preceding such Quarterly Calculation Date except for the first Quarterly Calculation Period which will commence on 18 December 2007 and end on and include the last day of February 2008;

**Quarterly Payment Date** the 20th day of March, June, September and December (or, if such day is not a Business Day, the next succeeding Business Day, unless such Business Day falls in the next succeeding calendar month in which event the Business Day immediately preceding such 20th day) in each year;

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

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

**Relevant Documents** means the Mortgage Receivables Purchase Agreement, the Master Definitions Agreement, the Deeds of Assignment, any Purchase Deed of Assignment, the Issuer Services Agreement, the Pledge Agreements, the Notes Purchase Agreement, the Notes, the Paying Agency Agreement, the Trust Deed, the Swap Agreement, the Savings Mortgage Sub-Participation Agreement, the GIC, the Liquidity Facility Agreement, the Management Agreements, the Beneficiary Waiver Agreement, the Sub MPT Agreement, the Retransfer of Parts Agreement and any further documents relating to the transaction envisaged in the above mentioned documents;

**Required Swap Counterparty Rating** means a rating Prime-1 by Moody's of the short-term unsecured, unsubordinated and unguaranteed debt obligations of the Swap Counterparty and A1 by Moody's of the long-term unsecured, unsubordinated and unguaranteed debt obligations of the Swap Counterparty;

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

**Reserve Account Target Level** means, on any Quarterly Calculation Date, an amount equal to 1.5 per cent. of the Outstanding Principal Amount of the Mortgage Receivables at the Closing Date minus, in respect of the Savings Mortgage Loans, the Savings Participations;

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

**Risk Insurance Policy** means the risk policy (*risicoverzekering*) relating to an insurance which pays out upon the death of the insured, taken out by a Borrower with any of the Life Insurance Companies;

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

**Savings Insurance Companies** means DBV and Allianz;

**Savings Insurance Policy** means the combined risk and capital insurance policy (*gecombineerde risico- en kapitaalverzekering*) taken out by a Borrower with any of the Savings Insurance Companies in connection with any Savings Mortgage Loan;

**Savings Mortgage Loans** means the Mortgage Loans entered into by the Seller and the relevant Borrowers combined with a Savings Insurance Policy. Under the Savings Mortgage Loan the Borrower does not pay principal towards redemption of the Savings Mortgage Loan prior to maturity. Instead, the Borrower/insured pays a Savings Premium;

**Savings Mortgage Participants** means each Savings Insurance Company;

**Savings Mortgage Receivable(s)** means any and all rights of the Seller against any Borrower under or in connection with any Savings Mortgage Loans;

**Savings Mortgage Sub-Participation Agreement** means the savings mortgage sub-participation agreement between the Issuer and each Savings Insurance Company;

**Savings Participation** means on any Mortgage Calculation Date, in respect of each Savings Mortgage Receivable as an amount equal to the Initial Savings Participation in respect of the relevant Savings Mortgage Receivable increased with the Monthly Savings Participation Increase up to but not exceeding the Savings Participation Maximum Amount;

**Savings Participation Fraction** means, in respect of a Savings Mortgage Receivable, an amount equal to the relevant Savings Participation on the first day of the Mortgage Calculation Period divided by the Outstanding Principal Amount of such Savings Mortgage Receivable on the first day of such Mortgage Calculation Period;

**Savings Participation Increase** means an increase of (the entitlement under) the Savings Participation compared to the first day of the relevant Mortgage Calculation Period immediately preceding the relevant Mortgage Calculation Date, which increase is calculated on the relevant Mortgage Calculation Date by application of the following formula:

$(P/H) \times R + S$ , whereby

P = the Savings Participation on the first day of the relevant Mortgage Calculation Period;

H = the principal amount outstanding on the Savings Mortgage Receivable on the first day of the relevant Mortgage Calculation Period;

S = the amount of the Savings Premium actually received by the Issuer from the Savings Mortgage Participant in the relevant Mortgage Calculation Period in respect of the relevant Mortgage Receivable;

R = the amount of (i) interest due, but not overdue, and actually received from the relevant Borrower in the relevant Mortgage Calculation Period in respect of the Mortgage Receivable;

**Savings Participation Maximum Amount** means, at any time in respect of a Savings Mortgage Receivable, the Outstanding Principal Amount of such Savings Mortgage Receivable at such time;

**Savings Participation Redemption Available Amount** means on each Monthly Payment Date an amount up to the Savings Participation in each of the relevant Savings Mortgage Receivables received during the immediately preceding Mortgage Calculation Period (i) by means of repayment and prepayment in full under such Mortgage Receivables from any person, whether by set-off or otherwise, but, for the avoidance of doubt, excluding prepayment penalties, if any, and, furthermore, excluding amounts paid as partial prepayments on each of such Savings Mortgage Receivables, (ii) in connection with a sale by the Issuer of such Savings Mortgage Receivables (excluding the Savings Parts, if any) pursuant to the Mortgage Receivables Purchase Agreement or the Trust Deed to the extent such amounts relate to principal, unless the Savings Participation is assigned to the purchaser of such Mortgage Receivable, (iii) in connection with a sale by the Security Trustee pursuant to the Pledge Agreement I and (iv) as Net Proceeds on such Savings Mortgage Receivables to the extent such amounts relate to principal;

**Savings Premium** means the savings part of the premium including any extra instalments, due by the relevant Borrower to the relevant Savings Insurance Company on the basis of the Savings Insurance Policy which is calculated in such a way that the Savings Mortgage Loan can be redeemed with the insurance proceeds at maturity;

**Savings Sub-Participation Agreement** means the sub-participation agreement entered into by the Issuer, the Security Trustee and the Savings Insurance Companies on the Closing Date;

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

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

**Security Trustee** means Stichting Security Trustee Candide Financing 2007 NHG, a foundation (*stichting*) organised under the laws of the Netherlands and established in Amsterdam, the Netherlands;

**Seller** means Bank of Scotland Netherlands;

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

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

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

**Senior Class A Notes** means the Euro 356,000,000 Senior Class A Mortgage-Backed Notes 2007 due 2047, including the coupons appertaining thereto;

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

**Stater** means Stater Nederland B.V., a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) organised under the laws of the Netherlands and established in Amersfoort, the Netherlands;"

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

**Subordinated Class B Noteholders** means the several persons who are for the time being holders of any Subordinated Class B Notes;

**Subordinated Class B Notes** means the Euro 5,350,000 Subordinated Class B Notes 2007 due 2047 including the coupons appertaining thereto;

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

**Subordinated Loan Provider** means Bank of Scotland Netherlands;

**Swap Agreement** means the interest rate swap agreement entered into pursuant to an ISDA Master Agreement (including Schedule, Confirmation and Transaction (entered into and each as defined thereunder and incorporating the ISDA Definitions thereunder) to be entered into by the Swap Counterparty and the Issuer on the Closing Date in connection with hedging the amounts to be received by the Issuer in respect of the Mortgage Receivables and the interest payable by the Issuer in respect of the Notes;

**Swap Counterparty** means Bank of Scotland Netherlands in its capacity as Swap Counterparty under the Swap Agreement and its successor(s);

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

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

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

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

**Tax Credit** means, in case the Swap Counterparty has paid an amount in accordance with the relevant Swap Agreement and the Issuer in connection with Part 5 of the Schedule to the ISDA Master Agreement is granted or otherwise receives from the tax authorities of any jurisdiction any tax credit, allowance, set-off or repayment relating to such payment by the Swap Counterparty an amount equal to the amount so received;

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

**Threshold Margin** means the sum of: (a) Class A Margin plus (b) Senior Fees;

**Transaction Accounts** means the Issuer Collection Account, the Reserve Account and the Construction Account;

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

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

**Unit-Linked Mortgage Loans** means the Life Mortgage Loans with a Life Insurance Policy attached under which the amount to be received upon pay out of the Life Insurance Policy depends on the performance of certain investment funds chosen by the insured (**'unit-linked'**);

**VVAA** means VVAA Levensverzekeringen N.V., a public company with limited liability (*naamloze vennootschap*) incorporated under the laws of the Netherlands and established in Utrecht, the Netherlands;

**WEW** means the '*Stichting Waarborgfonds Eigen Woningen*', a foundation incorporated under the laws of the Netherlands and established in The Hague, the Netherlands;

**Wft** means the Dutch Financial Markets Supervision Act (*Wet op het financieel toezicht*); and

**Zwitserleven** means Schweizerische Lebensversicherung- und Rentenanstalt, a company organised under Swiss law and established in Zurich.

## ANNEX B

### EXPECTED AMORTISATION PROFILE OF THE SENIOR CLASS A NOTES BASED ON ASSUMPTIONS

QCP (Start Date)	8% CPR	12% CPR	16% CPR
17-12-2007	100,00%	100,00%	100,00%
20-3-2008	97,87%	96,79%	95,67%
20-6-2008	95,78%	93,68%	91,53%
20-9-2008	93,74%	90,67%	87,56%
20-12-2008	91,74%	87,76%	83,77%
20-3-2009	89,79%	84,93%	80,14%
20-6-2009	87,87%	82,20%	76,66%
20-9-2009	86,00%	79,56%	73,34%
20-12-2009	84,16%	77,00%	70,16%
20-3-2010	82,36%	74,52%	67,12%
20-6-2010	80,60%	72,12%	64,20%
20-9-2010	78,88%	69,80%	61,42%
20-12-2010	77,19%	67,55%	58,75%
20-3-2011	75,54%	65,38%	56,20%
20-6-2011	73,92%	63,27%	53,76%
20-9-2011	72,34%	61,23%	51,43%
20-12-2011	70,79%	59,26%	49,20%
20-3-2012	69,27%	57,35%	47,06%
20-6-2012	67,79%	55,50%	45,01%
20-9-2012	66,33%	53,71%	43,06%
20-12-2012	64,90%	51,96%	41,18%
20-3-2013	63,50%	50,29%	39,39%
20-6-2013	62,14%	48,66%	37,68%
20-9-2013	60,81%	47,09%	36,04%
20-12-2013	59,50%	45,57%	34,47%
20-3-2014	58,22%	44,10%	32,97%
20-6-2014	56,97%	42,67%	31,54%
20-9-2014	55,74%	41,29%	30,17%
20-12-2014	54,54%	39,96%	28,85%
20-3-2015	53,37%	38,67%	27,60%
20-6-2015	52,22%	37,41%	26,39%
20-9-2015	51,08%	36,20%	25,24%
20-12-2015	49,98%	35,02%	24,14%
20-3-2016	48,90%	33,89%	23,09%
20-6-2016	47,85%	32,79%	22,08%
20-9-2016	46,81%	31,73%	21,12%
20-12-2016	45,80%	30,70%	20,20%
20-3-2017	44,81%	29,70%	19,32%
20-6-2017	43,84%	28,74%	18,47%
20-9-2017	42,88%	27,80%	17,66%
20-12-2017	0,00%	0,00%	0,00%

## **REGISTERED OFFICES**

### **ISSUER**

CANDIDE FINANCING 2007 NHG B.V.  
Frederik Roeskestraat 123  
1076 EE Amsterdam  
The Netherlands

### **ISSUER ADMINISTRATOR**

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

### **MPT PROVIDER**

Bank of Scotland plc, Amsterdam Branch  
De Entrée 254  
1101 EE Amsterdam  
The Netherlands

### **TRANSACTION COUNSEL**

Allen & Overy LLP  
  
Apollolaan 15  
1077 AB Amsterdam  
The Netherlands

### **SECURITY TRUSTEE**

Stichting Security Trustee Candide Financing 2007  
NHG  
Frederik Roeskestraat 123  
1076 EE Amsterdam  
The Netherlands

### **PAYING AGENT AND REFERENCE AGENT**

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

### **SELLER**

Bank of Scotland plc, Amsterdam Branch  
De Entrée 254  
1101 EE Amsterdam  
The Netherlands

### **LISTING AGENT**

Arthur Cox Listing Services Limited  
Earlsfort Centre  
Earlsfort Terrace  
Dublin 2  
Ireland

### **SUB-MPT PROVIDER**

Stater Nederland B.V.  
De Brand 40  
3823 LL Amersfoort  
The Netherlands

### **LIQUIDITY FACILITY PROVIDER**

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### **AUDITOR**

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