

## Securitized Guaranteed Mortgage Loans II B.V.

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

**euro 500,000,000 floating rate Senior Class A Mortgage-Backed Notes 2008 due 2045, issue price 100 per cent.**

**euro 24,000,000 floating rate Subordinated Class B Notes 2008 due 2045, issue price 100 per cent.**

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The Prospectus has been approved by the Irish Financial Services Regulatory Authority, as competent authority under the Prospectus Directive 2003/71/EC. The Irish Financial Services Regulatory Authority only approves the Prospectus as meeting the requirements imposed under Irish and European Union law pursuant to the Prospectus Directive. Application has been made to the Irish Stock Exchange for the euro 500,000,000 floating rate Senior Class A Mortgage-Backed Notes 2008 due 2045 (the '**Senior Class A Notes**') and the euro 24,000,000 floating rate Subordinated Class B Notes 2008 due 2045 (the '**Subordinated Class B Notes**' and together with the Senior Class A Notes, the '**Notes**'), to be issued by Securitized Guaranteed Mortgage Loans II B.V. (the "**Issuer**") to be admitted to the official list and trading on its regulated market. This document constitutes a Prospectus within the meaning of Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading (the "**Prospectus Directive**") and is issued in compliance with the Prospectus Directive and relevant implementing measures in Ireland for the purpose of giving information with regard to the issue of the Notes. The Notes are expected to be issued and admitted to trading on 30 October 2008.

The Notes will carry a floating rate of interest, payable quarterly in arrear on each Quarterly Payment Date. The rate of interest for the Notes will be Euribor for three (3) month deposits in euro (or, in respect of the first Floating Rate Interest Period, the rate which represents the linear interpolation of Euribor for 2 and 3 months deposits in euro rounded if necessary, to the 5th decimal place with 0.00005, being rounded upwards) plus a margin per annum (the "**Relevant Margin**"). Up to and including the first Optional Redemption Date, the Relevant Margin will be [●] per cent. per annum for the Senior Class A Notes and [●] per cent. per annum for the Subordinated Class B Notes. If on the first Optional Redemption Date the Notes of any Class have not been redeemed in full, subject to and in accordance with the terms and conditions of the Notes (the "**Conditions**"), then the Relevant Margin will be reset and will be [●] per cent. per annum for the Senior Class A Notes and [●] per cent. per annum for the Subordinated Class B Notes. Where the withholding or deduction of taxes, duties, assessments or charges are required by law in respect of payments of principal and/or interest of the Notes, such withholding or deduction will be made without an obligation of the Issuer to pay any additional amount to the Noteholders.

The Notes are scheduled to mature on the Quarterly Payment Date falling in October 2045 (the "**Final Maturity Date**"). On each Quarterly Payment Date (the first falling in January 2009) the Senior Class A Notes will be subject to mandatory redemption (in whole or in part) in the circumstances set out in, and subject to and in accordance with the Conditions through the application of the Notes Redemption Available Amount remaining on such date. As the Notes Redemption Available Amount is up to the first Optional Redemption Date the amount of the Principal Available Amount remaining after the purchase of Substitute NHG Mortgage Receivables and Further Advance Receivables and less any Reserved Amount, such Notes Redemption Available Amount on any Quarterly Payment Date may be nil. On the Quarterly Payment Date falling in October 2013 and each Quarterly Payment Date thereafter (each an "**Optional Redemption Date**") the Issuer will have the option to redeem all (but not some only) of the Senior Class A Notes at their Principal Amount Outstanding, in the circumstances set out in, subject to and in accordance with the Conditions. On each Quarterly Payment Date (the first falling in January 2009) the Subordinated Class B Notes will be subject to mandatory partial redemption in the circumstances set out in, subject to and in accordance with the Condition 6(d) through the application of the amount remaining of the Notes Interest Available Amount after all payments ranking higher in priority in the Interest Priority of Payments have been made in full on such date. In addition, subject to and in accordance with the Conditions, the Issuer has the option to redeem the Senior Class A Notes, in whole but not in part upon the occurrence of a Tax Change. Finally, the Issuer will redeem the Senior Class A Notes in accordance with Condition 6(b), if the Seller exercises the Clean-Up Call Option.

**It is a condition precedent to issuance of the Notes that the Senior Class A Notes, on issue, be assigned an "AAA" rating by Fitch Ratings Ltd. ('Fitch'). The Subordinated Class B Notes will not be rated.**

A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. For a discussion of some of the risks associated with an investment in the Notes, see chapter *Risk Factors* herein.

The Notes will be indirectly secured by a right of pledge over the NHG Mortgage Receivables and the Beneficiary Rights and a right of pledge over the Issuer's rights under or in connection with (most of) the Relevant Documents, vested by the Issuer in favour of Stichting Security Trustee

SGML II (the "**Security Trustee**"). The right to payment of interest and principal on the Subordinated Class B Notes will be subordinated and may be limited as more fully described in the Conditions.

The Notes of each Class will initially be represented by a temporary global note in bearer form (each a "**Temporary Global Note**"), without coupons, which is expected to be deposited with the Nederlands Centraal Instituut voor Effectenverkeer B.V. ("**Euroclear Netherlands**") on or about the Closing Date. Interests in each of the Temporary Global Notes will be exchangeable for interests in a permanent global note of the relevant Class (the "**Permanent Global Note**"), without coupons (the expression "**Global Notes**" means each Temporary Global Note and each Permanent Global Note and the expression "**Global Note**" means each Temporary Global Note or each Permanent Global Note, as the context may require) not earlier than forty (40) days after the Closing Date upon certification as to non-U.S. beneficial ownership. Interests in each Permanent Global Note will, in certain limited circumstances, be exchangeable for Notes in definitive bearer form as described in the Conditions.

The Notes will be solely the obligations of the Issuer. The Notes will not be the obligations or responsibilities of, or guaranteed by, any other entity or person, in whatever capacity acting, including, without limitation, the Seller, the Interest Swap Counterparty, the Pool Servicer, the Issuer Administrator, the Directors, the Paying Agent, the Reference Agent, the Arranger, the Manager, the Floating Rate GIC Provider, the Participant, the Liquidity Loan Provider and the Security Trustee, in whatever capacity acting. Furthermore, none of the Seller, the Interest Swap Counterparty, the Pool Servicer, the Issuer Administrator, the Directors, the Paying Agent, the Reference Agent, the Arranger, the Manager, the Floating Rate GIC Provider, the Participant, the Liquidity Loan Provider and the Security Trustee, nor any other person in whatever capacity acting, will accept any liability whatsoever to Noteholders in respect of any failure by the Issuer to pay any amounts due under the Notes. None of the Seller, the Interest Swap Counterparty, the Pool Servicer, the Issuer Administrator, the Directors, the Paying Agent, the Reference Agent, the Arranger, the Manager, the Floating Rate GIC Provider, the Participant, the Liquidity Loan Provider or the Security Trustee will be under any obligation whatsoever to provide additional funds to the Issuer (save in the limited circumstances pursuant to the Relevant Documents).

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

The date of this Prospectus is 30 October 2008.

**Arranger, Manager and Sole Bookrunner**  
**The Royal Bank of Scotland**

## IMPORTANT INFORMATION

Only the Issuer is responsible for the information contained in this Prospectus, other than the information for which the Seller is responsible as referred to in the following paragraph. To the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case) the information (except for the information for which the Seller is responsible as referred to in the following paragraph) contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the importance of such information.

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

This Prospectus is to be read in conjunction with the articles of association of the Issuer which can be obtained at the office of the Issuer (see chapter *General Information* below). Neither this Prospectus nor any part thereof constitutes an offer or an invitation to sell or a solicitation of an offer to buy Notes in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction. The distribution of this document and the offering of the Notes in certain jurisdictions may be restricted by law.

The Irish Financial Services Regulatory Authority has approved this document in relation to the Notes which are to be listed on the Irish Stock Exchange or any other EU regulated market.

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

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

Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Prospectus nor any other information supplied in connection with the offering of the Notes constitutes an offer or invitation by or on behalf of the Issuer or 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. Neither the Issuer nor any other party has any obligation to update this Prospectus, after completion of the offer of the Notes.

The Manager and the Seller expressly do not undertake to review the financial 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 language in this Prospectus is English. Non-English text included within this Prospectus is provided for convenience only and does not form part of the Prospectus.

The Notes have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the '**Securities Act**') and include Notes in bearer form that are subject to United States tax law requirements. The Notes may not be offered, sold or delivered within the United States or to persons as defined in Regulation S under the Securities Act except in certain transactions permitted by US tax regulations and Regulation S under the Securities Act (see chapter *Purchase and Sale* below). The Notes have not been approved or disapproved by the US Securities and Exchange Commission, any state securities commission or any other regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of this offering on accuracy or adequacy of this Prospectus. Any representation to the contrary is unlawful.

In connection with the issue of the Notes, The Royal Bank of Scotland plc. (the "**Stabilising Manager**") (or any duly appointed person acting for the Stabilising Manager) may over-allot the Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of 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 Notes is made and, if begun, may be ended at any time, but must end no later than the earlier of thirty (30) days after the Closing Date and sixty (60) days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the Stabilising Manager (or any duly appointed person acting for the Stabilising Manager) in accordance with all applicable laws and regulations as amended from time to time.

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

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## SUMMARY

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

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

### **The transaction**

The Issuer will purchase and, on the Closing Date, accept the assignment from the Seller of the NHG Mortgage Receivables (i.e. the rights under or in connection with certain pre-selected Mortgage Loans originated by the Seller (or its legal predecessors) which have the benefit of NHG Guarantees and which will include upon the purchase of any Substitute NHG Mortgage Receivables or any Further Advance Receivables, such Substitute NHG Mortgage Receivables and Further Advance Receivables respectively) and accept on the Closing Date the assignment of the Beneficiary Rights relating thereto by means of a registered deed of assignment as a result of which legal title to the NHG Mortgage Receivables and the Beneficiary Rights relating thereto is transferred to the Issuer. Furthermore, the Issuer will on the Closing Date issue the Notes and use the net proceeds of the Senior Class A Notes to pay to the Seller (part of) the Initial Purchase Price for the NHG Mortgage Receivables sold and assigned on the Closing Date pursuant to the Mortgage Receivables Purchase Agreement. Furthermore, the Issuer will pay the Deferred Purchase Price to the Seller, which is to be paid on each Quarterly Payment Date in Deferred Purchase Price Instalments, if any (see further chapter *Mortgage Receivables Purchase Agreement*).

The net proceeds of the issue of the Subordinated Class B Notes will be credited to the Reserve Account.

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

The Issuer will use receipts of principal and interest in respect of the NHG Mortgage Receivables together with amounts it receives under the Floating Rate GIC, the Sub-Participation Agreement and the Interest Swap Agreement and drawings made from the Liquidity Fund Account and from the Reserve Account, to make payments of, *inter alia*, principal and interest due in respect of the Notes.

The obligations of the Issuer in respect of the Notes will rank below the obligations of the Issuer in respect of certain items set forth in the applicable priority of payments (see chapter *Credit Structure*) and payments of interest and principal on the Subordinated Class B Notes are subordinated to, *inter alia*, payments of principal and interest on the Senior Class A Notes and limited as more fully described herein under chapters *Credit Structure* and *Terms and Conditions of the Notes*.

Pursuant to the Liquidity Loan Agreement, the Issuer will make a drawing for an amount equal to the Liquidity Fund Required Amount on the Closing Date, which will be deposited on the Liquidity Fund Account. The payment of interest and principal in respect of the Liquidity Loan will be subordinated to payments in respect of the Notes and certain other items as set out in and subject to the Interest Priority of Payments.

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

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

Pursuant to the Administration Agreement, *inter alia*, (i) the Pool Servicer will agree to provide (a) administration and management services and other services to the Issuer on a day-to-day basis in relation to the Mortgage Loans and the NHG Mortgage Receivables, including, without limitation, the collection and recording of payments of principal, interest and all other amounts in respect of the NHG Mortgage Receivables and the direction of amounts received by the Seller to the Master Collection Account and the production of monthly reports in relation thereto and (b) the implementation of arrears procedures including, if applicable, the enforcement of Mortgages, the Borrower Pledges and the NHG Guarantees and (ii) the Issuer Administrator will agree to provide certain administration, calculation and cash management services to the Issuer, including without limitation, all calculations to be made in respect of the Notes pursuant to the Conditions (see chapter *Administration Agreement*).

To mitigate the risk between the rate of interest to be received by the Issuer on the NHG Mortgage Receivables and the rate of interest payable by the Issuer on the Senior Class A Notes, the Issuer will enter into the Interest Swap Agreement (see chapter *Credit Structure*). The risk between the rate of interest accruing on the balance standing to the credit of the Reserve Account and the floating rate of interest payable by the Issuer on the Subordinated Class B Notes will not be hedged. See chapter *Credit Structure* below.

#### **The Issuer**

Securitized Guaranteed Mortgage Loans II B.V. is a private company with limited liability ("*besloten vennootschap met beperkte aansprakelijkheid*") incorporated under the laws of the Netherlands and registered with the Commercial Register of the Chamber of Commerce of Amsterdam. The Issuer is established to purchase the NHG Mortgage Receivables and to issue the Notes. The entire issued share capital of the Issuer is owned by Stichting SGML II Holding.

#### **Security**

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

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

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

#### **Limited Recourse**

Each of the Noteholders shall only have recourse in respect of any claim against the Issuer in accordance with the relevant priority of payments as set forth in this Prospectus. The Noteholders and the other Secured Parties shall not have recourse on any assets of the Issuer other than (i) the NHG Mortgage Receivables and the Beneficiary Rights relating thereto, (ii) the balance standing to the credit of the Transaction Accounts and (iii) the amounts received under the Relevant Documents. In the event that the Security in respect of the Notes has been fully enforced and the proceeds of such enforcement, after payment of all other claims ranking under the Trust Deed in priority to a Class

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

#### **Interest on the Notes**

The Notes will carry a floating rate of interest, payable quarterly in arrear on each Quarterly Payment Date. The rate of interest for the Notes will be Euribor for three (3) month deposits in euro (or, in respect of the first Floating Rate Interest Period, the rate which represents the linear interpolation of Euribor for 2 and 3 month deposits in euro rounded if necessary, to the 5th decimal place with 0.00005, being rounded upwards) plus the Relevant Margin. On the first Optional Redemption Date, the margin on the Notes will be reset subject to and in accordance with the Conditions.

#### **Redemption of the Notes**

Unless previously redeemed, the Issuer will redeem all of the Notes subject to, in respect of the Subordinated Class B Notes, Condition 9(b), at their respective Principal Amount Outstanding on the Quarterly Payment Date falling in October 2045.

Provided that no Enforcement Notice has been served in accordance with Condition 10, on each Quarterly Payment Date (the first falling in January 2009) the Issuer will be obliged to apply the Notes Redemption Available Amount, which broadly consists of all amounts of principal received (i) as repayment or pre-payment on the NHG Mortgage Receivables and (ii) in connection with a repurchase or sale of the NHG Mortgage Receivables, less amounts used for the purchase of Substitute NHG Mortgage Receivables (up to and including the Quarterly Payment Date immediately preceding the first Optional Redemption Date) and Further Advance Receivables and the Reserve Amount, to (partially) redeem the Senior Class A Notes.

The Subordinated Class B Notes will be (partially) redeemed on each Quarterly Payment Date (the first falling in January 2009) in accordance with Condition 6(e).

The Issuer will have the option to redeem all of the Senior Class A Notes, but not some only, on each Optional Redemption Date at their Principal Amount Outstanding in accordance with Condition 6(c). Also, the Issuer will have the option to redeem the Senior Class A Notes at their Principal Amount Outstanding upon the occurrence of a Tax Change in accordance with Condition 6(f). Finally, the Issuer will redeem the Senior Class A Notes in accordance with Condition 6(b) if the Seller exercises the Clean-Up Call Option.

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

#### **Listing**

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

#### **Rating**

It is a condition precedent to the issuance of the Notes that the Senior Class A Notes, on issue, be assigned an "AAA" rating by Fitch. The Subordinated Class B Notes will not be rated.

#### **Risk factors**

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



## RISK FACTORS

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

### RISK FACTORS REGARDING THE ISSUER

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

The Notes will be solely the obligations of the Issuer. The Notes will not be obligations or responsibilities of, or guaranteed by, any other entity or person, in whatever capacity acting, including, without limitation, the Seller, the Manager, the Arranger, the Liquidity Loan Provider, the Floating Rate GIC Provider, the Participant, the Directors, the Issuer Administrator, the Pool Servicer, the Interest Swap Counterparty, the Paying Agent, the Reference Agent or the Security Trustee. Furthermore, none of the Seller, the Arranger, the Manager, the Liquidity Loan Provider, the Floating Rate GIC Provider, the Participant, the Directors, the Issuer Administrator, the Pool Servicer, the Interest Swap Counterparty, the Paying Agent, the Reference Agent, the Security Trustee nor any other person in whatever capacity acting, will accept any liability whatsoever to Noteholders in respect of any failure by the Issuer to pay any amounts due under the Notes. None of the Seller, the Manager, the Arranger, the Liquidity Loan Provider, the Floating Rate GIC Provider, the Participant, the Directors, the Issuer Administrator, the Pool Servicer, the Interest Swap Counterparty, the Paying Agent, the Reference Agent and the Security Trustee will be under any obligation whatsoever to provide additional funds to the Issuer (save in the limited circumstances described in the Relevant Documents).

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

The ability of the Issuer to meet its obligations in full to pay principal of and interest on the Notes will be dependent on the receipt by it of funds in respect of the NHG Mortgage Receivables, the proceeds of the sale of any NHG Mortgage Receivables and the Sub-Participation Agreement, the receipt by it of payments under the Interest Swap Agreement and the receipt by it of interest in respect of the balance standing to the credit of the Transaction Accounts. In addition, the Issuer will have available to it the balances standing to the credit of each of the Reserve Account and the Liquidity Fund Account Loan for certain of its payment obligations (see further chapter *Credit Structure*). The Issuer has no other resources available to meet its obligations under the Notes.

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

Counterparties to the Issuer may not perform their obligations under the Relevant Documents, which may result in the Issuer not being able to meet its obligations under the Notes. It should be noted that there is a risk that (a) Achmea Hypotheekbank in its capacity of the Seller, the Liquidity Loan Provider, the Issuer Administrator and the Pool Servicer will not perform its obligations *vis-à-vis* the Issuer under the Mortgage Receivables Purchase Agreement, the Liquidity Loan Agreement and the Administration Agreement respectively, (b) The Royal Bank of Scotland plc as the Floating Rate GIC Provider and the Interest Swap Counterparty will not perform its respective obligations the Floating Rate GIC and the Interest Swap Agreement respectively, (c) the Participant will not perform its obligations under the Sub-Participation Agreement, (d) The Bank of New York Mellon, acting through its London Branch, in its capacity of Paying Agent and Reference Agent will not perform its obligations under the Paying Agency Agreement and (e) the Directors will not perform their respective obligations under the relevant Management Agreements.

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

Under or pursuant to the Pledge Agreements, various rights of pledge will be granted by the Issuer to the Security Trustee. On the basis of these pledges the Security Trustee can exercise the rights afforded by Dutch law to pledgees regardless of any bankruptcy or suspension of payments of the Issuer. The Issuer is a special purpose vehicle and is therefore unlikely to become insolvent. However, any bankruptcy or suspension of payments involving the Issuer would affect the position of the Security Trustee as pledgee in some respects, the most important of which are: (i) payments made by the Borrowers to the Issuer after notification of the assignment to the Issuer but prior to notification of the pledge to the Security Trustee but after bankruptcy or suspension of payments will be part of the bankruptcy estate of the Issuer, although the Security Trustee has the right to receive such amounts by preference after deduction of certain costs, (ii) a mandatory 'cool-off' period of up to four (4) months may apply in case of bankruptcy or suspension of payments involving the Issuer, which, if applicable would delay the exercise ("*uitwinnen*") of the right of pledge on the NHG Mortgage Receivables, but not the collection ("*innen*") thereof and (iii) the Security Trustee may be obliged to enforce its right of pledge within a reasonable period following bankruptcy as determined by the judge-commissioner ("*rechter-commissaris*") appointed by the court in the event of a bankruptcy of the Issuer.

To the extent the receivables pledged by the Issuer to the Security Trustee are future receivables, the right of pledge on such future receivables cannot be invoked against the estate of the Issuer if such future receivable comes into existence after the Issuer's bankruptcy or suspension of payments becomes effective. The Issuer has been advised that the assets pledged to the Security Trustee under the Security Trustee Pledge Agreement II should probably be regarded as future receivables. This would for example apply to amounts paid to the Transaction Accounts following the Issuer's bankruptcy or suspension of payments. With respect to the effectiveness of the rights of pledge on the Beneficiary Rights reference is made to the section *Risks relating to Beneficiary Rights under the Insurance Policies* below).

### **Risks related to the creation of pledges on the basis of the 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 rights of pledge in favour of the Security Trustee, the Issuer has in the Parallel Debt Agreement, as a separate and independent obligation, by way of parallel debt, undertaken to pay to the Security Trustee amounts equal to the amounts due by it to the Secured Parties. The Issuer has been advised that such a parallel debt creates a claim of the Security Trustee thereunder which can be validly secured by a right of pledge such as the rights of pledge created by the Security Trustee Pledge Agreement I and the Security Trustee Pledge Agreement II (see also chapter *Description of Security*).

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

### **License requirement under the Act on Financial Supervision**

Under the Act on Financial Supervision ("*Wet op het financieel toezicht*" or "*Wft*") as amended from time to time, which entered into force on 1 January 2007, a special purpose vehicle which services ("*beheert*") and administers ("*uitvoert*") loans granted to consumers, such as the Issuer, must have a license under that Act. As the Mortgage Loans are granted to consumers, the Issuer must have a licence. However, an exemption from the license requirement is available, if the special purpose vehicle outsources the servicing of the loans and the administration thereof to an entity holding a license under the Act on Financial Supervision. The Issuer has outsourced the servicing and administration of the NHG Mortgage Receivables to the Pool Servicer. The Pool Servicer holds a license as a bank under the Act on Financial Supervision and the Issuer thus benefits from the exemption. However, if the appointment of the Pool Servicer under the Administration Agreement is terminated, the Issuer will need to outsource the servicing and administration of the Mortgage Loans to another licensed entity or it needs to apply for and hold a license itself. In the latter case, the Issuer would have to comply with the applicable requirements under the Act on Financial Supervision. If the Administration Agreement is terminated and the Issuer has not outsourced the servicing and administration of the Mortgage Loans to a licensed entity and, in such case, it does not hold a

license itself, the Issuer would have to terminate its activities and settle ("*afwikkelen*") its existing agreements, which may ultimately result in, among others, an early redemption of the Notes.

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

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

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

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

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

Under Dutch law, assignment of the legal title of claims, such as the NHG Mortgage Receivables, can be effected by means of a notarial or registered deed of assignment, without notification of the assignment to the debtors being required ("*stille cessie*"). The legal title of the NHG Mortgage Receivables will be assigned on the Closing Date and, in respect of Substitute NHG Mortgage Receivables, if any, on any Quarterly Payment Date up to (but excluding) the first Optional Redemption Date and, in respect of Further Advance Receivables, if any, on any Quarterly Payment Date by the Seller to the Issuer through a deed of assignment which will be registered with the appropriate authorities. The Mortgage Receivables Purchase Agreement will provide that the assignment of the NHG Mortgage Receivables by the Seller to the Issuer will not be notified to the Borrowers except upon the occurrence of any of the Assignment Notification Events (see chapter *Mortgage Receivables Purchase Agreement*).

Until notification of the assignment has been made to the Borrowers, the Borrowers under the NHG Mortgage Receivables can only validly pay to the Seller in order to fully discharge their payment obligations ("*bevrijdend betalen*") in respect thereof. The Seller has undertaken in the Mortgage Receivables Purchase Agreement to pay on each Mortgage Payment Date to the Issuer any amounts received in respect of the NHG Mortgage Receivables during the immediately preceding Mortgage Calculation Period. However, receipt of such amounts by the Issuer is subject to the Seller actually making such payments. If the Seller is declared bankrupt or subject to emergency regulations prior to making such payments, the Issuer has no right of any preference in respect of such amounts.

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

payment prior to (unsecured) creditors with ordinary claims, but after preferred creditors of the estate in order to fully discharge their payment obligations (“*bevrijdend betalen*”).

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

Under Dutch law a debtor has a right of set-off if it has a claim that is due and payable which corresponds to its debt to the same counterparty and is entitled to pay his debt as well as to enforce payment of his claim.

Subject to these requirements being met, each Borrower will be entitled to set-off amounts due by the Seller to it (if any) with amounts it owes in respect of the NHG Mortgage Receivable prior to notification of the assignment of the NHG Mortgage Receivable to the Issuer having been made. Such amounts due and payable by the Seller to a Borrower could, *inter alia*, result from current account balances or deposits made with the Seller by a Borrower. Also such claim of a Borrower could, *inter alia*, result from (investment) services rendered by the Seller to the Borrower such as investment advice or investment management services, including in connection with Investment Mortgage Loans, rendered by the Seller or for which the Seller is responsible or liable. As a result of the set-off of amounts due and payable by the Seller to the Borrower with amounts the Borrower owes in respect of the NHG Mortgage Receivable, the NHG Mortgage Receivable will, partially or fully, be extinguished (“*gaat teniet*”). Set-off by Borrowers could thus lead to losses under the Notes.

The Seller will represent and warrant in the Mortgage Receivables Purchase Agreement that according to the conditions applicable to the Mortgage Loans originated by Avéro Hypotheken B.V. and FBTO Hypotheken B.V. or by the Seller under the names (a) Avéro Achmea and (b) FBTO Hypotheken, payments by the Borrowers should be made without set-off. Considering the wording of this clause, it is uncertain whether this clause is intended as a waiver by the Borrowers of their set-off rights vis-à-vis the Seller. Moreover, under Dutch law it is uncertain whether such waiver will be valid. Should the waiver be invalid and in respect of any of the other Mortgage Loans, the Borrowers will have the set-off rights described in this paragraph.

After assignment of the NHG Mortgage Receivables to the Issuer and notification thereof to a Borrower, such Borrower will also have set-off rights vis-à-vis the Issuer, provided that the legal requirements for set-off are met (see above), and further provided that (i) the counterclaim of the Borrower against the Seller results from the same legal relationship as the relevant NHG Mortgage Receivable, or (ii) the counterclaim of the Borrower has been originated and become due and payable (“*opeisbaar*”) prior to the assignment of the NHG Mortgage Receivable and notification thereof to the relevant Borrower. The question whether a court will come to the conclusion that the relevant NHG Mortgage Receivable and the claim of the relevant Borrower against the Seller result from the same legal relationship will depend on all relevant facts and circumstances involved. But even if these would be held to be different legal relationships, set-off will be possible if the counterclaim of the Borrower has originated (“*opgekomen*”) and become due and payable (“*opeisbaar*”) prior to notification of the assignment, provided that all other requirements for set-off have been met (see above). A balance on a current account is due and payable at any time and, therefore, this requirement will be met. In the case of deposits it will depend on the terms of the deposit whether the balance thereof will be due and payable at the moment of notification of the assignment.

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

In respect of Mortgage Loans granted by the Seller to any employees within the Eureko Group (**Employee Mortgage Loans**) the Borrower, which is also an employee of the Seller, has set-off rights vis-à-vis the Issuer for claims resulting from its employment relationship, provided that the conditions for set-off after notification of assignment, set out above, are met. Consequently, counterclaims resulting from the employment relationship which have become due prior to notification, can be set-off against the relevant Mortgage Receivable. For counterclaims which are not due at the time of notification, the question is whether the counterclaim results from the same legal relationship as the Employee Mortgage Loan. The Issuer has been informed by the Seller that its employees have the right to a reduced interest on a mortgage loan taken out with the Seller as part of their employment conditions. On this basis it could be argued that the Employee Mortgage Loan is part of the employment relationship and could on this basis be regarded as resulting from the same legal relationship. However, the Issuer has been advised that the better view is that the Employee Mortgage Loan and the employment relationship should not be regarded as the

same legal relationship, since the Issuer has been informed by the Seller that (i) the only connection between the Employee Mortgage Loan and the employment relationship is the right to reduced interest on the Employee Mortgage Loan and (ii) no actual set-off of amounts due under the Employee Mortgage Loan with salary payments is agreed or actually effectuated. There is no case law or literature supporting this view. If an Employee Mortgage Loans is granted by the Seller to a Borrower, which is also an employee of an entity within the Eureko Group, other than the Seller, the requirement for set-off that the debtor has a claim and a corresponding debt to the same counterparty is not met. There may be circumstances, however, which could lead to set-off or other defences being successful in such circumstances.

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

The Mortgage Receivables Purchase Agreement provides that if a Borrower sets off amounts due to it by the Seller against the relevant NHG Mortgage Receivable and, as a consequence thereof, the Issuer does not receive the amount which it is entitled to receive in respect of such NHG 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 NHG Mortgage Receivable if no set-off had taken place and the amount actually received by the Issuer in respect of such NHG Mortgage Receivable. Notwithstanding this, if the Seller would not meet its obligations under the Mortgage Receivables Purchase Agreement, set-off by Borrowers could lead to losses under the Notes.

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

#### **Risk relating to Further Advances**

Part of the NHG Mortgage Receivables sold and assigned to the Issuer relates to Mortgage Loans which have been originated by Avéro Hypotheken B.V., Centraal Beheer Hypotheken B.V., Centraal Beheer Woninghypotheken B.V., FBTO Hypotheken B.V. or Woonfonds Nederland B.V., which have subsequently merged into the Seller. The Issuer has been advised that in case of such merger, it is not certain whether any Further Advances granted, or to be granted, by the Seller after any such merger are validly secured by the mortgage right and borrower pledges vested in favour of the original lender (which has ceased to exist as a result of the merger). For this question it is relevant, *inter alia*, whether the Further Advance resulted from the same legal relationship as the Mortgage Loan or whether it constitutes a new legal relationship. If a Further Advance is not validly secured by a mortgage right, this constitutes a breach of the representations and warranties given by the Seller, resulting in an obligation of the Seller to repurchase the relevant NHG Mortgage Receivable (including the Further Advance Receivable).

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

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

mortgage deeds or in separate deeds of pledge, rights of pledge ("*pandrechten*") have been vested in favour of the relevant Seller on certain assets such as *inter alia* the Borrower Insurance Pledge and the Borrower Investment Pledge. These pledges secure the same debts as the Bank Mortgages (the '**Bank Pledges**') and Credit Mortgages (the '**Credit Pledges**') respectively (the Bank Mortgages and the Bank Pledges together the '**Bank Security Rights**'). The comments set out below in respect of Bank Security Rights apply *mutatis mutandis* to the Credit Mortgages and the Credit Pledges.

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

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

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

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

The Seller will represent and warrant that neither the mortgage deeds nor any other agreements between the Seller and the relevant Borrower in respect of the relevant NHG Mortgage Receivables contain any explicit provision on the issue whether the mortgage right or rights of pledge follows the receivable upon its assignment and as a consequence thereof there is no clear indication of the intention of the parties. The Issuer has been advised that even in such case the Bank Security Right should (partially) follow the receivable as an accessory and ancillary right upon its assignment, but that there is no case law explicitly supporting this advice and that, consequently, it is not certain what the Netherlands courts would decide if this matter were to be submitted to them, particularly taking into account the prevailing view of Dutch commentators on bank security rights in the past, which view continues to be defended by some legal authors.

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

The preceding paragraph applies *mutatis mutandis* in the case of the pledge of the NHG Mortgage Receivables by the Issuer to the Security Trustee under the Security Trustee Pledge Agreement I as the conditions applicable to the Mortgage Loans also do not provide that in case of pledge of the NHG Mortgage Receivables the Bank Security Rights will follow the NHG Mortgage Receivables.

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

If the Bank Security Rights have (partially) followed the NHG Mortgage Receivables upon their assignment, such rights will be co-held by the Issuer (or, as the case may be, the Security Trustee, as pledgee) and the Seller and would secure both the NHG Mortgage Receivables held by the Issuer (or, as the case may be, the Security Trustee, as pledgee) and any claims against the relevant Borrower owned by the Seller from time to time (the "**Other Claims**").

If the Bank Security Rights are co-held by both the Issuer or the Security Trustee and the Seller, the rules applicable to joint estate ("*gemeenschap*") apply. The Dutch Civil Code provides for various mandatory rules applying to such co-held rights. In the Mortgage Receivables Purchase Agreement the Seller, the Issuer and/or the Security Trustee (as applicable) have agreed that the Issuer and/or the Security Trustee (as applicable) will manage and administer such co-held rights. Certain acts, including acts concerning the day-to-day management ("*beheer*") of the jointly-held rights, may under Dutch law be transacted by each of the participants ("*deelgenoten*") in the jointly-held rights. All other acts must be transacted by all of the participants acting together in order to bind the jointly held rights. It is uncertain whether the foreclosure of Bank Security Rights will be considered as day-to-day management, and consequently it is uncertain whether the consent of the Seller, or the Seller's bankruptcy trustee (in case of bankruptcy) or administrator (in case of emergency regulations), as the case may be, 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 of the Security Trustee and/or the Issuer ("*aandeel*") in each co-held Bank Security Right will be equal to the Outstanding Principal Amount of the relevant NHG Mortgage Receivable increased with interest and costs, if any, and the Seller's share will be equal to the Net Proceeds less the Outstanding Principal Amount of the relevant NHG Mortgage Receivable, increased with interest and costs, if any. It is not certain that this arrangement will be enforceable against the Seller or, in case of its bankruptcy or emergency regulations, its trustee ("*curator*") or administrator ("*bewindvoerder*"). Furthermore it is noted that this arrangement may not be effective against the Borrower.

If (a trustee or administrator of) a Seller would, notwithstanding the arrangement set out above, enforce the jointly-held Bank Security Rights securing the NHG Mortgage Receivables, the Issuer and/or the Security Trustee would have a claim against the Seller (or, as the case may be, its bankruptcy estate) for any damages as a result of a breach of the contractual arrangements, but such claim would be unsecured and non-preferred. In view of the protection of the interests of the Issuer it is furthermore agreed in the Mortgage Receivables Purchase Agreement that in case of a breach by the Seller of its obligations under these arrangements or if any of such arrangement 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) 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 during any Quarterly Calculation Period. Such compensation will be paid by the Seller forthwith. 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. If the Seller would not make such payments, this could result in losses under the Notes.

In view hereof, the Seller will represent and warrant that on the Cut-Off Date it had no Other Claims and it will undertake in the Mortgage Receivables Purchase Agreement that, until the Notes have been redeemed in accordance with the Conditions and the Issuer has no further obligation under any of the other Relevant Documents, it shall not grant or acquire any Other Claims against a Borrower, other than a Further Advance, provided that the relevant Further Advance Receivable will be purchased by the Issuer on the immediately preceding Quarterly Payment Date following the date on which such Further Advance has been granted. If the relevant Further Advance is not sold and assigned to the Issuer, the relevant NHG Mortgage Receivable will be repurchased by the Seller.

**Risk that the mortgage rights on long leases cease to exist**

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

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

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

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

All rights of a Borrower under the Insurance Policies have been pledged to the Seller (the '**Borrower Insurance Pledge**'). The Issuer has been advised that it is probable that the right to receive payment, including the commutation payment ("*afkoopson*"), under the Insurance Policies will be regarded by a Netherlands court as a future right. The pledge of a future right is, under Netherlands law, not effective if the pledgor is declared bankrupt, granted a suspension of payments or a debt restructuring scheme pursuant to the Dutch Bankruptcy Code or is subject to emergency regulations, prior to the moment such right comes into existence. This means that it is uncertain whether such pledge will be effective. Furthermore, as the Borrower Insurance Pledge qualifies as the Bank Pledges or Credit Pledges, respectively, reference is made to *Risk that the Bank Security Rights will not follow the NHG Mortgage Receivables upon assignment to the Issuer* above.

#### **Risks related to Beneficiary Rights under the Insurance Policies**

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

For the situation that no such Borrower Insurance Proceeds Instruction exists and/or the assignment and/or pledge of the Beneficiary Rights is not effective, the Issuer will enter into a beneficiary waiver agreement (the '**Beneficiary Waiver Agreement**') with the Security Trustee, the Participant and the Seller, under which the Seller without prejudice to the rights of the Issuer as assignee and the rights of the Security Trustee as pledgee and subject to the condition precedent of the occurrence of an Assignment Notification Event, waives its rights as beneficiary under the Insurance Policies with the Participant and appoints as first beneficiary up to the Outstanding Principal Amount of the relevant NHG Mortgage Receivables (i) the Issuer subject to the dissolving condition ("*ontbindende voorwaarde*") of the occurrence of a Trustee Notification Event and (ii) the Security Trustee under the condition



precedent ("*opschortende voorwaarde*") of the occurrence of a Trustee Notification Event. It is, however, uncertain whether such waiver, and unlikely that such appointment will be effective. For the event that such waiver and appointment are not effective in respect of the Insurance Policies with the Participant and, furthermore, in respect of the Life Insurance Policies with any of the Life Insurance Companies, the Seller and the Participant (but only in respect of any Insurance Policies with it) will undertake in the Beneficiary Waiver Agreement that upon the occurrence of an Assignment Notification Event, they will use their best efforts to obtain the co-operation from all relevant parties to (a) waive the Seller's rights as beneficiary and (b) to appoint as first beneficiary up to the Outstanding Principal Amount of the relevant NHG Mortgage Receivables (i) the Issuer subject to the dissolving condition ("*ontbindende voorwaarde*") of the occurrence of a Trustee Notification Event and (ii) the Security Trustee under the condition precedent ("*opschortende voorwaarde*") of the occurrence of a Trustee Notification Event. For the event that a Borrower Insurance Proceeds Instruction has been given, the Seller and, in respect of the Insurance Policies with the Participant only, the Participant will in the Beneficiary Waiver Agreement undertake to use its best efforts, following an Assignment Notification Event, to withdraw the Borrower Insurance Proceeds Instruction in favour of the Seller and to issue such instruction in favour of (i) the Issuer subject to the dissolving condition ("*ontbindende voorwaarde*") of the occurrence of a Trustee Notification Event and (ii) the Security Trustee under the condition precedent ("*opschortende voorwaarde*") of the occurrence of a Trustee Notification Event, up to the Outstanding Principal Amount of the relevant NHG Mortgage Receivable. The termination and appointment of a beneficiary under the Insurance Policies and the withdrawal and the issue of the Borrower Insurance Proceeds Instruction will require the co-operation of all relevant parties involved, including the Life Insurance Companies. It is uncertain whether such co-operation will be forthcoming.

If the Issuer or the Security Trustee, as the case may be, has not become beneficiary of the Insurance Policies or the assignment and pledge of the Beneficiary Rights is not effective, any proceeds under the Insurance Policies will be payable to the Seller or to another beneficiary rather than to the Issuer or the Security Trustee, as the case may be, up to the amount of any claims the Seller may have on the relevant Borrower. If the proceeds are paid to the Seller, it will pursuant to the Mortgage Receivables Purchase Agreement be obliged to pay the amount involved to the Issuer or the Security Trustee, as the case may be. If the proceeds are paid to the Seller and the Seller does not pay such amount to the Issuer or the Security Trustee, as the case may be, e.g. in case of bankruptcy of the Seller, or if the proceeds are paid to another beneficiary instead of the Issuer or the Security Trustee, as the case may be, this may result in the amount paid under the Insurance Policies not being applied in reduction of the relevant NHG Mortgage Receivables. This may lead to the Borrower invoking set-off or defences against the Issuer or, as the case may be, the Security Trustee for the amounts so received by the Seller or another beneficiary, as the case may be.

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

The Savings Mortgage Loans have the benefit of Saving Insurance Policies with the Participant and the Life Mortgage Loans have the benefit of Life Insurance Policies (together with the Savings Insurance Policies, the '**Insurance Policies**') taken out with any of the Insurance Companies. If any of the Insurance Companies is no longer able to meet its obligations under the Insurance Policies, for example as a result of bankruptcy or having become subject to emergency regulations, this could result in amounts payable under the Insurance Policies not or only partly being available for payment of the NHG Mortgage Receivables. This may again lead to the Borrower trying to invoke set-off rights and defences as further discussed below which may have the result that the NHG Mortgage Receivables will be, fully or partially extinguished ("*tenietgaan*") or cannot be recovered for other reasons which could lead to losses under the Notes.

If the amounts payable under the Insurance Policy are not applied towards redemption of the NHG Mortgage Receivable, the Borrower may try to invoke a right of set-off of the amount due under the NHG Mortgage Receivable with amounts payable under or in connection with the relevant Insurance Policy. As set out in paragraph *Set-off by Borrowers may affect the proceeds under the NHG Mortgage Receivables* above some of, the Borrowers have waived their set-off rights, but it is uncertain whether such waiver is effective. If the waiver is not effective and in respect of Borrowers having not waived their set-off rights the Borrowers will in order to invoke a right of set-off, need to comply with the applicable legal requirements for set-off. One of these requirements is that the Borrower should have a claim which corresponds to his debt to the same counterparty. The Insurance Policies are contracts between the relevant Insurance Company and the Borrowers and the Mortgage Loans are contracts between the Seller and the Borrowers. Therefore, Borrowers, in order to invoke a right of set-off would have to establish that the

Seller and the relevant Insurance Company should be regarded as one legal entity or that possibly, set-off is allowed, even in the absence of a single legal entity, since, based upon interpretation of case law, the Insurance Policies and the relevant Mortgage Loans are to be regarded as one inter-related relationship.

Another requirement is that the Borrowers should have a counterclaim that is due and payable. If the relevant Insurance Company is declared bankrupt or has become subject to emergency regulations, the Borrower will have the right to unilaterally terminate the Insurance Policy and to receive a commutation payment ("*afkoopsom*"). These rights are subject to the Borrower Insurance Pledge, subject, however, to what is stated above under *Risk that Borrower Insurance Pledge is not effective*. However, despite this pledge it may be argued that the Borrower will be entitled to invoke a right of set-off for the commutation payment. Apart from the right to terminate the Insurance Policies, the Borrowers are also likely to have the right to dissolve the Insurance Policies and to claim restitution of premia paid and/or supplementary damages. It is uncertain whether such claim is subject to the Borrower Insurance Pledge. If not, the Borrower Insurance Pledge would not obstruct a right of set-off with such claim by Borrowers.

Set-off vis-à-vis the Issuer and/or the Security Trustee after notification of the assignment and pledge would be subject to the additional requirements for set-off after assignment and/or pledge being met (see paragraph *Set-off by Borrowers may affect the proceeds under the NHG Mortgage Receivables* above).

In case of the Savings Mortgage Loans (one of) these requirements is likely to be met, since it is likely that the Savings Mortgage Loans and the Savings Insurance Policies are to be regarded as one legal relationship. If the Savings Mortgage Loan and the Savings Insurance Policy are regarded as one legal relationship, the assignment will not interfere with the set-off. In case of the Life Mortgage Loans, the fact that the Life NHG Mortgage Receivables are assigned to the Issuer is likely to obstruct such set-off, after notification of the assignment, since it is unlikely that one of the requirements for set-off following assignment or pledge is met (see paragraph *Set-off by Borrowers may affect the proceeds under the NHG Mortgage Receivables* above).

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 will naturally have all defences afforded by Dutch law to debtors in general. A specific defence one could think of would be based upon interpretation of the Mortgage Conditions and the promotional materials relating to the Mortgage Loans. Borrowers could argue that the Mortgage Loans and the Insurance Policies are to be regarded as one inter-related legal relationship and could on this basis claim a right of annulment or rescission of the Mortgage Loans or possibly suspension of their obligations thereunder. They could also argue that it was the intention of the Borrower, the Seller and the relevant Insurance Company, at least they could rightfully interpret the Mortgage Conditions and the promotional materials in such a manner, that the NHG Mortgage Receivable would be (fully or partially) repaid by means of the proceeds of the relevant Insurance Policy and that, failing such proceeds being so applied, the Borrower is not obliged to repay the (corresponding) part of the NHG Mortgage Receivable. Also, a defence could be based upon principles of reasonableness and fairness ("*redelijkheid en billijkheid*") in general, i.e. that it is contrary to principles of reasonableness and fairness for the Borrower to be obliged to repay the NHG Mortgage Receivable to the extent that he has failed to receive the proceeds of the Insurance Policy. The Borrowers could also base a defence on "error" ("*dwaling*"), i.e. that the Mortgage Loans and the Insurance Policy were entered into as a result of "error". If this defence would be successful, this could lead to annulment of the Mortgage Loan, which would have the result that the Issuer no longer holds an NHG Mortgage Receivable.

#### *Life Mortgage Loans with Life Insurance Policies with any of the Life Insurance Companies connected thereto*

In respect of the Life Mortgage Loans between the Seller and a Borrower with a Life Insurance Policy taken out by any of the Life Insurance Companies, the Issuer has been advised that, taking into account that the Seller will represent that with respect to such Life Mortgage Loans (i) there is no connection, whether from a legal or a commercial point of view, between the Life Mortgage Loan and the relevant Life Insurance Policy other than the relevant Borrower Insurance Pledge and the relevant Life Beneficiary Rights, (ii) the Life Mortgage Loans and the Life Insurance Policies are not marketed as one product or under one name, (iii) the Borrowers were free to choose the relevant Life Insurance Company and (iv) the Life Insurance Company is not a group company of the Seller, it is unlikely that a court would honour set-off or defences of the Borrowers, as described above.

#### *Life Mortgage Loans with Life Insurance Policies with the Participant connected thereto*

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

#### *Savings Mortgage Loans*

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

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

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

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

The interest rate of each of the Mortgage Loans is to be reset from time to time. The Issuer has been advised that a good argument can be made that the right to reset the interest rate on the Mortgage Loans should be considered as an ancillary right and follows the NHG Mortgage Receivables upon their assignment to the Issuer and the pledge to the Security Trustee, but that in the absence of case law or legal literature this is not certain. To the extent the interest rate reset right passes upon the assignment of the NHG Mortgage Receivables to the Issuer or upon the pledge of the NHG Mortgage Receivables to the Security Trustee, such assignee or pledgee will be bound by the contractual provisions relating to the reset of interest rates. If the interest reset right remains with the Seller, the co-operation of the trustee (in bankruptcy) or administrator (in emergency regulations) would be required to reset the interest rates.

Furthermore, in the Mortgage Conditions of one Originator, it is provided that three (3) months prior to the interest rate reset date the Mortgage Loan (the Mortgage Conditions refer to the mortgage, but probably the Mortgage Loan is meant and not the mortgage right) will be terminated. This wording suggests that at the interest rate reset date the Mortgage Loan is novated ("*schuldvernieuwing*"), although a more likely interpretation is that the Mortgage Loan will terminate, unless extended by the Seller and the Borrower. If novation would take place, this would mean that a new receivable would be created and the Mortgage Loan should be considered to be prepaid, but the relevant Bank Mortgage would then secure the new receivable. The Seller has advised the Issuer that the approach adopted by the Seller in practice when administering these Mortgage Loans is to treat each Mortgage Loan (and related mortgage security) as being extended (and not novated or terminated) on an interest rate reset date and to only treat a

Mortgage Loan (but not the related mortgage security) as being terminated on an interest reset date where a Borrower has not agreed to the rate offered by the Seller. A Borrower must formally accept, in writing, the new interest rate and period prior to the interest rate reset date. The Seller has been advised by its internal legal counsel that this approach is consistent with the proper and reasonable interpretation of the Mortgage Conditions of the Seller. In addition, the Seller has advised the Issuer that in practice the Seller has not encountered any claim by any Borrower which conflicts with the approach described above.

#### **Risk of set-off or defences in respect of investments under Investment Mortgage Loans**

The Seller has represented that under the investment mortgage loans ("*beleggingshypotheken*" (the "**Investment Mortgage Loans**")), the securities are purchased on behalf of the relevant Borrower by (i) an investment firm ("*beleggingsonderneming*") as defined in the Wft, which is by law obliged to administer the securities in the name of the relevant Borrower through a bank (see below) or a separate securities giro or (ii) a bank, which is by law obliged to administer the securities in the name of the relevant Borrower through a separate depository vehicle and/or only administer securities the transfer of which is subject to the Netherlands Giro Securities Transfer Act ("*Wet Giraal Effectenverkeer*", the "**Wge**"). The Issuer has been advised that on the basis of this representation the relevant investments should be effectuated on a bankruptcy remote basis and that, in respect of these investments, the risk of set-off or defences by the Borrowers should not be relevant in this respect. However, if this is not the case and the investments were to be lost, this may lead to the Borrowers trying to invoke set-off rights or defences against the Issuer on similar grounds as discussed under *Risk of set-off and defences by Borrowers in case of insolvency of Insurance Companies*.

#### **Risk that Borrower Investment Pledges will not be effective**

The Seller has the benefit of a right of pledge on all rights of the relevant Borrowers in connection with the relevant Investment Accounts (the "**Borrower Investment Pledges**") held with Achmea Retail Bank N.V.. To the extent that a Borrower Investment Pledge is vested on rights of a Borrower that qualify as future claims, such as options, such Borrower Investment Pledge can not be invoked against the estate ("*boedel*") of the relevant Borrower if these claims become due and payable after or on the date on which the Borrower has been declared bankrupt, been made subject to suspension of payments or been made subject to a debt restructuring scheme pursuant to the Dutch Bankruptcy Code. This means that it is uncertain whether such pledge will be effective. Reference is also made to the section *Risk that the Bank Security Rights will not follow the NHG Mortgage Receivables upon assignment to the Issuer* above.

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

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

#### **Risks related to offering of Investment Mortgage Loans and Life Insurance Policies**

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 Investment Mortgage Loans and Mortgage Loans to which Life Insurance Policies 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 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 materials provided to the Borrower. Also, 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 Investment Mortgage Loans and Life Insurance Policies is not sufficient to redeem the relevant NHG Mortgage Receivables.

On this topic there have been, without limitation, (i) reports from the AFM and, at the request of the Dutch Association of Insurers (*Verbond van Verzekeraars*), the Commission on Transparency of Investment Insurances

(*Commissie transparantie beleggingsverzekeringen*; the "Commissie De Ruiter"), (ii) a letter from the Dutch Minister of Finance to Parliament and (iii) press articles stating that civil law suits or class actions have already been or may be started against insurers. The Dutch Association of Insurers has in a public communication (a) underwritten the recommendations of the Commissie De Ruiter, stating that it sees these as a logical next 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 having an investment insurance policy with all relevant information regarding their insurance policy. The latter is intended to where necessary with retrospective effect provide any missing information.

The Dutch Minister of Finance has informed Parliament (i) 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 Wft on 1 January 2007 the sole institute for dispute resolution in connection with financial services, (ii) that he has requested such Ombudsman and the Chairman of such Dispute Commission to suggest a balanced approach so as to hopefully prevent a multitude of individual disputes and (iii) that such Ombudsman and Chairman have 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. On 4 March 2008 the Ombudsman presented his recommendations. Eureko supports those recommendations, provided they will lead to a binding agreement supported by all stakeholders involved, including the whole sector and the supervisory authorities. Recently one insurer announced that it has reached agreement with two claimant organisation on compensation of its customers for the costs of investment insurance policies entered into with this insurer.

If Life Insurance Policies would for the reasons described in this paragraph be dissolved or nullified, this will affect the collateral granted to secure these Mortgage Loans (the Borrower Insurance Pledge and the Beneficiary Rights respectively). 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. The analysis in that situation is similar to the situation in case of insolvency of the insurer (see *Risk of set-off and defences by Borrowers in case of insolvency of Life Insurance Companies*), except if the 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 Seller in the marketing and sale of the insurance policy, set-off or defences against the Issuer may be invoked, which will probably only become relevant if the insurer and/or the Seller will not indemnify the Borrower. No actions have been announced against the Seller in relation to the risks described above in relation to Life Mortgage Loans.

The Issuer has been advised that the above risks largely depend on which specific information has been provided to the relevant Borrower through sales people and/or sales materials and that in this respect it is also relevant whether applicable statutory and contractual duties, including statutory duties to provide information to prospective investors, have been complied with. Any such set-off or defences may effect the value of the NHG Mortgage Receivables which may lead to losses under the Notes.

#### *Position of Eureko Group*

The material subsidiaries of Eureko which includes the Participant involved in the insurance business have investigated the status of their Life Insurance Policies. The investigation shows that, in general, those subsidiaries have abided by the laws and regulations current at the time. Such subsidiaries are considering adjusting certain aspects of their operations in order to ensure that they will continue to comply with their duty of care to customers in the future. The investigation further showed that improvements can be made to processes and procedures not directly linked to the Life Insurance Policies. So far the subsidiaries involved in the insurance business have received relatively few information requests or complaints, and no legal claims. Eureko is considering solutions for this issue. Eureko currently does not have legal or constructive obligations.

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

Payments on the NHG Mortgage Receivables are subject to credit, liquidity and interest rate risks and will generally vary in response to, among other things, market interest rates, general economic conditions, the financial standing of Borrowers and other similar factors. Other factors such as loss of earnings, illness, divorce and other similar factors

may lead to an increase in delinquencies and bankruptcy filings by Borrowers and could ultimately have an adverse impact on the ability of Borrowers to repay the NHG Mortgage Receivables.

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

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

#### **Risks related to the NHG Guarantee**

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

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

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

#### **Changes to tax deductibility of interest may result in an increase of defaults**

In the Netherlands, subject to a number of conditions, mortgage loan interest payments are deductible from the income of the Borrowers for income tax purposes. The period allowed for deductibility is restricted to a term of 30 years and it only applies to mortgage loans secured by owner occupies properties. Starting in 2005, it is also no longer allowed, after a refinancing, to deduct interest on any equity extractions. It is however uncertain if and to what extent such deductibility will remain in force and for how long. Should there be a change to the possibility of the deductibility of interest payments, this may among other things have an effect on the house prices and the rate of recovery and, depending on the changes in treatment of existing mortgage loans, may result in an increase of defaults, prepayments and repayments.

#### **Maturity risk of certain Mortgage Loans**

The Mortgage Loans which have been originated by Avéro Hypotheken B.V. provide that if the loan is not paid on the legal maturity date, the loan is automatically extended. However, the mortgage conditions relating to these Mortgage Loans contain the provision that grants Avéro Hypotheken B.V. and the Borrowers the right to terminate such Mortgage Loans by giving a three (3) months notice. In view of the above, it is possible that at the Final Maturity Date one or more Mortgage Receivables would still be outstanding. As a consequence, there is a risk that at the Final Maturity Date the Issuer will not have sufficient funds available to fully redeem all Notes.

## **RISK FACTORS REGARDING THE NOTES**

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

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

If the Issuer decides to exercise its right to redeem the Senior Class A Notes on an Optional Redemption Date, the Issuer shall first offer such NHG Mortgage Receivables for sale to the Seller. The Seller shall within a period of fifteen (15) business days inform the Issuer whether it wishes to repurchase the NHG Mortgage Receivables. After such fifteen (15) business day period, the Issuer may offer such NHG Mortgage Receivables for sale to any third party. However, there is no guarantee that such third party will be found to purchase the NHG Mortgage Receivables. The purchase price of the NHG Mortgage Receivables will be calculated as described in *Sale of NHG Mortgage Receivables* under *Credit Structure* below.

Any amounts remaining after the Senior Class A Notes have been redeemed in full, shall form part of the Notes Interest Available Amount and, after all payments of the Interest Priority of Payments ranking higher in priority have been made, will be available to redeem or partially redeem, as the case may be, the Subordinated Class B Notes.

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

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

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

### **Clean-Up Call Option and redemption for tax reasons**

Should the Seller exercise the Clean-Up Call Option, the Issuer will redeem all the Senior Class A Notes by applying the proceeds of the sale of the NHG Mortgage Receivables in accordance with Condition 6(b). The Issuer will have the option to redeem the Senior Class A Notes upon a Tax Change in accordance with Condition 6(f). In such case, the Issuer shall first offer the NHG Mortgage Receivables for sale to the Seller. The Seller shall within a period of fifteen (15) business days from the offer inform the Issuer whether it wishes to repurchase the Mortgage Receivables. After such fifteen (15) business day period, the Issuer may offer such NHG Mortgage Receivables for sale to any third party. The purchase price of the NHG Mortgage Receivables will be calculated as described in *Sale of Mortgage Receivables* under *Credit Structure* below.

### **Limited Recourse**

Each of the Noteholders shall only have recourse in respect of any claim against the Issuer in accordance with the relevant priority of payments as set forth in this Prospectus. The Noteholders and the other Secured Parties shall not have recourse on any assets of the Issuer other than (i) the NHG Mortgage Receivables and the Beneficiary Rights relating thereto, (ii) the balances standing to the credit of the Transaction Accounts and (iii) the amounts received under the Relevant Documents. In the event that the Security in respect of the Notes has been fully enforced and the proceeds of such enforcement, after payment of all other claims ranking under the Trust Deed in priority to a Class of Notes are insufficient to pay in full all principal and interest and other amounts whatsoever due in respect of such

Class of Notes, the Noteholders of the relevant Class of Notes shall have no further claim against the Issuer or the Security Trustee in respect of any such unpaid amounts.

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

The maturity of the Notes of each Class will depend on, *inter alia*, the amount and timing of payment of principal (including full and partial prepayments, sale of the NHG Mortgage Receivables by the Issuer, the purchase of any Substitute NHG Mortgage Receivables and repurchase by the Seller of the relevant NHG Mortgage Receivables) on the Mortgage Loans and the amount of Substitute NHG Mortgage Receivables and Further Advance Receivables purchased after the Closing Date. The average maturity of the Notes may be adversely affected by a higher or lower than anticipated rate of prepayments on the Mortgage Loans. The rate of prepayment of Mortgage Loans is influenced by a wide variety of economic, social and other factors, including prevailing market interest rates, changes in tax law (including but not limited to amendments to mortgage interest tax deductibility), local and regional economic conditions and changes in Borrower's behaviour (including but not limited to home-owner mobility). No guarantee can be given as to the level of prepayment that the Mortgage Loans may experience variation in the rate of prepayments of principal on the Mortgage Loans may affect each Class of Notes differently and consequently, no assurance can be given that any estimates and assumptions with respect to the average maturity of the Notes will prove in any way to be realistic.

**Proposed Changes to the Basel Capital Accord**

The Basel Committee on Banking Supervision published on 26 June 2004 the text of the new capital accord under the title "Basel II: International Convergence of Capital Measurement and Capital Standards: a Revised Framework" (the '**Framework**'). The Framework, which places enhanced emphasis on market discipline and sensitivity to risk, serves as a basis for national and supra-national rulemaking and approval processes for banking organisations. The Framework has been put into effect for credit institutions in Europe via the recasting of a number of prior directives in a consolidating directive referred to as the Capital Requirements Directive. The Framework, as published, will affect risk-weighting of the Notes for investors subject to the new framework following its implementation (whether via the Capital Requirements Directive or otherwise by non-EU regulators if not amended from its current form when or if implemented by non-EU regulators). Consequently, potential investors should consult their own advisers as to the consequences to and effect on them of the application of the Framework, as implemented by their own regulator, to their holding of any Notes. The Issuer and the Security Trustee are not responsible for informing Noteholders of the effects on the changes to risk-weighting which will result for investors from the adoption by their own regulator of the Framework (whether or not implemented by them in its current form or otherwise).

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

There is not, at present, any active and liquid secondary market for the Notes. Although application has been made to the Irish Stock Exchange for the Notes to be admitted to the official list and trading on its regulated market, there can be no assurance that a secondary market for any of the Notes will develop, or, if a secondary market does develop, that it will provide the holders of the Notes with liquidity or that such liquidity will continue for the life of the Notes. A decrease in the liquidity of the Notes may cause, in turn, an increase in the volatility associated with the price of the Notes. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market.

**Limited liquidity in the secondary mortgage market**

The secondary mortgage markets are currently experiencing severe disruptions resulting from reduced investor demand for mortgage loans and 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. Limited liquidity in the secondary market 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 and may be difficult to determine. 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 the Notes and/or the price an investor receives for the Notes in the secondary market.

### **Maturity Risk**

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

### **No Gross-up for Taxes**

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

### **Changes of law**

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

### **Credit rating may not reflect all risks**

The rating of the Senior Class A Notes addresses the assessments made by Fitch of the likelihood of full and timely payment of interest and ultimate payment of principal on or before the Final Maturity Date. The Subordinated Class B Notes will not be rated.

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

### **Rating of the State of the Netherlands**

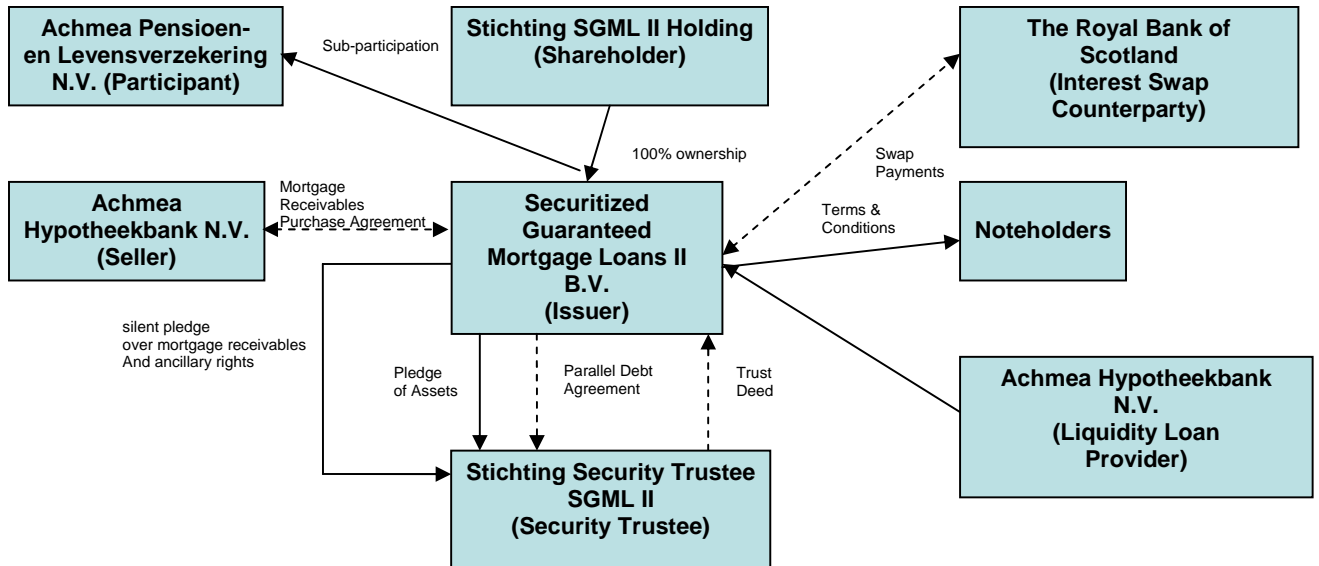
The rating of the Notes by Fitch takes into account that the NHG Mortgage Receivables have the benefit of an NHG Guarantee granted in connection with each of the Mortgage Loans. The NHG Guarantee are backed by the State of the Netherlands (see *NHG Guarantee Programme*) which is currently rated "AAA" by Fitch. In the event that the State of the Netherlands ceases to be rated "AAA" by Fitch, this may result in a review by Fitch of the Notes and could potentially result in a corresponding downgrade of the Notes.

### **Forecasts and Estimates**

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

## STRUCTURE DIAGRAM

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



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

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

### **THE PARTIES:**

- Issuer:** Securitized Guaranteed Mortgage Loans II B.V., incorporated under the laws of the Netherlands as a private company with limited liability ("*besloten vennootschap met beperkte aansprakelijkheid*"), having its corporate seat in Amsterdam and registered with the Commercial Register of the Chamber of Commerce of Amsterdam under number 34313683.
- Seller:** Achmea Hypotheekbank N.V. ('**Achmea Hypotheekbank**'), incorporated under the laws of the Netherlands as a public company ("*naamloze vennootschap*").
- Originators:** (i) Avéro Hypotheken B.V., Centraal Beheer Hypotheken B.V., Centraal Beheer Woninghypotheken B.V., FBTO Hypotheken B.V. and Woonfonds Nederland B.V., all incorporated under the laws of the Netherlands as a private company with limited liability ("*besloten vennootschap met beperkte aansprakelijkheid*") and as of the 1st September 2000 merged into the Seller and (ii) the Seller.
- Issuer Administrator:** Achmea Hypotheekbank.
- Pool Servicer:** Achmea Hypotheekbank.
- Security Trustee:** Stichting Security Trustee SGML II, established under the laws of the Netherlands as a foundation ("*stichting*"), having its corporate seat in Amsterdam and registered with the Commercial Register of the Chamber of Commerce of Amsterdam under number 34313832.
- Shareholder:** Stichting SGML II Holding, established under the laws of the Netherlands as a foundation ("*stichting*"), having its corporate seat in Amsterdam and registered with the Commercial Register of the Chamber of Commerce of Amsterdam under number 34311277. The entire issued share capital of the Issuer is owned by the Shareholder.
- Directors:** ATC Management B.V., the sole director of the Issuer and the Shareholder and Amsterdamsch Trustee's Kantoor B.V., the sole director of the Security Trustee, having its corporate seat in Amsterdam and registered with the Commercial Register of the Chamber of Commerce of Amsterdam under number 33226415 and number 33001955, respectively. The Directors belong to the same group of companies.
- Interest Swap Counterparty:** The Royal Bank of Scotland plc. a limited liability company organised under the laws of Scotland and established in Edinburgh, United Kingdom ("**The Royal Bank of Scotland**") in its capacity as interest Swap Counterparty under the Interest Swap Agreement.
- Liquidity Loan Provider:** Achmea Hypotheekbank in its capacity as Liquidity Loan Provider under the Liquidity Loan Agreement.
- Floating Rate GIC Provider:** The Royal Bank of Scotland in its capacity as floating rate gic provider under the

Floating Rate GIC.

**Paying Agent:** The Bank of New York Mellon, acting through its London Branch, in its capacity as paying agent under the Paying Agency Agreement.

**Reference Agent:** The Bank of New York Mellon, acting through its London Branch, in its capacity as reference agent under the Paying Agency Agreement.

**Listing Agent** NCB Stockbrokers Limited ("**NCB**").

**Participant:** Achmea Pensioen- en Levensverzekeringen N.V., incorporated under the laws of the Netherlands as a public company ("*naamloze vennootschap*") in its capacity as participant under the Sub-Participation Agreement.

#### **THE NOTES:**

**Notes:** The euro 500,000,000 floating rate Senior Class A Mortgage-Backed Notes 2008 due 2045 (the '**Senior Class A Notes**') and the euro 24,000,000 floating rate Subordinated Class B Notes 2008 due 2045 (the '**Subordinated Class B Notes**', and together with the Senior Class A Notes, the '**Notes**') will be issued by the Issuer on 30 October 2008 (or such later date as may be agreed between the Issuer and the Manager) (the '**Closing Date**').

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

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

**Form:** The Notes are in bearer form and in the case of Notes in definitive form, serially numbered with coupons attached.

**Denomination:** The Notes will be issued in denominations of euro 50,000.

**Status and Ranking:** The Notes of each Class rank *pari passu* and rateably without any preference or priority among Notes of the same Class. In accordance with and subject to the provisions of Conditions 4, 6 and 9 and the Trust Deed, payments of principal and interest on the Subordinated Class B Notes are subordinated to, *inter alia*, payments of principal and interest on the Senior Class A Notes. See chapter *Terms and Conditions of the Notes* below.

**Interest:** Interest on the Notes is payable by reference to successive floating rate interest periods (each a '**Floating Rate Interest Period**') in respect of the Principal Amount Outstanding (as defined in Condition 6(g)) of each Class of Notes on the first day of such Floating Rate Interest Period and will be payable in arrear on the 25<sup>th</sup> day of January, April, July, October (or, if such day is not a Business Day, the next succeeding Business Day, unless such Business Day (as defined below) falls in the next succeeding calendar month in which event the Business Day immediately preceding such 25<sup>th</sup> day) in each year (each such day being a '**Quarterly Payment Date**'). Each successive Floating Rate Interest Period will commence on (and include) a Quarterly Payment Date and end on (but exclude) the next succeeding Quarterly Payment Date, except for the first Floating Rate Interest Period which will commence on (and include) the Closing Date and end on (but exclude) the Quarterly Payment Date falling in January 2009. The interest will be calculated on the basis of

the actual number of days elapsed in a Floating Rate Interest Period divided by a year of 360 days.

A '**Business Day**' means a day on which banks are open for general business in Amsterdam, London and Dublin, provided that such day is also a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system ('**TARGET 2**') or any successor thereto is operating credit or transfer instructions in respect of payments in euro.

Interest on the Notes for each Floating Rate Interest Period from the Closing Date will accrue at an annual rate equal to the sum of the Euro Interbank Offered Rate ('**Euribor**') for three (3) month deposits in euro (determined in accordance with Condition 4(f)) (or, in respect of the first Floating Rate Interest Period, the rate which represents the linear interpolation of Euribor for 2 and 3 month deposits in euro, rounded if necessary, to the 5<sup>th</sup> decimal place with 0.00005, being rounded upwards)] plus a margin which will be equal to, up to but excluding the first Optional Redemption Date:

- (i) for the Senior Class A Notes a margin of [●] per cent. per annum; and
- (ii) for the Subordinated Class B Notes a margin of [●] per cent. per annum.

**Interest Step-up:**

If on the first Optional Redemption Date the Notes of any Class have not been redeemed in full, the rate of interest applicable to each such Class of Notes will accrue in the Floating Rate Interest Period commencing on (and including) the first Optional Redemption Date and each Floating Rate Interest Period thereafter at an annual rate equal to the sum of Euribor for three (3) month deposits in euro determined in accordance with Condition 4(e), plus a margin which will be:

- (i) for the Senior Class A Notes, a margin of [●] per cent. per annum; and
- (ii) for the Subordinated Class B Notes, a margin of [●] per cent. per annum;

**Payment of Principal to Noteholders:**

Provided that no Enforcement Notice has been served in accordance with Condition 10, the Issuer will be obliged to use all amounts received as principal on the NHG Mortgage Receivables - subject to the Conditions and to the extent not applied towards (a) the purchase of Further Advance Receivables on each Quarterly Payment Date and (b) the purchase of Substitute NHG Mortgage Receivables and less the Reserved Amount on each Quarterly Payment Date up to the Quarterly Payment Date immediately preceding the first Optional Redemption Date - to (partially) redeem the Senior Class A Notes on a pro rata basis. Such amounts will be passed through on each Quarterly Payment Date (the first falling in January 2009 to the holders of the Senior Class A Notes by applying the Notes Redemption Available Amount, until fully redeemed. As a result of further purchases by the Issuer and the Reserved Amount, the Notes Redemption Available Amount may be nil on any Quarterly Payment Date up to (and including) the Quarterly Payment Date immediately preceding the first Optional Redemption Date.

Provided that no Enforcement Notice has been served in accordance with Condition 10, the Issuer will be obliged to apply the Notes Interest Available Amount, if and to the extent that all payments ranking above item (j) in the Interest Priority of Payments have been made in full, to redeem (or partially redeem) on a *pro rata* basis the Subordinated Class B Notes on each Quarterly Payment Date (the first falling in January 2009).

**Optional Redemption of the** On the Quarterly Payment Date falling in October 2013 and each Quarterly Payment

**Senior Class A Notes:** Date thereafter (each an '**Optional Redemption Date**') the Issuer will have the option to redeem (in whole but not in part) the Senior Class A Notes at their Principal Amount Outstanding on such date.

Any amounts remaining after the Senior Class A Notes have been redeemed in full, shall form part of the Notes Interest Available Amount and the amount remaining after all payments of the Interest Priority of Payments ranking higher in priority have been made, will be available to redeem or partially redeem, as the case may be, the Subordinated Class B Notes.

**Final Maturity Date for the Notes:** Unless previously redeemed, the Issuer will redeem the Notes, subject to in respect of the Subordinated Class B Notes, Condition 9(b), at their respective Principal Amount Outstanding on the Quarterly Payment Date falling in 2045 (the '**Final Maturity Date**').

**Withholding tax:** All payments in respect of the Notes will be made without withholding of, or deduction for, or on account of any present or future taxes, duties, assessments or charges of whatsoever nature, unless the Issuer or the Paying Agent (as applicable) is required by applicable law to make any payment in respect of the Notes subject to the withholding or deduction of such taxes, duties, assessments or charges are required by law. In that event, the Issuer or the Paying Agent (as the case may be) shall make such payment after the required withholding or deduction has been made and shall account to the relevant authorities for the amount so required to be withheld or deducted. Neither the Paying Agent nor the Issuer will be obliged to make any additional payments to the Noteholders in respect of such withholding or deduction.

**Redemption for tax reasons:** If the Issuer (a) is or will be obliged to make any withholding or deduction for, or on account of, any taxes, duties or charges of whatsoever nature from payments in respect of the Notes as a result of any change in, or amendment to, the application of the laws or regulations of the Netherlands or any other jurisdiction or any political sub-division or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which becomes effective on or after the Closing Date and such obligation cannot be avoided by the Issuer taking reasonable measures available to it (a '**Tax Change**') and (b) will have sufficient funds available on such Quarterly Payment Date to discharge all its liabilities in respect of the Senior Class A Notes and any amounts required to be paid in priority or *pari passu* with the Senior Class A Notes in accordance with the Trust Deed, the Issuer has the option to redeem the Senior Class A Notes in whole but not in part, on any Quarterly Payment Date at their Principal Amount Outstanding subject to and in accordance with Condition 6(f).

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

**Method of Payment:** For so long as the Notes are represented by a Global Note, payments of principal and interest on the Notes will be made in euros through Euroclear Netherlands, for the credit of the respective accounts of the Noteholders (see further chapter *Global Notes*).

**Use of proceeds:** The Issuer will use the net proceeds of the issue of the Senior Class A Notes to pay to the Seller part of the Initial Purchase Price for the NHG Mortgage Receivables, pursuant to the provisions of an agreement dated 28 October 2008 (the '**Mortgage**

**Receivables Purchase Agreement'**) and made between the Seller, the Issuer and the Security Trustee. See chapter *Mortgage Receivables Purchase Agreement* below. The net proceeds of the issue of the Subordinated Class B Notes will be credited to the Reserve Account.

**Security for the Notes:**

The Notes will be secured (i) by a first ranking pledge by the Issuer to the Security Trustee over (a) the NHG Mortgage Receivables and (b) the Beneficiary Rights; and (ii) by a first ranking pledge by the Issuer to the Security Trustee over the Issuer's rights (a) against the Seller under or in connection with the Mortgage Receivables Purchase Agreement, (b) against the Interest Swap Counterparty under or in connection with the Interest Swap Agreement, (c) against the Participant under or in connection with the Sub-Participation Agreement, (d) against the Pool Servicer and the Issuer Administrator under the Administration Agreement, (e) against the Floating Rate GIC Provider under or in connection with the Floating Rate GIC and (f) in respect of the Transaction Accounts.

After the delivery of an Enforcement Notice in accordance with Condition 10, the amount payable to the Noteholders and the other Secured Parties will be limited to the amounts available for such purpose to the Security Trustee which, *inter alia*, will consist of amounts recovered by the Security Trustee in respect of such rights of pledge and amounts received by the Security Trustee as creditor under the Parallel Debt Agreement upon enforcement. Payments to the Secured Parties will be made in accordance with the Priority of Payments upon Enforcement (see chapters *Credit Structure* and *Description of Security*).

**Parallel Debt Agreement:**

On the Closing Date, the Issuer and the Security Trustee will enter into a parallel debt agreement (the '**Parallel Debt Agreement**') for the benefit of the Secured Parties under which the Issuer shall, by way of parallel debt, undertake to pay to the Security Trustee amounts equal to the amounts due by it to the Secured Parties, in order to create a claim of the Security Trustee thereunder which can be validly secured by the rights of pledge created by the Pledge Agreements. For a more detailed description see chapter *Description of Security*.

**THE NHG MORTGAGE RECEIVABLES:**

**NHG Mortgage Receivables:** Under the Mortgage Receivables Purchase Agreement, the Issuer will purchase and on the Closing Date accept the assignment of any and all rights of the Seller against certain borrowers (the '**Borrowers**') under or in connection with certain selected Mortgage Loans (the '**NHG Mortgage Receivables**' which will include upon the purchase of any Substitute NHG Mortgage Receivables and Further Advance Receivables, such Substitute NHG Mortgage Receivables and Further Advance Receivables). The Issuer will be entitled to all interest amounts (including penalty interest) and all principal amounts and prepayment penalties becoming due in respect of the NHG Mortgage Receivables from and including the Cut-Off Date. The Seller has the benefit of Beneficiary Rights which entitle the Seller to receive the final payment under the relevant Insurance Policies, which payment is to be applied towards redemption of the NHG Mortgage Receivables. Under the Mortgage Receivables Purchase Agreement, the Seller will assign such Beneficiary Rights to the Issuer and the Issuer will accept such assignment.

**NHG Guarantee:**

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

**Purchase of Further Advance Receivables:**

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

**Purchase of Substitute NHG Mortgage Receivables:**

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

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

**Mortgage Loans:**

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

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

**Interest-only Mortgage**

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



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

more detail chapters *Risk Factors* and *Description of the Mortgage Loans*.

**Investment Mortgage Loans:** A portion of the Mortgage Loans (or part thereof) will be in the form of investment mortgage loans ("*beleggingshypotheken*", hereinafter '**Investment Mortgage Loans**'). Under an Investment Mortgage Loan the Borrower undertakes to invest, whether on a lump sum basis or on an instalment basis, by applying his own funds or (part of) the proceeds of the Investment-based Mortgage Loan by means of an "*Avéro Achmea Beleg- & Spaarrekening*", an investment account held with Achmea Retail Bank N.V. (the '**Investment Account**') in certain investment funds of Achmea Beleggingsfondsen N.V. (the '**Investment Funds**'). The investments in Investment Funds are effectuated by the Borrowers paying the relevant amount from the Investment Account to an account held with Achmea Retail Bank N.V., designated by Achmea Retail Bank N.V. for the purchasing of securities of Investment Funds by Stichting Achmea Beleggersgiro ("**Achmea Beleggersgiro**"). The securities purchased by Achmea Beleggersgiro, will be in the form of "*Wge-effecten*" (securities regulated under the *Wge*) and will be administrated on the Investment Account. The rights under these investments are subject to the Borrower Investment Pledge.

**Repurchase of NHG Mortgage Receivables:**

In the Mortgage Receivables Purchase Agreement, the Seller will undertake to repurchase and accept re-assignment of a NHG Mortgage Receivable sold and assigned by it:

- (i) on the Mortgage Payment Date immediately following the expiration of the relevant remedy period, if any, if any of the representations and warranties given by the Seller in respect of such NHG Mortgage Receivable or its related Mortgage Loan, including the representation and warranty that such NHG Mortgage Receivable or its related Mortgage Loan meets certain criteria set forth in the Mortgage Receivables Purchase Agreement, is untrue or incorrect in any material respect;
- (ii) if the Seller agrees with a Borrower to grant a further advance under a Mortgage Loan, which is secured by the mortgage right which also secures the relevant NHG Mortgage Receivable (the '**Further Advance**') and the relevant Further Advance Receivable is not purchased by the Issuer on the immediately succeeding Quarterly Payment Date following the date on which the Seller has agreed to grant the Further Advance;
- (iii) on the Mortgage Payment Date immediately following the date on which the Seller has obtained any Other Claim(s) vis-à-vis any Borrower other than a Further Advance Receivable; or
- (iv) on the Mortgage Payment Date immediately following the date on which the Seller agrees with a Borrower to amend the terms of the relevant Mortgage Loan, which amendment is not a result of a deterioration of the Borrower's creditworthiness, and as a result thereof such Mortgage Loan no longer meets the representation and warranties set forth in the Mortgage Receivables Purchase Agreement; or
- (v) on the Mortgage Payment Date immediately following the date on which the Participant agrees with the Borrower of a Savings Mortgage Loan to switch whole or part of the premiums accumulated in the relevant Savings Insurance Policy into a Life Insurance Policy or of a Life Mortgage Loan to switch the value of the relevant Life Insurance Policy into a Savings Insurance Policy; or
- (vi) on the Mortgage Payment Date following the date on which a formal request for payment under the NHG Guarantee has been made and *Stichting Waarborgfonds Eigen Woningen* refuses to pay the full amount so requested; or
- (vii) if a Mortgage Loan no longer has the benefit of the NHG Guarantee as a result

of an action taken or omitted to be taken by the Seller, the Issuer Administrator or the Pool Servicer;

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

**Clean-Up Call Option:**

On each Quarterly Payment Date the Seller has the option (but not the obligation) to purchase the NHG Mortgage Receivables if on the Quarterly Calculation Date immediately preceding such Quarterly Payment Date the aggregate Outstanding Principal Amount in respect of the NHG Mortgage Receivables is not more than 10 per cent. of the aggregate Outstanding Principal Amount in respect of the Mortgage NHG Receivables on the Cut-Off Date (the '**Clean-Up Call Option**').

The Issuer will undertake in the Mortgage Receivables Purchase Agreement to sell and assign the NHG Mortgage Receivables to the Seller, or any third party appointed by the Seller at its sole discretion, in case the Seller exercises the Clean-Up Call Option. The purchase price will be calculated as set out in *Sale of NHG Mortgage Receivables* below. The Issuer will apply the proceeds of the sale of the NHG Mortgage Receivables towards redemption of the Senior Class A Notes in accordance with Condition 6(b).

**Sale of NHG Mortgage Receivables:**

*General*

The Issuer may not dispose of the NHG Mortgage Receivables, except to comply with its obligations under the Notes in certain circumstances as further provided in the Trust Deed. If the Issuer decides to offer for sale (some of) the NHG Mortgage Receivables it will first offer such NHG Mortgage Receivables to the Seller. The Seller shall within a period of fifteen (15) business days inform the Issuer whether it wishes to repurchase the NHG Mortgage Receivables. After such fifteen (15) business day period, the Issuer may offer such NHG Mortgage Receivables for sale to any third party. Except if differently set out below, the Seller will pay a purchase price equal to the purchase price a third party would be willing to pay for the NHG Mortgage Receivables.

*Sale of Mortgage Receivables on an Optional Redemption Date*

In case of sale and assignment of NHG Mortgage Receivables on an Optional Redemption Date, the purchase price of the NHG Mortgage Receivables shall be equal to at least the relevant Outstanding Principal Amount in respect of the relevant NHG Mortgage Receivables, together with accrued interest due but unpaid, if any, except that, with respect to Mortgage Loans which are in arrears for a period exceeding ninety (90) days or in respect of which an instruction has been given to the civil-law notary to start foreclosure proceedings, the purchase price shall be at least the lesser of (i) the sum of (a) an amount equal to the foreclosure value of the Mortgaged Assets or, if no valuation report of less than twelve (12) months old is available, the indexed foreclosure value and (b) the amount claimable under the NHG Guarantee; and (ii) the sum of the Outstanding Principal Amount of the NHG Mortgage Receivable, together with accrued interest due but unpaid, if any, and any other amounts due under the NHG Mortgage Receivable.

*Sale of Mortgage Receivables if the Clean-Up Call Option is exercised*

On each Quarterly Payment Date, the Seller has the option to exercise the Clean-Up Call Option if certain conditions are met on such Quarterly Payment Date (see *Clean-Up Call Option* above). If the Seller decides to exercise the Clean-Up Call

Option, the Seller shall repurchase the NHG Mortgage Receivables. In respect of the purchase price, the same as set out above under *Sale of NHG Mortgage Receivables on an Optional Redemption Date* applies to the purchase price payable for the sale of NHG Mortgage Receivables if the Seller exercises the Clean-Up Call Option. The proceeds of such sale shall form part of the Notes Redemption Available Amount and consequently be applied by the Issuer towards redemption of the Senior Class A Notes (but not some only) in accordance with Condition 6(b).

*Sale of Mortgage Receivables for tax reasons*

On each Quarterly Payment Date, the Issuer has the option to redeem the Senior Class A Notes upon the occurrence of a Tax Change in accordance with Condition 6(f). In respect of the purchase price, the same as set out above under *Sale of NHG Mortgage Receivables on an Optional Redemption Date* applies to the purchase price payable for the sale of NHG Mortgage Receivables if the Issuer exercises the its right to redeem the Senior Class A Notes upon the occurrence of a Tax Change. The proceeds of such sale shall form part of the Notes Redemption Available Amount and consequently be applied by the Issuer towards redemption of all the Senior Class A Notes in accordance with Condition 6(b).

**Sub-Participation Agreement:**

On the Closing Date, the Issuer will enter into a sub-participation agreement (the '**Sub-Participation Agreement**') with, inter alia, the Participant under which the Participant will acquire participations in each of the Savings NHG Mortgage Receivables (each a '**Participation**'). In the Sub-Participation Agreement the Participant will undertake to pay to the Issuer amounts equal to all amounts received as Savings Premium on the Savings Insurance Policies. In return, the Participant is entitled to receive the Participation Redemption Available Amount from the Issuer. The amount of the participation with respect to a Savings NHG Mortgage Receivable consists of the initial participation at (i) the Closing Date or (ii) the relevant Quarterly Payment Date, in the case of a purchase of a Substitute NHG Mortgage Receivable or a Further Advance Receivable to which a Savings Insurance Policy is connected, (which is equal to the sum of all amounts received as Savings Premia and accrued interest), (a) up to but excluding the Cut-Off Date, in the case of the Closing Date, being the amount of euro 9,602,465.93 or (b) up to the first day of the month in which the relevant Quarterly Payment Date falls, increased on a monthly basis by the sum of (i) the Savings Premium received by the Participant and paid to the Issuer and (ii) a *pro rata* part, corresponding to the Participation in the relevant Savings NHG Mortgage Receivable, of the interest paid by the Borrower in respect of such Savings NHG Mortgage Receivable. See chapter *Sub-Participation Agreement* below.

**Liquidity Loan Agreement:**

On the Closing Date, the Issuer will enter into a liquidity loan agreement (the '**Liquidity Loan Agreement**') with the Liquidity Loan Provider, under which the Issuer will make a drawing on the Closing Date for an amount equal to the Liquidity Fund Required Amount. The payment of interest and principal in respect of the Liquidity Loan will be subordinated to payments in respect of the Notes and certain other items as set out in and subject to the Interest Priority of Payments (see further chapter *Credit Structure*).

**CASH FLOW STRUCTURE:**

**Floating Rate GIC:**

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

the Transaction Accounts from time to time.

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

**Reserve Account:** The net proceeds of the Subordinated Class B Notes will be credited to an account (the '**Reserve Account**') held by the Issuer with the Floating Rate GIC Provider. The purpose of the Reserve Account will be to enable the Issuer to meet the Issuer's payment obligations under items (a) up to and including (g) in the Interest Priority of Payments in the event the Notes Interest Available Amount (excluding items (v) and (vi) thereof) is not sufficient to enable the Issuer to meet such payment obligations on a Quarterly Payment Date. If and to the extent that the Notes Interest Available Amount on any Quarterly Payment Date exceeds the aggregate amount applied in satisfaction of items (a) up to and including (g) in the Interest Priority of Payments, the excess amount will be used to deposit on or, as the case may be, to replenish the Reserve Account by crediting such amount to the Reserve Account up to the Reserve Account Required Amount. The '**Reserve Account Required Amount**' shall on any Quarterly Payment Date be equal to:  
(i) 4.8 per cent. of the aggregate Principal Amount Outstanding of the Senior Class A Notes on the Closing Date or (ii) zero on the Optional Redemption Date whereon the Senior Class A Notes, have been or are to be redeemed in full, subject to the Conditions.

To the extent that the balance standing to the credit of the Reserve Account on any Quarterly Payment Date exceeds the Reserve Account Required Amount, such excess shall be drawn from the Reserve Account and shall form part of the Notes Interest Available Amount on that Quarterly Payment Date and after all payments of the Interest Priority of Payments ranking higher in priority have been made, will be available to redeem or partially redeem, as the case may be, the Subordinated Class B Notes.

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

**Liquidity Fund Account:** The drawing under the Liquidity Loan Agreement will be credited to an account (the '**Liquidity Fund Account**' and together with the Master Collection Account and the Reserve Account, the '**Transaction Accounts**'), held in the name of the Issuer with the Floating Rate GIC Provider. The purpose of the Liquidity Fund Account will be to enable the Issuer on any Quarterly Payment Date to meet the Issuer's payment obligations under items (a) to (f) inclusive (but not item (d)) in the Interest Priority of Payments in the event that the Notes Interest Available Amount after any drawing from the Reserve Account and without taking into account any drawing from the Liquidity Fund Account is not sufficient to meet such payment obligations on such Quarterly Payment Date.

For these purposes, '**Liquidity Fund Required Amount**' means, on any Quarterly Payment Date, 0.25 per cent. of the aggregate Principal Amount Outstanding of the

Senior Class A Notes on the Closing Date.

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

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

**OTHER:**

**Management Agreements:** On the Closing Date, each of the Issuer, the Shareholder and the Security Trustee will enter into a management agreement with the relevant Director (together, the '**Management Agreements**'), whereunder the relevant Director will undertake to act as director of the Issuer, the Shareholder or, as the case may be, the Security Trustee and to perform certain services in connection therewith.

**Administration Agreement:** Under the terms of an administration agreement to be entered into on the Closing Date (the '**Administration Agreement**') between the Issuer, the Issuer Administrator, the Pool Servicer and the Security Trustee (i) the Pool Servicer will agree to provide (a) administration and management services and other services to the Issuer on a day-to-day basis in relation to the Mortgage Loans and the NHG Mortgage Receivables, including, without limitation, the collection and recording of payments of principal, interest and all other amounts in respect of the NHG Mortgage Receivables and the direction of amounts received by the Seller to the Master Collection Account and the production of monthly reports in relation thereto and (b) the implementation of arrears procedures including, if applicable, the enforcement of Mortgages, the Borrower Pledges and the NHG Guarantees (see chapter *Mortgage Loan Underwriting and Servicing* below) and (ii) the Issuer Administrator will agree to provide certain administration, calculation and cash management services for the Issuer, including without limitation, all calculations to be made pursuant to the Conditions in connection with the Notes.

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

**Rating:** It is a condition precedent to issuance that the Senior Class A Notes, on issue, be assigned a rating of "AAA" by Fitch. The Subordinated Class B Notes will not be rated.

**Settlement:** Euroclear Netherlands.

**Selling restrictions:** There are selling restrictions in relation to the European Economic Area, United Kingdom, United States, Italy, France and such other restrictions as may be required in connection with the offering and sale of the Notes. See chapter *Purchase and Sale*.

**Governing Law:**

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

## CREDIT STRUCTURE

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

### **Mortgage Loan Interest Rates**

The interest rate of each of the NHG Mortgage Receivables sold and assigned to the Issuer on the Closing Date is either fixed, subject to a reset from time to time, or variable. On the Cut-Off Date the weighted average interest rate of the Mortgage Loans is expected to be 4.65 per cent. per annum. Interest rates vary between the individual Mortgage Loans. The range of interest rates is described further in chapter *Description of the Mortgage Loans*.

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

### **Cash Collection Arrangements**

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

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

On the first business day of each month the Seller will transfer to the Master Collection Account the Scheduled Amount relating to the NHG Mortgage Receivables. On each 12<sup>th</sup> day of each calendar month or if this is not a business day the next succeeding business day (each a '**Mortgage Payment Date**'), the Seller or the Pool Servicer on its behalf, in accordance with the Administration Agreement, will transfer the amount, if any, by which the Actual Amount exceeds the Scheduled Amount to the Master Collection Account. In case the Scheduled Amount exceeds the Actual Amount, the difference is paid by the Issuer to the Seller on the relevant Mortgage Payment Date.

For these purposes '**Actual Amount**' means, on any Mortgage Payment Date, the sum of (i) all amounts of principal, interest (including penalty interest) and prepayment penalties actually received by the Seller under the NHG Mortgage Receivables during the immediately preceding Mortgage Calculation Period including, in respect of interest, any amounts received on the first, second and third business day of the calendar month in which such Mortgage Payment Date falls **less** (ii) any amounts received by the Seller during such Mortgage Calculation Period but already transferred to the Issuer, in respect of the NHG Mortgage Receivables.

For these purposes '**Scheduled Amount**' means, with respect to a Mortgage Calculation Period, an amount equal to the sum of interest and principal (including prepayments) scheduled to be received under the NHG Mortgage Receivables during such Mortgage Calculation Period.

For these purposes a '**Mortgage Calculation Period**' is the period commencing on (and including) the first day of a 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) the Cut-Off Date and end on (and include) 31 October 2008.

### **Transaction Accounts**

#### *Master Collection Account*

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

The Issuer Administrator will identify all amounts paid into the Master Collection Account by crediting such amounts to ledgers established for such purpose. Payments received on each Mortgage Payment Date in respect of the NHG Mortgage Receivables will be identified as principal or revenue receipts and credited to a principal ledger (the '**Principal Ledger**') or a revenue ledger (the '**Revenue Ledger**'), respectively. Further ledgers will be established to record amounts held or received by the Issuer.

On each Quarterly Payment Date, the Issuer has the option to deposit the Reserved Amount in the Master Collection Account or to invest the Reserved Amount in any securities each with a maturity not beyond 364 days and which at the time of such purchase have (i) a long-term unsecured, unguaranteed and unsubordinated rating of at least AA- by Fitch and/or (ii) a short-term unsecured, unguaranteed and unsubordinated rating of at least F1+ by Fitch.

Payments may only be made from the Master Collection Account other than on a Quarterly Payment Date only to satisfy (i) amounts due to third parties (other than pursuant to the Relevant Documents) and under obligations incurred in connection with the Issuer's business, (ii) amounts due to the Participant under the Sub-Participation Agreement, (iii) the difference between the Scheduled Amount and the Actual Amount, if any, and (iv) any Tax Credit.

#### *Reserve Account*

The Issuer will also maintain with the Floating Rate GIC Provider the Reserve Account. The net proceeds of the issue of the Subordinated Class B Notes will be credited to the Reserve Account.

Amounts credited to the Reserve Account will be available on any Quarterly Payment Date to meet items (a) to (g) (inclusive) of the Interest Priority of Payments, before application of any funds drawn from the Liquidity Fund Account.

The purpose of the Reserve Account will be to enable the Issuer to meet the Issuer's payment obligations under items (a) up to and including (g) in the Interest Priority of Payments in the event the Notes Interest Available Amount (excluding items (v) and (vi) thereof) is not sufficient to enable the Issuer to meet such payment obligations on a Quarterly Payment Date.

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

- (i) 4.8 per cent. of the aggregate Principal Amount Outstanding of the Senior Class A Notes on the Closing Date or
- (ii) zero, on the Quarterly Payment Date whereon the Senior Class A Notes have been or are to be redeemed in full, subject to the Conditions.

To the extent that the balance standing to the credit of the Reserve Account on any Quarterly Payment Date exceeds the Reserve Account Required Amount (after payments pursuant to the Interest Priority of Payments would have been made on such date), such excess shall be drawn from the Reserve Account on such Quarterly Payment Date and shall form part of the Notes Interest Available Amount on that Quarterly Payment Date and be available, subject to the Interest Priority of Payments, for interest on and redemption of the Subordinated Class B Notes on each Quarterly Payment Date (the first falling in January 2009).

On each Quarterly Payment Date, the Issuer has the option to invest the amounts standing to the credit of the Reserve Account in any securities each with a maturity not beyond 364 days and which at the time of such purchase have (i) a long-term unsecured, unguaranteed and unsubordinated rating of at least AA- by Fitch and/or (ii) a short-term unsecured, unguaranteed and unsubordinated rating of at least F1+ by Fitch.

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

#### *Liquidity Fund Account*

The Issuer will also maintain with the Floating Rate GIC Provider the Liquidity Fund Account to which the drawing under the Liquidity Loan Agreement (the '**Liquidity Loan**') will be credited.

The purpose of the Liquidity Fund Account will be to enable the Issuer on any Quarterly Payment Date, to meet the Issuer's payment obligations under items (a) to (f) inclusive (but not item (d)) in the Interest Priority of Payments in the event that the Notes Interest Available Amount after any drawing from the Reserve Account and without taking into account any drawing from the Liquidity Fund Account is not sufficient to meet such payment obligations on such Quarterly Payment Date.

For these purposes, '**Liquidity Fund Required Amount**' means, on any Quarterly Payment Date, euro 1,250,000, being 0.25 per cent. of the aggregate Principal Amount Outstanding of the Senior Class A Notes on the Closing Date.

If and to the extent that the Notes Interest Available Amount on any Quarterly Calculation Date exceeds the amounts required to meet items (a) to (c) (inclusive) in the Interest Priority of Payments, the excess amount will be applied to replenish the Liquidity Fund Account up to the Liquidity Fund Account Maximum Amount.

To the extent that the balance standing to the credit of the Liquidity Fund Account on any Quarterly Payment Date exceeds the Liquidity Fund Required Amount, such excess shall be drawn from the Liquidity Fund Account on such Quarterly Payment Date and shall form part of the Notes Interest Available Amount on that Quarterly Payment Date, and, subject to the Interest Priority of Payments, be available to repay the Liquidity Loan.

On each Quarterly Payment Date, the Issuer has the option to invest the amounts standing to the credit of the Liquidity Fund Account in any securities each with a maturity not beyond 364 days and which at the time of such purchase have (i) a long-term unsecured, unguaranteed and unsubordinated rating of at least AA- by Fitch and/or (ii) a short-term unsecured, unguaranteed and unsubordinated rating of at least F1+ by Fitch.

The Liquidity Loan will be repaid on each Quarterly Payment Date with the amount of the Notes Interest Available Amount remaining after all payments ranking higher in priority than item (l) of the Interest Priority of Payments have been paid in full.

If at any time the rating of short-term unsecured, unsubordinated and unguaranteed debt obligations of the Floating Rate GIC Provider are assigned a rating of less than the Required Minimum Rating or such rating is withdrawn by Fitch, the Floating Rate GIC Provider will use its best efforts within thirty (30) calendar days of any such event and at its own cost to (a) transfer the balance standing to the credit of the Transaction Accounts to an alternative bank having at least the Required Minimum Rating or (b) implement any other actions to maintain the then current rating assigned to the Senior Class A Notes.

If any collateral in the form of cash is provided by the Interest Swap Counterparty to the Issuer, the Issuer will be required to open a separate account in which such cash provided by the Interest Swap Counterparty will be held. If any collateral in the form of securities is provided, the Issuer will be required to open a custody account in which such securities provided by the Interest Swap Counterparty will be held. No payments or deliveries may be made in respect of such an account other than in relation to the provision of collateral or the return of Excess Swap Collateral, unless pursuant to the termination of the Interest Swap Agreement, an amount is owed by the Interest

Swap Counterparty to the Issuer in which case the collateral may be applied in accordance with the Trust Deed. Such account will therefore not be subject to a security right in favour of the Security Trustee.

**'Excess Swap Collateral'** means an amount equal to the value of any collateral transferred to the Issuer by the Interest Swap Counterparty under the Interest Swap Agreement that is in excess of the Interest Swap Counterparty's liability to the Issuer thereunder (i) as at the date such Interest Swap Agreement is terminated or (ii) as at any other date of valuation in accordance with the terms of the Interest Swap Agreement. Any amounts remaining on such accounts upon termination of the Interest Swap Agreement which are not owed to the Issuer by the Interest Swap Counterparty shall be transferred directly to the Interest Swap Counterparty on the termination date under the Interest Swap Agreement. The same applies for any tax credit, allowance, set-off or repayment from the tax authorities of any jurisdiction obtained by the Issuer relating to any deduction or withholding giving rise to a payment made by the Interest Swap Counterparty in accordance with the Interest Swap Agreement, the cash benefit in respect of which shall be paid by the Issuer to the Interest Swap Counterparty pursuant to the terms of the Swap Agreement (**'Tax Credit'**).

## **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 amount, calculated on each Quarterly Calculation Date, as being received or held by the Issuer during the Quarterly Calculation Period immediately preceding such Quarterly Calculation Date (items (i) up to and including (xii) being hereafter referred to as the **'Notes Interest Available Amount'**):

- (i) as interest on the NHG Mortgage Receivable less, with respect to each Savings NHG Mortgage Receivable, an amount calculated in respect of each Mortgage Calculation Period falling in such Quarterly Calculation Period as follows:  $R \times P/SMR$ , whereby  $R$  = the interest received on such Savings NHG Mortgage Receivable in the relevant Mortgage Calculation Period,  $P$  = Participation in such Savings NHG Mortgage Receivable on the first day of such Mortgage Calculation Period and  $SMR$  = the Outstanding Principal Amount of such Savings NHG Mortgage Receivable on the first day of such Mortgage Calculation Date ( $P/SMR$  being the **'Participation Fraction'**);
- (ii) as interest received on the Transaction Accounts;
- (iii) as prepayment and interest penalties under the NHG Mortgage Receivables;
- (iv) as Net Proceeds on any NHG Mortgage Receivables to the extent such proceeds do not relate to principal less, with respect to amounts which relate to interest in respect of a Savings Mortgage Loan, an amount equal to such amount of interest received multiplied by the Participation Fraction;
- (v) as amounts to be drawn from the Liquidity Fund Account on the immediately succeeding Quarterly Payment Date;
- (vi) as amounts to be drawn from the Reserve Account on the immediately succeeding Quarterly Payment Date;
- (vii) as amounts to be received from the Interest Swap Counterparty under the Interest Swap Agreement on the immediately succeeding Quarterly Payment Date, but excluding any amounts provided by the Interest Swap Counterparty as collateral, if any, and any Tax Credit;
- (viii) as amounts received in connection with a repurchase of NHG Mortgage Receivables or any other amount received pursuant to the Mortgage Receivables Purchase Agreement to the extent such amounts do not relate to principal less, in respect of a Savings Mortgage Loan, an amount equal to such amount of interest received multiplied by the Participation Fraction;
- (ix) as amounts received in connection with a sale of NHG Mortgage Receivables pursuant to the Trust Deed to the extent such amounts do not relate to principal less, in respect of a Savings Mortgage Loan, an amount equal to such amount of interest received multiplied by the Participation Fraction;
- (x) as amounts received as post-foreclosure proceeds on the NHG Mortgage Receivables; and
- (xi) any (remaining) amounts standing to the credit of the Master Collection Account on the Quarterly Payment Date on which the Senior Class A Notes are redeemed in full to the extent not included in items (i) up to and including (x); **less**

- (xii) on the first Quarterly Payment Date of each year, the sum of (i) an amount equal to 5 per cent. of the annual fee due to the Director of the Issuer and (ii) an amount of Euro 1500

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

- (a) *first*, in or towards satisfaction of, *pro rata* and *pari passu*, according to the respective amounts thereof, 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 of, *pro rata* and *pari passu*, according to the respective amounts thereof, fees and expenses due and payable to the Issuer Administrator and the Pool Servicer under the Administration Agreement;
- (c) *third*, in or towards satisfaction of, *pro rata* and *pari passu*, according to the respective amounts thereof, (i) any amounts due and payable to third parties under obligations incurred in the Issuer's business (other than under the Relevant Documents), including, without limitation, in or towards satisfaction of sums due or provisions for any payment of the Issuer's liability, if any, to tax (to the extent such taxes cannot be paid out of item (xii) of the Notes Interest Available Amount), fees and expenses of Fitch and any legal advisor, auditor and accountant appointed by the Issuer or the Security Trustee, (ii) fees, costs, expenses, liabilities and other amounts due and payable to the Paying Agent and the Reference Agent under the Paying Agency Agreement and (iii) any bank account charges, if any, under the Transaction Accounts;
- (d) *fourth*, in or towards satisfaction of any sums required to replenish the Liquidity Fund Account up to the Liquidity Fund Required;
- (e) *fifth*, in or towards satisfaction of amounts, if any, due but unpaid under the Interest Swap Agreement, including any termination payment, other than any termination payment due or payable as a result of the occurrence of (i) an Event of Default (as defined therein) or (ii) an Additional Termination Event (as defined therein) relating to a Rating Event (as defined therein) where the Interest Swap Counterparty is the Defaulting Party or the sole Affected Party (as defined therein) (an '**Interest Swap Counterparty Default Payment**') payable under (k) below and excluding, for the avoidance of doubt, any amount relating to Excess Swap Collateral and any Tax Credit;
- (f) *sixth*, in or towards satisfaction, *pro rata* and *pari passu*, of interest due or interest accrued but unpaid on the Senior Class A Notes;
- (g) *seventh*, in or towards making good, any shortfall reflected in the Principal Deficiency Ledger until the debit balance, if any, on the Principal Deficiency Ledger is reduced to zero;
- (h) *eighth*, in or towards satisfaction of any sums required to be deposited on the Reserve Account or, as the case may be, to replenish the Reserve Account up to the amount of the Reserve Account Required Amount;
- (i) *ninth*, in or towards satisfaction of interest due or accrued but unpaid on the Subordinated Class B Notes;
- (j) *tenth*, in or towards satisfaction of principal due on the Subordinated Class B Notes until the Subordinated Class B Notes are fully redeemed;
- (k) *eleventh*, in or towards satisfaction of any Interest Swap Counterparty Default Payment payable to the Interest Swap Counterparty under the terms of the Interest Swap Agreement and excluding, for the avoidance of doubt, any amount relating to Excess Swap Collateral and any Tax Credit;
- (l) *twelfth*, in or towards satisfaction of interest due under the Liquidity Loan;
- (m) *thirteenth*, in or towards satisfaction of any principal due under the Liquidity Loan; and
- (n) *fourteenth*, in or towards satisfaction of a Deferred Purchase Price Instalment to the Seller.

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

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

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

**less** in respect of item (x) until the Quarterly Calculation Date immediately preceding the first Optional Redemption Date and in respect of item (xii) until the second Quarterly Calculation Date immediately preceding the first Optional Redemption Date, the sum of:

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

will pursuant to the terms of the Trust Deed be applied by the Issuer on the relevant Quarterly Payment Date in or towards satisfaction of principal amounts due under the Senior Class A Notes until fully redeemed.

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

Following delivery of an Enforcement Notice any amounts payable by the Security Trustee under the Trust Deed, other than in respect of the Participations, will be paid to the Secured Parties (including the Noteholders, but excluding the Participant, which shall be entitled to receive an amount equal to the Participation in each of the Savings NHG Mortgage Receivables which are subject to a Participation or if the amount recovered, which amount will not be part of this Priority of Payments upon Enforcement, is less than the Participation, then an amount equal to the amount actually recovered) in the following order of priority (after deduction of costs incurred by the Security Trustee, which will include, *inter alia*, fees and expenses of Fitch and any legal advisor, auditor and 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) (the '**Priority of Payments upon Enforcement**' and together with the Interest Priority of Payments and the Principal Priority of Payments, the '**Priority of Payments**')

- (a) *first*, in or towards satisfaction, *pro rata* and *pari passu*, according to the respective amounts thereof, of (i) the fees or other remuneration due to the Directors (ii) fees, costs, expenses, liabilities and other amounts due

and payable to 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 Pool Servicer under the Administration Agreement;

- (b) *second*, in or towards satisfaction, *pro rata* and *pari passu*, according to the respective amounts thereof, of amounts, if any, due but unpaid under the Interest Swap Agreement including any termination payment other than any Interest Swap Counterparty Default Payment payable to the Interest Swap Counterparty under the terms of the Interest Swap Agreement payable under subparagraph (g) below and excluding, for the avoidance of doubt, any amount relating to Excess Swap Collateral and any Tax Credit;
- (c) *third*, in or towards satisfaction of all amounts of interest due or accrued but unpaid in respect of the Senior Class A Notes;
- (d) *fourth*, in or towards satisfaction of all amounts of principal due but unpaid in respect of the Senior Class A Notes;
- (e) *fifth*, in or towards satisfaction of all amounts of interest due or accrued but unpaid in respect of the Subordinated Class B Notes;
- (f) *sixth*, in or towards satisfaction of all amounts of principal due but unpaid in respect of the Subordinated Class B Notes;
- (g) *seventh*, in or towards satisfaction of any Interest Swap Counterparty Default Payment payable to the Interest Swap Counterparty under the terms of the Interest Swap Agreement and excluding, for the avoidance of doubt, any amount relating to Excess Swap Collateral and any Tax Credit;
- (h) *eighth*, in or towards satisfaction of interest due under the Liquidity Loan;
- (i) *ninth*, in or towards satisfaction of any principal due under the Liquidity Loan; and
- (j) *tenth*, in or towards satisfaction of a Deferred Purchase Price Instalment to the Seller.

#### **Principal Deficiency Ledger**

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

'**Realised Losses**' means, on any relevant Quarterly Payment Date, the sum of (a) with respect to the NHG Mortgage Receivables in respect of which the Seller, the Pool Servicer on behalf of the Issuer, the Issuer or the Security Trustee has foreclosed from the Closing Date up to and including the immediately preceding Quarterly Calculation Period the amount of the difference between (i) the aggregate Outstanding Principal Amount of all NHG Mortgage Receivables less, with respect to the Savings NHG Mortgage Receivables, the Participations, on the last day of the immediately preceding Monthly Calculation Period, in respect of which the Seller, the Pool Servicer on behalf of the Issuer, the Issuer or the Security Trustee has foreclosed from the Closing Date up to and including the Quarterly Payment Date immediately preceding such Quarterly Payment Date and (ii) the amount of the Net Proceeds applied to reduce the Outstanding Principal Amount of the NHG Mortgage Receivables less, with respect to Savings NHG Mortgage Receivables, the Participations, and (b) with respect to NHG Mortgage Receivables sold by the Issuer, the amount of the difference, if any, between (i) the aggregate Outstanding Principal Amount of such NHG Mortgage Receivables less, with respect to Savings NHG Mortgage Receivables, the Participations on the last day of the immediately preceding Monthly Calculation Period, and (ii) the purchase price received in respect of the NHG Mortgage Receivables sold to the extent relating to the principal less, with respect to the Savings NHG Mortgage Receivables, the Participations, and (c) with respect to the NHG Mortgage Receivables in respect of which the Borrower has successfully asserted set-off or defence to payments, the amount by which the NHG Mortgage Receivables have been extinguished ("*teniet gegaan*") unless and to the extent such amount is received from the Seller pursuant to item (ii) of the Notes Redemption Available Amount.

#### **Interest Rate Hedging**

The Mortgage Loan Criteria require that all NHG Mortgage Receivables sold and assigned to the Issuer at the Closing Date either bear a floating rate of interest or a fixed rate of interest subject to a reset from time to time (as further described in chapter *Description of the Mortgage Loans*). The interest rate payable by the Issuer with respect to the Notes is calculated for all Notes as a margin over Euribor. On the first Optional Redemption Date the

margin on the Notes will be reset and shall increase. The Issuer will mitigate this interest rate exposure in respect of the Senior Class A Notes by entering into the Interest Swap Agreement with the Interest Swap Counterparty and the Security Trustee (so excluding the Subordinated Class B Notes). The risk between the rate of interest accruing on the balance standing to the credit of the Reserve Account and the floating rate of interest payable by the Issuer on the Subordinated Class B Notes will not be hedged. Under the Interest Swap Agreement, the Issuer will agree to pay on each Quarterly Payment Date an amount being the sum of:

- (i) the aggregate amount of the interest on the NHG Mortgage Receivables scheduled to be paid during the relevant Quarterly Calculation Period less, with respect to each Savings NHG Mortgage Receivable, an amount equal to such scheduled interest for each month on such receivables multiplied by the Participation Fraction; plus
- (ii) any prepayment penalties received during the immediately preceding Quarterly Calculation Period; plus
- (iii) interest received on the Master Collection Account; less
- (iv) an excess margin (the "**Excess Margin**") of 0.35 per cent. per annum applied to the relevant Outstanding Principal Amount of the NHG Mortgage Receivables on the first day of the relevant Quarterly Calculation Period; and less
- (v) certain expenses as described under (a), (b) and (c) of the Interest Priority of Payments.

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

Payments under the Interest Swap Agreement will be netted.

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

The Interest Swap Agreement will be documented under an ISDA Master Agreement. The Interest Swap Agreement may be terminated in accordance with Events of Default and Termination Events (each as defined in the ISDA Master Agreement) commonly found in standard ISDA documentation. The Interest Swap Agreement will be terminable by one party if (i) an applicable Event of Default or Termination Event (as defined therein) occurs in relation to the other party, (ii) it becomes unlawful for either party to perform its obligations under the Interest Swap Agreement or (iii) an Enforcement Notice is served. Events of Default under the Interest Swap Agreement in relation to the Issuer will be limited to (i) non-payment under the Interest Swap Agreement and (ii) certain insolvency events.

Upon the early termination of the Interest Swap Agreement, the Issuer or the Interest Swap Counterparty may be obliged to make a termination payment to the other party. The amount of any termination payment will be based on the market value of the Interest Swap Agreement. The market value will be based on market quotations of the cost of entering into a transaction with the same terms and conditions and that would have the effect of preserving the respective full payment obligations of the parties (or based upon loss in the event that no market quotation can be obtained).

In the event that the Issuer is required to withhold or deduct an amount in respect of tax from payments due from it to the Interest Swap Counterparty, the Issuer will not be required pursuant to the terms of the Interest Swap Agreement to pay the Interest Swap Counterparty such amounts as would otherwise have been required to ensure

that the Interest Swap Counterparty received the same amounts that it would have received had such withholding or deduction not been made.

In the event that the Interest Swap Counterparty is required to withhold or deduct an amount in respect of tax from payments due from it to the Issuer, the Interest Swap Counterparty will be required pursuant to the terms of the Interest Swap Agreement to pay to the Issuer such additional amounts as are required to ensure that the Issuer receives the same amounts that it would have received had such withholding or deduction not been made.

In either event, the Interest Swap Counterparty will at its own cost, if it is unable to transfer its rights and obligations under the Interest Swap Agreement to another office, have the right to terminate the Interest Swap Agreement. Upon such termination, the Issuer or the Interest Swap Counterparty may be obliged to make a termination payment to the other party.

If the Issuer receives any Tax Credit resulting from the payment of any withholding tax by the Interest Swap Counterparties, the Issuer shall pay the cash benefit of such Tax Credit to the Interest Swap Counterparty.

If the Interest Swap Counterparty ceases to have certain required ratings by Fitch, the Interest Swap Counterparty will be required to take certain remedial measures which may include (i) the provision of collateral for its obligations under the Interest Swap Agreement, (ii) arranging for its obligations under the Interest Swap Agreement to be transferred to an entity with the required ratings, (iii) procuring another entity with at least the required ratings to become co-obligor in respect of its obligations under the Interest Swap Agreement or (iv) the taking of such other action as it may agree with Fitch. A failure to take such steps, subject to certain conditions, will give the Issuer the right to terminate the Interest Swap Agreement. Upon such termination, the Issuer or the Interest Swap Counterparty may be obliged to make a termination payment to the other party.

The Issuer and the Interest Swap Counterparty have entered into a credit support annex which forms part of the Interest Swap Agreement on the basis of the standard ISDA documentation, which provides for requirements relating to the providing of collateral by the Interest Swap Counterparty if it ceases to have at least the required ratings.

Any collateral transferred by the Interest Swap Counterparty in accordance with the provisions set out above which is in excess of its obligations to the Issuer under the Interest Swap Agreement will be returned to the Interest Swap Counterparty outside any Priority of Payments and will not be available for the distribution of any amounts due to the Noteholders or the other Secured Parties.

#### **Sale of NHG Mortgage Receivables**

The Issuer may not dispose of the NHG Mortgage Receivables, except to comply with its obligations under the Notes in certain circumstances as further provided in the Trust Deed. If the Issuer decides to offer for sale (part of) the NHG Mortgage Receivables it will first offer such NHG Mortgage Receivables to the Seller. The Seller shall within a period of fifteen (15) business days inform the Issuer whether it wishes to repurchase the NHG Mortgage Receivables. After such fifteen (15) business day period, the Issuer may offer such NHG Mortgage Receivables for sale to any third party. Except if differently set out below, the Seller will pay a purchase price equal to the purchase price a third party is willing to pay for the NHG Mortgage Receivables.

#### *Sale of Mortgage Receivables on an Optional Redemption Date*

In case of sale and assignment of NHG Mortgage Receivables on an Optional Redemption Date, the purchase price of the NHG Mortgage Receivables shall be equal to at least the relevant Outstanding Principal Amount in respect of the relevant NHG Mortgage Receivables, together with accrued interest due but unpaid, if any, except that, with respect to Mortgage Loans which are in arrears for a period exceeding ninety (90) days or in respect of which an instruction has been given to the civil-law notary to start foreclosure proceedings, the purchase price shall be at least the lesser of (i) the sum of (a) an amount equal to the foreclosure value of the Mortgaged Assets or, if no valuation report of less than twelve (12) months old is available, the indexed foreclosure value and (b) the amount claimable under the NHG Guarantee; and (ii) the sum of the Outstanding Principal Amount of the NHG Mortgage Receivable, together with accrued interest due but unpaid, if any, and any other amounts due under the NHG



Mortgage Receivable.

*Sale of Mortgage Receivables if the Clean-Up Call Option is exercised*

On each Quarterly Payment Date, the Seller has the option to exercise the Clean-Up Call Option. In respect of the purchase price, the same as set out above under *Sale of Mortgage Receivables on an Optional Redemption Date* applies to the purchase price payable for the sale of Mortgage Receivables if the Seller exercises the Clean-Up Call Option. The proceeds of such sale shall form part of the Notes Redemption Available Amount and consequently be applied by the Issuer towards redemption of all the Senior Class A Notes (but not some only).

*Sale of Mortgage Receivables for tax reasons*

On each Quarterly Payment Date, the Issuer has the option to redeem the Senior Class A Notes upon the occurrence of a Tax Change in accordance with Condition 6(f). In respect of the purchase price, the same as set out above under *Sale of NHG Mortgage Receivables on an Optional Redemption Date* applies to the purchase price payable for the sale of NHG Mortgage Receivables if the Issuer exercises its right to redeem the Senior Class A Notes upon the occurrence of a Tax Change. The proceeds of such sale shall form part of the Notes Redemption Available Amount and consequently be applied by the Issuer towards redemption of all the Senior Class A Notes in accordance with Condition 6(b).

## DUTCH RESIDENTIAL MORTGAGE MARKET

### General

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

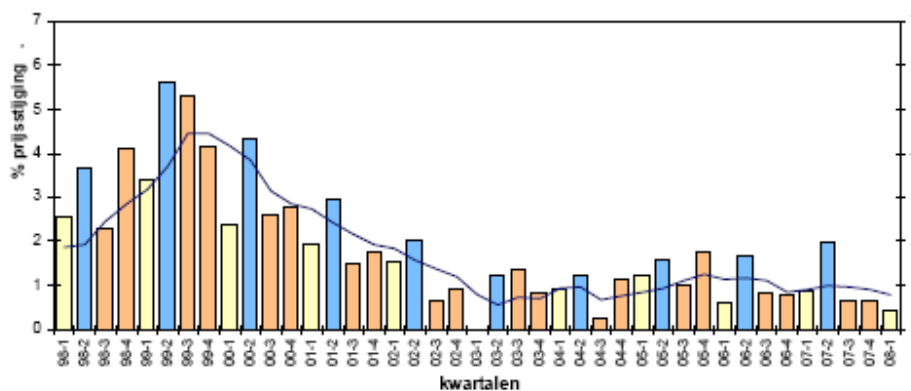
### Long lease

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

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

### Median House Price Developments in the Netherlands

Prijsontwikkeling per kwartaal over meerdere jaren



(kolom: verandering ten opzichte van voorgaande kwartaal; lijn: gemiddelde over laatste 4 kwartalen)

(vertical axis: percentage of price increase; column: change in respect of the preceding quarter; line: average over the last four quarters)

### Characteristics of Dutch mortgages

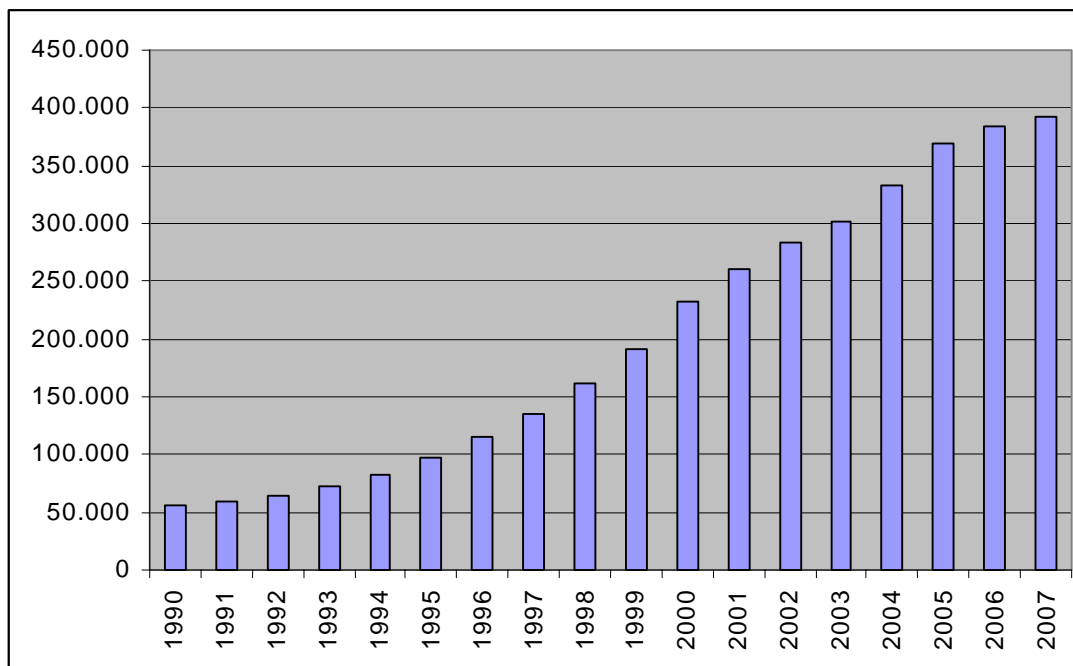
The most common mortgage loans types in the Netherlands are annuity, linear, savings, life and investment mortgage loans. For savings, life and investment mortgage loans no principal is repaid during the term of the contract. Instead, the borrower makes payments in a saving account, endowment insurance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

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

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

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

*Total registered mortgage debt*  
(x 1.000.000 euro)



Source: Dutch Central Bank

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

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

- (i) very low defaults due to relatively low unemployment rates, a strong cultural aversion to default and a supportive social security regime;
- (ii) legal ability of lenders in foreclosure to access borrowers' wages or seize their other assets;
- (iii) quality of mortgage servicing; and
- (iv) relatively conservative underwriting criteria including checking comprehensive credit bureau data with the BKR.

## EUREKO B.V.

### General Information

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

### Profile

The Eureko Group consists of Eureko and its subsidiaries and comprises, among others, Achmea, Interpolis, Agis, Friends First, Interamerican, Union, Eureko Sigorta and main associates in among other things PZU in Poland (33% minus one share), F&C Asset Management in the UK (10.4%) and Garanti Emeklilik in Turkey (15%). The Eureko Group also has start-up operations in Bulgaria, Romania and Cyprus. The Eureko Group has operations in the following countries (under the respective operating company brands):

The Netherlands, Luxembourg and Belgium:	Achmea, Interpolis and Agis
Greece:	Interamerican
Ireland:	Friends First
Slovakia:	Union
Turkey:	Eureko Sigorta
Romania, Bulgaria and Cyprus:	developing companies

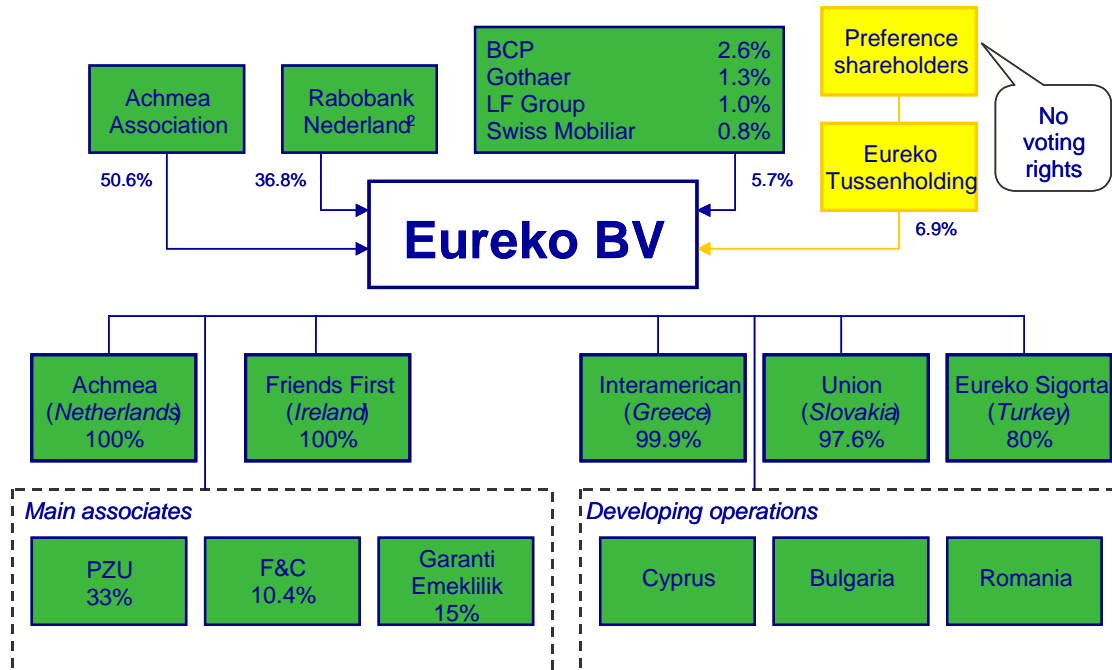
In addition, the Eureko Group has a company based in Warsaw (Eureko Polska), which is engaged in the development of the shareholding of the Eureko Group in PZU, Poland.

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

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

The organisation structure of the Eureko Group is as follows as of August 2008:

## Shareholder and Organisational structure <sup>1</sup> (per December 2007)



1. Percentages reflect the total share capital in Eureko
2. Represents 39.5% of the ordinary shares with voting rights

### **General Operations of the Eureko Group**

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

### **Dutch operations of the Eureko Group**

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

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

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

### **Incorporation and history**

#### ***Incorporation***

Eureko was incorporated on 30 December 1991 as a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) under the laws of the Netherlands. It has its corporate seat in Amsterdam, the Netherlands. The articles of association of Eureko were most recently amended on 28 December 2004. Eureko is registered in the Commercial Register of Utrecht under number 33235189 and it has its offices at Handelsweg 2, 3707 NH Zeist.

In 2005 Eureko acquired all issued and paid-up shares in the share capital of Interpolis N.V. As consideration for the acquisition of these shares, Eureko issued new shares in the capital of Eureko to Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. trading as Rabobank Nederland ("**Rabobank Nederland**"), Interpolis N.V.'s former parent company, on 15 November 2005. As a result, Rabobank Nederland increased its shareholding in Eureko from 4.5% to 34.4%.

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

Vereniging Achmea (together with Stichting Administratiekantoor Achmea through which Vereniging Achmea holds its shares in Eureko), Rabobank Nederland and Eureko entered into a cooperation agreement. Pursuant to this cooperation agreement each of Vereniging Achmea and Rabobank Nederland is entitled to an equal number of representatives on a coordination committee. The coordination committee aims to advise the Eureko Supervisory Board and the Eureko Executive Board on important issues. In addition, Vereniging Achmea and Rabobank Nederland have the right to appoint directors in each other's supervisory and management boards and have agreed to respect each other's interests and the mutual interest of Eureko. Finally, they have undertaken not to enter into strategic alliances with third parties which could harm the competitive position of one of the parties.

#### **Supervision**

Eureko is subject to supplementary supervision of insurance companies within an insurance group as referred to in section 3:282 of the Wft. Eureko is not subject to supervision by DNB under the Wft.

## **Recent developments**

### ***Changes in Eureko Executive Board***

Eureko B.V. announced on 19 June 2008 that Huub Hannen (60), Vice-Chairman of the Eureko Executive Board, will retire as of 1 October 2008. Gerard van Olphen (46) and Willem van Duin (48), currently members of the Board, will be appointed as Vice-Chairmen of the Executive Board as of the same date. Gerard van Olphen will also take over the responsibilities as Chief Financial Officer as of 1 July 2008.

Roel Wijmenga (50), formerly CFO, has decided to leave Eureko for personal reasons as of 1 July 2008. Following these two resignations Danny van der Eijk (49) and Jeroen van Breda Vriesman (40) will be appointed as members of the Eureko Executive Board as of 1 October 2008.

### ***Impairment***

Eureko announced on July 3 2008 the consequences for it of the developments in the financial markets. Under IFRS, an impairment charge through the income statement should be taken if, at the reporting date, the fair value of an equity instrument is significantly below the historical cost price, or if the fair value is below the historical cost price for a prolonged period of time. The amount of any impairment charge is the difference between the fair value and the historical cost price of the equity instrument.

Given that Eureko is a significant investor in equity instruments, such impairment charges will be substantial at current equity market levels. Specifically, under its impairment policy, Eureko is expected to take an impairment charge with respect to its holding, directly and indirectly through derivative agreements, of 467.2 million shares of Banco Comercial Português S.A. - corresponding to a 9.95% interest - should the recent adverse share price developments not reverse. Such impairment charge will be based on an average historical cost price of € 2.41 per share and would be € 485 million based on the closing price as of 30 June 2008. Impairment will take place in the second half of 2008, in conformity with the impairment policy.

An impairment charge through the income statement has no immediate impact on 'Total Equity'. Equity instruments are generally accounted for at 'Available for Sale' with changes in fair value reported directly into the revaluation reserve, part of 'Total Equity'. The effect of any impairment charge through the income statement on 'Total Equity' is a credit to the revaluation reserve with a corresponding debit to retained earnings, both part of 'Total Equity'.

### ***Annual Report 2007 and Interim Financial Statements 30 June 2008***

On 2 April 2008 Eureko published the Annual Report 2007 (the "**Annual Report 2007**"). The Annual Report is available on the website ([www.eureko.net](http://www.eureko.net)).

On 28 August 2008 Eureko published the Condensed Consolidated Interim Financial Statements - 30 June 2008 (the "Interim Financial Statements"). The Interim Financial Statements contain, among other things, the Issuer's consolidated unaudited results as at, and for the six month period ended on 30 June 2008.

The Annual Report 2007 and the Interim Financial Statements, incorporated by reference and available on the Issuer's website, ([www.eureko.net](http://www.eureko.net)), have been filed with the Irish Stock Exchange and are available on the website of the Irish Stock Exchange ([www.ise.ie](http://www.ise.ie)). The Annual Report 2007 and the Interim Financial Statements have been filed with the Irish Financial Services Regulatory Authority and are available on the website of the Irish Financial Services Regulatory Authority ([www.financialregulator.ie](http://www.financialregulator.ie)).

### ***Sale of French Operating Company Imperio***

On 28 August 2008 Eureko B.V. has announced the sale of the French Operating Company, Imperio Assurances et Capitalisation to ESCA, a French Life insurer operating throughout France. The transaction is subject to final approval by the French competition authorities and the French insurance regulator. Further information is available in the press release of 12 September 2008 on the Eureko website ([www.eureko.com](http://www.eureko.com)).

### ***Mn Services and Syntrus Achmea***

On 8 September 2008, Mn Services and Syntrus Achmea pension organisations announced that they have taken significant steps towards forming a single, powerful pension administrator and asset manager. Both organisations see the strategic value of a partnership and will be in intensive talks in the near future to identify the way in which an alliance can be brought about. The ownership structure will not be an obstacle to this.

The alliance between Mn Services and Syntrus Achmea could create the largest pension administrator in the Netherlands, in terms of the number of participants and company pension funds, and the second largest in respect of asset management.

**Eureko announces acquisition in Russia of Oranta Insurance Company from PromSvyazCapital (PSC)**

Eureko B.V. and Russia's PromSvyazCapital Group (PSC) have on 12 September 2008 announced that they have signed an agreement whereby Eureko is to acquire 100% of PSC's insurance businesses, LLC Insurance Company Oranta, and CJSC Insurance Company Oranta-M - collectively known as 'Oranta', whereby Completion is subject to the fulfilment of some conditions, such as receipt of regulatory approvals.

The acquisition is a timely opportunity that fits perfectly within Eureko's strategic and geographical development objectives, providing an early, accelerated entry into the dynamic Russian market and confirming its CEE ambitions. Further information is available in the pressrelease of 12 September 2008 on the Eureko website ([www.eureko.net](http://www.eureko.net)).

**Rating: S&P positive outlook**

On 8 November 2007, S&P affirmed Eureko's 'A-' rating and revised the outlook to 'stable' from 'positive'; the main insurance entities were rated 'A+, stable outlook'.

**Outlook and trends**

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

Part of Eureko's strategy is to seek further cooperation with Rabobank with the aim to optimise and align the activities, operations and systems of the two groups. Such optimisation and alignment may be pursued in the Dutch operations, as well as internationally.

**Key figures**

The following table sets out in summary form consolidated key figures relating to the Eureko Group. Such information is derived from the audited consolidated financial statements of the Eureko Group as at and for the years ended 2005, 2006 and 2007. The financial information presented below should be read in conjunction with such financial statements:

Eureko's consolidated key figures are as follows:

EUR million	IFRS		
	2007	2006	2005 <sup>1</sup>
<b>Key figures</b>			
<b>Group Income Statement</b>			
Gross written premiums	14,853	14,302	6,577
Profit before tax and discontinued operations	1,041	1,215	826
Net profit	979	985	706
Number of Employees (FTE's)	24,035	21,784	20,166
<b>Insurance GWP</b>			
Life	4,417	4,464	2,807
Non-Life	2,915	2,684	1,699
Health	7,521	7,154	2,072

<sup>1</sup> Includes the Interpolis acquisition from 1 November 2005.



<b>Banking</b>			
Net interest margin	157	142	161
<b>Group Balance Sheet</b>			
Total assets	100,489	86,448	83,293
Total investments (excl. unit-linked)	10,328	38,736	39,062
Banking credit portfolio	18,035	17,272	16,459
Total equity	10,375	9,632	8,525
Embedded value Life business	6,374	6,089	4,537
<b>Key ratio's</b>			
<b>Group</b>			
Return on equity	9.7%	13.0%	12.7%
Return on adjusted equity <sup>2</sup>	12.9%	14.7%	16.9%
Debt leverage <sup>3</sup>	11.0%	6.1%	9.6%
<b>Insurance</b>			
Combined ratio Non-Life	96.4%	88.5%	89.9%
Combined ratio Health	99.0%	100.4%	94.5%
<b>Banking</b>			
Cost/income ratio	77.7%	84.2%	72.2%
BIS ratio	12.9%	14.2%	16.0%
<b>Figures per Ordinary Share</b>			
Earnings per share-continuing operations (EUR)	2.92	2.92	2.98
Dividend per share (EUR)	1.41	1.41	1.41

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<sup>2</sup> The ratio of adjusted Net profit to average adjusted Total equity whereas Net profit is adjusted for payments to holders of preference shares and holders of other equity instruments and impairment loss on goodwill. Total equity is adjusted for preference shares, other equity instruments and goodwill

<sup>3</sup> Non-bank debt, as a percentage of the sum of group capital base and non-bank debt.

## ACHMEA HYPOTHEEKBANK N.V.

### General Information

Achmea Hypotheekbank N.V. (in this chapter hereinafter referred to as the "**Achmea Hypotheekbank**") is a fully owned subsidiary of Achmea Bank Holding N.V. Achmea Bank Holding N.V. is a fully owned subsidiary of Achmea Holding N.V. (Achmea Holding N.V. and its subsidiaries (*dochtermaatschappijen*) (the "**Achmea Group**)). Achmea Holding N.V. is one of the two holding companies of the Dutch operations of the Eureka Group, the other holding company being Interpolis N.V. See chapter *Eureka B.V.* for a more detailed description of Eureka and the Eureka Group.

### Profile

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

- (i) Avéro Hypotheken B.V.
- (ii) FBTO Hypotheken B.V.
- (iii) Centraal Beheer Hypotheken B.V.
- (iv) Centraal Beheer Woninghypotheken B.V.
- (v) Woonfonds Holland B.V.
- (vi) Woonfonds Nederland B.V.
- (vii) Zilveren Kruis Hypotheken B.V.

Since the legal merger of (i) throughout (iv) and (vi) and (vii), Achmea Hypotheekbank issues mortgage loans to private individuals in the Netherlands under several brand names. Three methods are used: (i) direct writing (Centraal Beheer Achmea, FBTO, Zilveren Kruis Achmea), (ii) through an intermediary (Avéro Achmea, Woonfonds Hypotheken) and (iii) through the home owners association "*Vereniging Eigen Huis*" (FBTO). The mortgage business of Achmea Hypotheekbank contributes to the other activities of the Achmea Group, especially the life insurance and the investment funds business. In principle, mortgage loans are provided for residential property only. Achmea Hypotheekbank has merged with its sole subsidiary Woonfonds Holland B.V. on 1 January 2004.

In November 2006 Achmea Hypotheekbank acquired two legal entities which held the mortgage portfolio of Interpolis Schade Hypotheken B.V. and N.V. Interpolis BTL Hypotheken with a total volume of approximately euro 900 million. These two legal entities have been merged with Achmea Hypotheekbank in the first half of 2007. These mortgages are currently serviced under the brand Avéro-Woonfonds Hypotheken.

The total mortgage portfolio of Achmea Hypotheekbank expanded from euro 4.2 billion as at 31 December 1995 to euro 13.6 billion as at 31 December 2007. The funding of Achmea Hypotheekbank in 1995 depended fully on private placements with mostly Dutch institutional investors. Nowadays there are several funding sources. Achmea Hypotheekbank taps the euro market with private and public loans under its secured debt issuance programme. Achmea Hypotheekbank issues debt instruments secured by a pledge of mortgage receivables under a trust agreement as most recently amended on 2 November 2000 entered into by Achmea Hypotheekbank with Stichting Trust Achmea Hypotheekbank. The portfolio subject to that trust agreement amounted to euro 4.2 billion as at 31 December 2007. In 1999 the first private securitisation launched by Achmea Hypotheekbank of euro 0.2 billion was completed. Securitisation as at 31 December 2007 totalled euro 4.2 billion.

Profits before tax in the last five years 2003, 2004, 2005, 2006 and 2007 varied from euro 6 million to euro 40 million per year. The result for 2006 was euro 6.4 million (audited) and for 2007 it amounts to euro 34.7 million (audited). The BIS-ratio (the Bank of International Settlement – ratio) as at 31 December 2007 was 10.9 per cent. (based on IFRS).

Achmea Hypotheekbank is not financially dependent upon other entities within the Achmea Group. However, entities within the Achmea Group are used for the purpose of distributing Achmea Hypotheekbank products and for certain strategic decisions consent from Achmea Holding N.V. may be required.

### **Operations**

Achmea Hypotheekbank is responsible for the acceptance and the servicing of mortgage loans, as well as risk, product and pricing policies.

Achmea Hypotheekbank's basic responsibilities include:

- (i) the operation of a commercial policy and the marketing of mortgage loans;
- (ii) the operation of a reliable financial, mortgage and policy administration;
- (iii) the operation of an adequate administrative organisation and reliable automation system;
- (iv) the provision of information sufficient to enable it to comply with its obligations and responsibilities;
- (v) compliance with statutory requirements regarding solvency and cash position;
- (vi) supervision of compliance with (a) directives issued by the Dutch Central Bank regarding the maintenance of a reliable administrative organisation and internal control system and (b) regulations issued by the Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*) (the "AFM"); and
- (vii) ensuring a reliable and continuous data processing system, more specifically on the basis of maintenance of the Bank's systems and of the interfaces with the systems operated by the individual mortgage brands.

The tasks which Achmea Hypotheekbank performs on the basis of these responsibilities include:

- (i) determination of the funding requirements;
- (ii) preparation and monitoring of the interest rate and risk policies and execution of clearing transactions in relation to funds transfers;
- (iii) preparation and maintenance of the administrative organisation, performance of internal control procedures;
- (iv) preparation and monitoring of risk standards and of product, acceptance and pricing policies;
- (v) preparation and maintenance of a reliable and continuous data processing system and lending of support in the areas of market analysis and product development;
- (vi) compilation of management reports;
- (vii) execution of specialist tasks such as arrears management and legal and fiscal matters; and
- (viii) coordination of the contacts with the Dutch Central Bank and the AFM and other representative organisations.

As at 31 December 2007 the mortgage portfolio of Achmea Hypotheekbank amounts to approximately euro 13.6 billion. This portfolio consists of approximately euro 2.2 billion of mortgage loans which have the benefit of a Municipality Guarantee or an NHG Guarantee, of which euro 0.9 billion is securitised. Apart from that, the portfolio consists of (i) approximately euro 6.5 billion of mortgage loans for a principal amount less than or equal to 75 per cent of the value of the security granted, indexed from the time of granting of the mortgage loan and (ii) approximately euro 1.4 billion of other mortgage loans. The remaining mortgage loans for in total approximately euro 3.5 billion form part of mortgage-backed securitisation transactions.

### **Incorporation**

Achmea Hypotheekbank was incorporated on 16 June 1995 as a public limited liability company (*naamloze vennootschap*) incorporated under the laws of the Netherlands. Achmea Hypotheekbank has its corporate seat in The Hague, the Netherlands. The deed of incorporation includes the current articles of association. The statement of no-objection of the Minister of Justice in respect of the articles of association was issued by the Ministry of Justice under number N.V. 532.216. Achmea Hypotheekbank is registered in the Commercial Register of The Hague under number 27154399 and has its registered offices at Hervenplein 2, 5232 JE 's Hertogenbosch. The telephone number of Achmea Hypotheekbank is +31 73 643 4021.

### **Objects**

The objects of Achmea Hypotheekbank is to provide mortgage loans, to exercise banking business (including the provision of all banking cashier's and any other financial services) and anything related or beneficial to the foregoing, to participate in the management of, to conduct the business over, and the financing of other companies, of any nature, and finally to guarantee debts of other persons with which it is affiliated in a group.

### **Corporate Governance**

The most recent version of the Dutch Corporate Governance Code (*Code Tabaksblat*) applies to companies of which the shares are listed on a recognised stock exchange. It therefore does not apply to Achmea Hypotheekbank. However, Eureko group implemented the Dutch Corporate Governance Code and in the annual report of Eureko information is provided on corporate governance.

### **Executive and Supervisory Boards**

As of 1 April 2008, the Executive Board and the Supervisory Board of Achmea Hypotheekbank are composed as follows, and their members perform the following principal activities:

#### *Executive Board*

R. Becker (CEO)  
R.J. Hof  
P.W. van den Bosch (COO)  
J. Vervuurt (CFO)

#### *Supervisory Board*

##### **Supervisory Board**

E.A.J. van de Merwe (Chairman)  
A.A. Lugtigheid  
G. van Olphen  
T.C.A.M. van Rijckevorsel

##### **Principal activity outside the Bank**

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

No potential conflict of interests exists between the duties of members of the Executive Board and the Supervisory Board of Achmea Hypotheekbank and their private interest or other duties.

The elected domicile of all the members of the Executive Board and the Supervisory Board elect domicile at the registered office of Achmea Hypotheekbank.

#### *Audit Committee*

The Audit Committee of Achmea Hypotheekbank consists of E.A.J. van de Merwe and T.C.A.M. van Rijckevorsel, members of the Supervisory Board of Achmea Hypotheekbank. The Audit Committee has obtained a mandate from the Supervisory Board to prepare together with the Executive Board the meetings of the Supervisory Board. In addition, the Audit Committee has the mandate to supervise the main developments in the field of financial

reporting, tax, funding and finance, risk management and to monitor the relationship with the external accountants of Achmea Hypotheekbank.

### Capitalisation and indebtedness

The following table sets out the capitalisation of Achmea Hypotheekbank and its subsidiaries:

	as at 31 December, 2007 (in millions of EUR)	as at 31 December, 2006 (in millions of EUR)
Total Shareholders' equity	380	264
Share Capital	18	18
Authorised 200,000 ordinary shares Issued 40,001 ordinary shares (Euro 453.78 par value)		
Share premium reserve	254	164
Other reserves	82	80
Unappropriated profits	27	2
Revaluation reserve	-/- 1	-/- 1
Total long term subordinated debt	194	164
NLG loan 5.68% 1999-2015	7	7
NLG loan 5.57% 1999-2014	1	1
NLG loan 5.55% 1999-2009	15	15
EUR loan 6.27% 2001-2013	25	25
EUR loan 5.77% 2001-2010	6	6
EUR loan 5.87% 2001-2011	6	6
EUR loan 5.95% 2001-2012	6	6
EUR loan 6.12% 2001-2015	6	6
EUR loan 5.96% 2002-2012	8	8
EUR loan 5.89% 2002-2012	5	5
EUR loan 5.89% 2002-2012	3	3
EUR loan 5.89% 2002-2012	11	11
EUR loan 5.89% 2002-2012	5	5
EUR loan 4.22% 2006-2016	60	60
EUR loan 5.5% 2007-2017	30	-
<b>Total capitalisation</b>	<b>574</b>	<b>428</b>

The following table sets out the redemption schedule of indebtedness of Achmea Hypotheekbank and its subsidiaries as at 31 December 2007:

Year	(in millions of EUR)
2009	15
2010	6
2011	6
2012	38
2013	25
2014	1
2015	13
2016	60
2017	30
	<b>194</b>

In 2007, the Executive Board maintained a BIS ratio of 10.5%. Throughout the year, Achmea Hypotheekbank met the standard set by the Executive Board. In the year under review, the BIS ratio ended up at 10.9% (2006: 10.9%). The increase in the risk-weighted assets from euro 3,584 million to euro 4,816 million is the result of the replacement of securitised loans by the issues that were made under the covered bonds programme of Achmea Hypotheekbank (the "**Covered Bonds Programme**") whereas a solvency ratio of 0% was used. For the Covered Bonds Programme the solvency ratio is more than 0%. As result of these transactions, a number of share premiums were paid amounting to euro 90 million in total and a subordinated loan of euro 30 million was contracted to maintain the BIS ratio at its desired level.

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

On 1 November 1995, the Dutch Central Bank issued a general banking licence to Achmea Hypotheekbank pursuant to the provisions of the Act on the Supervision of Credit Institutions 1992 (*Wet toezicht kredietwezen 1992*) which was replaced on 1 January 2007, by the Wft. Achmea Hypotheekbank is registered as a bank without special restrictions. As a result thereof, Achmea Hypotheekbank is under the permanent supervision of the Dutch Central Bank pursuant to which it is obliged to provide the Dutch Central Bank with all information required on banking developments, such as cash position and solvency.

#### **Interest rate mismatch**

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

#### **Material contracts**

Achmea Hypotheekbank did not enter into any material contracts outside the ordinary scope of business during 2006, 2007 or to the date hereof.

#### **Competitive position**

There is substantial competition in the Netherlands for the types of mortgages and other products and services Achmea Hypotheekbank provides. Competition in the financial services industry is furthered by the high level of consolidation in the Netherlands in the markets where Achmea Hypotheekbank operates. Achmea Hypotheekbank faces competition from companies such as Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., ABN AMRO Bank N.V., SNS Bank N.V. and many others.

#### **Funding**

Achmea Hypotheekbank has various means of financing its activities. Achmea Hypotheekbank's euro 10,000,000,000 secured debt issuance programme, under which programme Achmea Hypotheekbank may issue notes on a continuing basis. The notes will be issued on a secured basis and the note holders have the benefit of the trust deed pursuant to which Achmea Hypotheekbank will from time to time grant to the security trustee a right of pledge on existing mortgage loans and/or other security permitted by the trust deed. Under this trust deed, also the funding other than through the secured debt issuance programme may benefit from the trust arrangements.

The most important funding instrument for Achmea Hypotheekbank is the Covered Bonds Programme (capacity up to euro 10 billion). The Covered Bonds Programme was introduced in February 2007. This is a form of financing in which Achmea Hypotheekbank issues bonds supported by a guarantee backed by a part of its current mortgage portfolio (rated AAA/Aaa by S&P and Moody's). Compared to its other forms of financing, the Covered Bonds Programme is less costly. During the course of 2007 there were seven issues, totalling euro 4.2 billion under the Covered Bonds Programme. Up to 31 July 2008 there was one issue under the Covered Bonds Programme of euro 2.5 million.

#### **Recent Developments**

##### ***Changes in the Executive Board***

Rob Becker has, subject to works council approval, been appointed as chairman of the Executive Board of Achmea Hypotheekbank as of 1 September 2008. Rob Becker will succeed R.J. Hof who will be a member of the Executive Board of Achmea Hypotheekbank for the time being to ensure a smooth transition. As per 1 September 2008 also

Jacques Vervuurt has been appointed Chief Financial Officer (CFO) of Achmea Bank. He succeeds Job van Benthem, who has fulfilled this role for the past three years.

#### ***Changes in the Supervisory Board***

Roel Wijmenga (50), formerly Supervisory Board Member and member of the Audit Committee of Achmea Hypotheekbank, has decided to leave Achmea Hypotheekbank for personal reasons as of 30 June 2008.

On 25 July 2008 Thomas van Rijckevorsel<sup>4</sup> was appointed in the Supervisory Board. He is also appointed in the Audit Committee.

#### ***Achmea Hypotheekbank informs about preliminary results of audit with respect to its Covered Bond Programme***

On 18 September 2008 the Bank published a press release about the preliminary results of the audit with respect to its Covered Bond Programme which is available on the Bank's website ([www.eureko.net](http://www.eureko.net)).

#### ***Annual reports 2007 and Interim Financial Statements 30 June 2008***

On 1 April 2008 the Bank published the Achmea Hypotheek Bank Annual Report 2007 (the "**Achmea Annual Report 2007**"). The Achmea Annual Report is available on the website ([www.eureko.net/brands/dutch/achmea](http://www.eureko.net/brands/dutch/achmea)).

On 2 April 2008 Eureko published the Annual Report 2007. The Annual Report is available on the website ([www.eureko.net](http://www.eureko.net)).

On 29 August 2008 the Bank published the Achmea Hypotheekbank Interim Report 2008. The Achmea Hypotheekbank Interim Report 2008 is available on the website ([www.eureko.net/brands/dutch/achmea](http://www.eureko.net/brands/dutch/achmea)).

On 28 August 2008 Eureko published the Condensed Consolidated Interim Financial Statements - 30 June 2008 (the "Interim Financial Statements". The Interim Financial Statements contain, among other things, the Bank's consolidated unaudited interim results as at, and for the six months period ended on, 30 June 2008.

The Achmea Annual Report, the Annual Report and the Interim Financial Statements are available on the Bank's website ([www.eureko.net](http://www.eureko.net)), have been filed with the Irish Stock Exchange and are available on the website of the Irish Stock Exchange ([www.ise.ie](http://www.ise.ie)). The Annual Reports and the Interim Financial Statements have been filed with the Irish Financial Services Regulatory Authority and are available on the website of the Irish Financial Services Regulatory Authority ([www.financialregulator.ie](http://www.financialregulator.ie)).

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<sup>4</sup> Member of the Executive Board of Eureko B.V.

## DESCRIPTION OF THE MORTGAGE LOANS

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

The Mortgage Loans are loans secured by a mortgage right, evidenced by notarial mortgage deeds ("*notariële akten van hypotheekstelling*") entered into by the Seller (or its legal predecessors) and the relevant Borrowers.

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

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

### **Mortgaged Assets**

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

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

### **Repayment types**

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

The following types of repayment are involved in the transaction.

#### *Interest-only mortgage loan*

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

#### *Annuity mortgage loan*

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

#### *Linear mortgage loan*

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



### *Life Mortgage Loans*

A portion of the Mortgage Loans (or parts thereof) will be in the form of life mortgage loans ("*levenhypotheken*", hereinafter '**Life Mortgage Loans**'), which have the benefit of combined risk and capital insurance policies (the 'Life Insurance Policies') taken out by Borrowers in connection with such Life Mortgage Loan with (i) the Participant or (ii) with any life insurance company established in the Netherlands other than the Participant (each a '**Life Insurance Company**') and together with the Participant, the 'Insurance Companies'). Under a Life Mortgage Loan a Borrower pays no principal towards redemption until the maturity of such Life Mortgage Loan. The Borrower has a choice between (i) the Traditional Alternative and (ii) the Unit-Linked Alternative. Under the '**Traditional Alternative**', the amount to be received upon maturity of the Life Insurance Policy depends upon the performance of certain (bond) investments chosen by the relevant Insurance Company with a guaranteed minimum yield of 3 per cent. (lowered from a guaranteed minimum yield of 4 per cent. from September 1999). Under the '**Unit-Linked Alternative**', the amount to be received upon pay-out of the Life Insurance Policy depends upon the performance of certain investment funds chosen by the Borrower.

### *Savings mortgage loan*

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

In respect of all repayment types the Borrower is obligated to take out a Life Insurance Policy for the part of the loan above eighty (80) per cent. (in respect of Mortgage Loans granted to a Borrower pursuant to its application for a loan made prior to 1 January 2007) or ninety (90) per cent. (in respect of Mortgage Loans granted to a Borrower pursuant to its application for a loan made on or after 1 January 2007) of the foreclosure value.

### *Investment mortgage loan*

A portion of the Mortgage Loans or parts thereof will be in the form of investment mortgage loans ("*beleggingshypotheken*", hereinafter '**Investment Mortgage Loans**'). Under an Investment Mortgage Loan the Borrower undertakes to invest, whether on a lump sum basis or on an instalment basis, by applying his own funds or (part of) the proceeds of the Investment Mortgage Loan by means of an "*Avéro Achmea Beleg- en Spaarrekening*", an investment account held with Achmea Retail Bank N.V. (the '**Investment Account**') in certain investment funds of Achmea Beleggingsfondsen N.V. (the '**Investment Funds**'). The investments in Investment Funds are effectuated by the Borrowers paying the relevant amount from the Investment Account to an account held with Achmea Retail Bank N.V., designated by Achmea Retail Bank N.V. for the purchasing of securities of Investment Funds by Stichting Achmea Beleggersgiro ("**Achmea Beleggersgiro**"). The securities purchased by Achmea Beleggersgiro, will be in the form of "*Wge-effecten*" (securities regulated under the Wge) and will be administrated on the Investment Account. The rights under these investments are subject to the Borrower Investment Pledge.

## **Interest types**

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

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

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

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

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

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

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

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

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

#### *Bandwidth interest rate ('Component- or Rentepfrentente')*

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

### **Summary of the Pool**

The numerical information set out below relates to a pool of Mortgage Loans (the "**Provisional Pool**") which was selected as of the close of business, on 22 September 2008. All amounts are in euro. All amounts relating to principal are inclusive of any Participation, unless stated otherwise. The information set out below relates to the Provisional Pool and may not necessarily correspond to that of the NHG Mortgage Receivables actually sold to the Issuer on the Closing Date. After the Closing Date the portfolio will change from time to time as a result of repayment, prepayment, amendment and repurchase of NHG Mortgage Receivables and the purchase of Substitute NHG Mortgage Receivables and Further Advance Receivables.

#### **1. Key Characteristics of Provisional Pool**

Outstanding Principal Balance (euro):	513,658,692
Net Outstanding Principal Balance (euro):	506,405,244
Average Balance by Borrower (euro):	158,684
Maximum loan value (euro):	265,000
Number of loan parts:	6,029
Number of mortgage loans:	3,237
Number of borrowers:	3,237

weighted average seasoning (months):	45,01
weighted average maturity (months):	300,94
weighted average coupon (%):	4,64
Current Loan to Foreclosure Value (%):	103,34
Current Loan to Estimated Fair Market Value (%):	88,62

## 2. Origination date

Origination date	Aggregate Outstanding Principal Amount	Proportion of Pool	Number of loan parts	Proportion of Pool
1995	3,894,312	0,8	52	0,9
1996	8,907,723	1,7	135	2,2
1997	10,161,706	2	163	2,7
1998	9,669,030	1,9	147	2,4
1999	12,802,055	2,5	193	3,2
2000	16,775,976	3,3	228	3,8
2001	16,359,895	3,2	204	3,4
2002	20,490,543	4	252	4,2
2003	33,164,335	6,5	375	6,2
2004	49,959,273	9,7	563	9,3
2005	69,391,262	13,5	786	13
2006	198,682,371	38,7	2,246	37,3
2007	34,141,897	6,6	369	6,1
2008	29,258,315	5,7	316	5,2
<b>Total:</b>	<b>513,658,692</b>	<b>100,00%</b>	<b>6,029</b>	<b>100,00%</b>

## 3. Type of mortgage

Type of mortgage	Aggregate Outstanding Principal Amount	Proportion of Pool	Number of loan parts	Proportion of Pool
Annuity	3,732,984	0,7	103	1,7
Interest Only	179,194,678	34,9	2,774	46
Investment Mortgage	15,942,626	3,1	143	2,4
Linear	358,891	0,1	3	0
Savings Mortgage	75,923,669	14,8	840	13,9
Traditional Life	15,472,677	3	160	2,7
Universal Life Mortgage	223,033,167	43,4	2,006	33,3
<b>Total:</b>	<b>513,658,692</b>	<b>100,00%</b>	<b>6,029</b>	<b>100,00%</b>

## 4. Range of Interest

Range of Interest	Aggregate Outstanding Principal Amount	Proportion of Pool	Number of loan parts	Proportion of Pool
2.50 - 2.99	311,538	0,1	5	0,1
3.00 - 3.49	6,249,876	1,2	69	1,1
3.50 - 3.99	55,586,960	10,8	630	10,4
4.00 - 4.49	162,141,582	31,6	1,859	30,8
4.50 - 4.99	156,773,636	30,5	1,782	29,6

5.00 - 5.49	79,993,176	15,6	984	16,3
5.50 - 5.99	33,265,966	6,5	446	7,4
6.00 - 6.49	13,102,640	2,6	176	2,9
6.50 - 6.99	3,482,780	0,7	43	0,7
7.00 - 7.49	2,340,162	0,5	29	0,5
7.50 - 7.99	400,960	0,1	5	0,1
8.00 - 8.49	9,417	0	1	0
<b>Total:</b>	<b>513,658,692</b>	<b>100,00%</b>	<b>6,029</b>	<b>100,00%</b>

## 5. Interest Reset Date

Interest Reset Date	Aggregate Outstanding Principal Amount	Proportion of Pool	Number of loan parts	Proportion of Pool
< 2007	138,500	0	1	0
2008 - 2012	137,705,925	26,8	1,682	27,9
2013 - 2017	152,878,969	29,8	1,793	29,7
2018 - 2022	58,977,681	11,5	723	12
2023 - 2027	80,870,893	15,7	971	16,1
2028 - 2032	21,464,957	4,2	221	3,7
2033 - 2037	54,755,497	10,7	567	9,4
>= 2038	6,866,270	1,3	71	1,2
<b>Total:</b>	<b>513,658,692</b>	<b>100,00%</b>	<b>6,029</b>	<b>100,00%</b>

## 6. Maturity Year

Maturity Year	Aggregate Outstanding Principal Amount	Proportion of Pool	Number of loan parts	Proportion of Pool
2008 - 2012	1,334,705	0,3	20	0,3
2013 - 2017	1,665,200	0,3	33	0,5
2018 - 2022	5,484,451	1,1	87	1,4
2023 - 2027	42,177,150	8,2	586	9,7
2028 - 2032	115,740,577	22,5	1,401	23,2
2033 - 2037	323,600,668	63	3,650	60,5
2038 - 2042	23,655,941	4,6	252	4,2
<b>Total:</b>	<b>513,658,692</b>	<b>100,00%</b>	<b>6,029</b>	<b>100,00%</b>

## 7. Borrower Exposure

Borrower Exposure	Aggregate Outstanding Principal Amount	Proportion of Pool	Number of loans	Proportion of Pool
0 - 49,999	1,113,971	0,2	32	1
50,000 - 99,999	34,590,598	6,7	418	12,9
100,000 - 149,999	119,021,451	23,2	945	29,2
150,000 - 199,999	189,367,113	36,9	1,084	33,5
200,000 - 249,999	153,912,733	30	697	21,5
250,000 - 299,999	15,652,825	3	61	1,9
<b>Total:</b>	<b>513,658,692</b>	<b>100,00%</b>	<b>3,237</b>	<b>100,00%</b>

## 8. Region

Region	Aggregate Outstanding Principal Amount	Proportion of Pool	Number of loan parts	Proportion of Pool
Drenthe	26,584,809	5,2	359	6
Flevoland	10,985,027	2,1	128	2,1
Friesland	20,324,913	4	293	4,9
Gelderland	57,587,599	11,2	679	11,3
Groningen	23,446,953	4,6	282	4,7
Limburg	18,820,859	3,7	232	3,8
Noord-Brabant	64,747,708	12,6	716	11,9
Noord-Holland	72,289,788	14,1	810	13,4
Overijssel	60,642,999	11,8	749	12,4
Utrecht	38,651,558	7,5	416	6,9
Zeeland	13,782,204	2,7	164	2,7
Zuid-Holland	105,794,274	20,6	1,201	19,9
<b>Total:</b>	<b>513,658,692</b>	<b>100,00%</b>	<b>6,029</b>	<b>100,00%</b>

## 9. Sellers

Sellers	Aggregate Outstanding Principal Amount	Proportion of Pool	Number of loan parts	Proportion of Pool
AHB	513,658,692	100,00%	6,029	100,0%
<b>Total:</b>	<b>513,658,692</b>	<b>100,00%</b>	<b>6,029</b>	<b>100,00%</b>

## 10. Interest Type

Interest Type	Aggregate Outstanding Principal Amount	Proportion of Pool	Number of loan parts	Proportion of Pool
Fixed	505,137,006	98,3	5,894	97,8
Floating	8,521,686	1,7	135	2,2
<b>Total:</b>	<b>513,658,692</b>	<b>100,00%</b>	<b>6,029</b>	<b>100,00%</b>

## 11. Current LTV (Foreclosure Value)

Current LTV (Foreclosure Value)	Aggregate Outstanding Principal Amount	Proportion of Pool	Number of loans	Proportion of Pool
0% - 24%	1,672,463	0,3	28	0,9
25% - 49%	21,389,900	4,2	203	6,3
50% - 59%	20,404,894	4	168	5,2
60% - 69%	18,750,600	3,7	147	4,5
70% - 79%	27,407,381	5,3	195	6
80% - 89%	38,040,843	7,4	255	7,9
90% - 99%	41,329,690	8	268	8,3
100% - 104%	31,486,631	6,1	194	6

105% - 109%	34,414,698	6,7	196	6,1
110% - 114%	39,361,874	7,7	228	7
115% - 119%	50,466,604	9,8	290	9
120% - 124%	127,313,596	24,8	708	21,9
125% - 129%	61,249,018	11,9	355	11
>= 130%	370,500	0,1	2	0,1
<b>Total:</b>	<b>513,658,692</b>	<b>100,00%</b>	<b>3,237</b>	<b>100,00%</b>

## 12. Current LTV (Market Value)

Current LTV (Market Value)	Aggregate Outstanding Principal Amount	Proportion of Pool	Number of loans	Proportion of Pool
0% - 24%	3,062,058	0,6	48	1,5
25% - 49%	37,385,670	7,3	325	10,0
50% - 59%	22,294,959	4,3	175	5,4
60% - 69%	33,569,012	6,5	236	7,3
70% - 79%	43,204,533	8,4	282	8,7
80% - 89%	56,413,585	11,0	350	10,8
90% - 99%	90,025,458	17,5	531	16,4
100% - 104%	138,963,574	27,1	788	24,3
105% - 109%	81,316,934	15,8	463	14,3
110% - 114%	5,022,657	1,0	26	0,8
115% - 119%	1,794,344	0,3	10	0,3
120% - 124%	605,908	0,1	3	0,1
<b>Total:</b>	<b>513,658,692</b>	<b>100,00%</b>	<b>3,37</b>	<b>100,00%</b>

Maximum LTV to Market Value: 123.0%

## NHG GUARANTEE PROGRAMME

### **NHG Guarantee**

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

### **Financing of the WEW**

The WEW finances itself, among other things, by a one-off charge to the borrower of 0.40 per cent. of the principal amount of the mortgage loan. Besides this, the NHG scheme provides for liquidity support to the WEW from the Dutch State and the participating municipalities. Should the WEW not be able to meet its obligations under guarantees issued, the Dutch State will provide subordinated interest free loans to the WEW of up to 50 per cent. of the difference between the WEW's own funds and a pre-determined average loss level. Municipalities participating in the NHG scheme will provide subordinated interest free loans to the WEW of the other 50 per cent. of the difference. Both the keep well agreement between the Dutch State and the WEW and the keep well agreements between the municipalities and the WEW contain general 'keep well' undertakings of the Dutch State and the municipalities to enable the WEW at all times (including in the event of bankruptcy ("*faillissement*"), suspension of payments ("*surseance van betaling*") or liquidation ("*ontbinding*") of the WEW) to meet its obligations under guarantees issued.

### **Terms and conditions of the NHG Guarantee**

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

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

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

To qualify for an NHG Guarantee various conditions relating to valuation of the property must be met. In addition, the mortgage loan must be secured by a first ranking mortgage right (or a second ranking mortgage right in case of a further advance). Furthermore, the borrower is required to take out insurance in respect of the mortgaged property against risk of fire, flood and other accidental damage for the full restitution value thereof. The borrower is also required to create a right of pledge in favour of the lender on the rights of the relevant borrower against the insurance company under the relevant life insurance policy connected to the mortgage loan or to create a right of pledge in favour of the lender on the proceeds of the investment funds. The terms and conditions also require a risk insurance policy which pays out upon the death of the borrower/insured for the period that the amount of the mortgage loan exceeds 80 per cent. of the value of the property.

The mortgage conditions applicable to each mortgage loan should include certain provisions, among which the provision that any proceeds of foreclosure on the mortgage right and the right of pledge on the life insurance policy

or the investment funds shall be applied firstly towards repayment of the mortgage loan guaranteed under the NHG scheme.

As of 1 January 2008 an NHG Guarantee can be issued up to a maximum amount of EUR 265,000.

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

When a borrower is in arrears with payments under the mortgage loan for a period of four (4) months, a lender informs the WEW in writing within 30 days of the outstanding payments, including the guarantee number, borrower's name and address, information about the underlying security, the date of start of late payments and the total of outstanding payments. When the borrower is in arrears the WEW may approach the lender and/or the borrower to attempt to solve the problem and make the borrower aware of the consequences. If an agreement cannot be reached, the WEW reviews the situation with the lender to endeavour to generate the highest possible proceeds from the property. The situation is reviewed to see whether a private sale of the property, rather than a public auction, would generate proceeds sufficient to cover the outstanding mortgage loan. Permission of the WEW is required in case of a private sale unless sold for an amount higher than the foreclosure value. A forced sale of the mortgaged property is only allowed in case the borrower is in arrears with payments under the mortgage loan for a period of seven or more monthly instalments, unless the WEW has agreed that the forced sale may take place for other reasons or within a period of seven (7) months.

Within three (3) 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 (2) 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, among other things, 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, among other things, the fact that the financial difficulties are caused by a divorce, unemployment, disability or death of the partner.

### **Main NHG Underwriting Criteria ("Normen") for 2008**

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

- (i) The lender has to perform a BKR check. "A" and "A1" registrations are allowed in certain circumstances.
- (ii) 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 or during a probationary period ("*proeftijd*") a three year history of income statements, for self employed three year annual statements.



- (iii) The maximum loan based on the income will be based on the “*woonquote*” tables and an annuity style redemption (even if the actual loan is (partially) interest only). The interest rate to be used is at least 6% for loans with a fixed interest rate period less than or equal to 5 years and the actual interest rate for loans with a fixed interest rate period in excess of 5 years.

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

- (iv) The absolute maximum loan amount is EUR 265,000 (as of 1 January 2008). The loan amount is also limited by the amount of income and the market value of the property. With respect to the latter:
  - (a) 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.
  - (b) 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).
- (v) The maximum loan amount that is interest only is 50% of the market value of the property.
- (vi) The risk insurance policy should at a minimum cover the loan amount in excess of 80% of the market value.

## MORTGAGE LOAN UNDERWRITING AND SERVICING

### Origination

#### *Principles*

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

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

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

#### *Procedure of Origination*

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

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

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

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

The Borrower will then be informed that the loan is granted and a public notary will be advised of the exact terms and conditions of the loan and asked to draft a notarial deed for the mortgage loan. The original deed is stored by the

notary, but a digitalised copy of the deed and of all other relevant original documents are stored by the Seller. The notary public is also responsible for registering the mortgage with the central Property Register (the "Kadaster").

## **Servicing**

### *Mortgage Administration*

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

### *Interest Collections*

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

### *Arrears management*

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

### *Default management*

If no contact can be made a third reminder is sent by registered mail. If that registered letter is not answered or is returned unopened the Borrowers account is transferred to *Bijzonder Beheer*. If *Debiteuren Beheer* is unsuccessful in trying to get the Borrower out of the arrears situation for more than three (3) months after the first missed payment, the file will also be transferred to *Bijzonder Beheer*. Whereas *Debiteuren Beheer* tries to get payment but also to keep customer satisfaction in mind, *Bijzonder Beheer* will use all legal means to receive payment. This can include obtaining a letter of lien of salary (the employer will deduct the agreed amount from the Borrowers salary before salary payment is made and this deduction is paid directly to the Lender) and/or getting a third party guarantor to assist in payment and guaranteeing future payment.

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

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

#### *Foreclosure process*

If a workout plan cannot be negotiated with the Borrower or the Borrower fails to comply with the settlement, the foreclosure process starts. A notary is appointed to initiate the foreclosure process. In general, the decision to foreclose will be taken six (6) months following the transfer to Default Management. *Bijzonder Beheer* calculates the best method of maximising the sale value of the property. This could mean that the property is sold either as a private sale or by public auction. A private sale can, and often does, precede a public auction. When the decision is made to foreclose, the head of the department gives formal instruction to the notary. The date of the sale will be set by the notary within three weeks of this instruction and, usually, will be four to 10 weeks after the decision to foreclose (depending on the region and the number of other foreclosures currently being handled). Throughout the foreclosure process, the Seller's management team works according to guidelines set down by Dutch law, the lender and the BKR.

#### *Debt after sale or foreclosure*

If amounts are still outstanding after the foreclosure process has been completed, *Bijzonder Beheer* continues to manage the remaining receivables indirectly. The entire file is handed over to a bailiff who will continue to seek payment from the Borrower through all available means.

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

## MORTGAGE RECEIVABLES PURCHASE AGREEMENT

Under the Mortgage Receivables Purchase Agreement the Issuer will purchase from the Seller and, on the Closing Date, accept the assignment of the NHG Mortgage Receivables by means of a registered deed of assignment as a result of which legal title to the NHG Mortgage Receivables is transferred to the Issuer. It is a condition precedent of the Issuer for the purchase and acceptance of the assignment of the NHG Mortgage Receivables that any Beneficiary Rights which are connected to the NHG Mortgage Receivables and are to be applied towards redemption of the NHG Mortgage Receivables, to the extent legally possible and required, are assigned to the Issuer together with such Mortgage Receivables. The Seller will agree to assign such Beneficiary Rights to the Issuer and the Issuer will agree to accept such assignment. The assignment of the NHG Mortgage Receivables and the Beneficiary Rights relating thereto from the Seller to the Issuer will not be notified to the Borrowers, except in the occurrence of an Assignment Notification Events. Until such notification the Borrowers will only be entitled to validly pay ("*bevrijdend betalen*") to the Seller. The Issuer will be entitled to all proceeds in respect of the NHG Mortgage Receivables from and including 30 September 2008 (the '**Cut-Off Date**'). On the first business day of each month the Seller will transfer to the Master Collection Account the Scheduled Amount relating to the NHG Mortgage Receivables. On each Mortgage Payment Date, the Seller or the Pool Servicer on its behalf, in accordance with the Administration Agreement, will transfer the amount, if any, by which the Actual Amount exceeds the Scheduled Amount to the Master Collection Account. In case the Scheduled Amount exceeds the Actual Amount, the difference is paid by the Issuer to the Seller on the relevant Mortgage Payment Date.

### Purchase Price

The purchase price for the NHG Mortgage Receivables shall consist of an initial purchase price (the '**Initial Purchase Price**'), which shall be payable on the Closing Date or, in case of Further Advance Receivables or Substitute NHG Mortgage Receivables, on the relevant Quarterly Payment Date and a deferred purchase price (the '**Deferred Purchase Price**'). The Initial Purchase Price will be equal to the aggregate Outstanding Principal Amount on the Cut-Off Date or in case of Further Advance Receivables or Substitute NHG Mortgage Receivables, on the first day of the month in which the relevant Quarterly Payment Date falls.

The '**Outstanding Principal Amount**' in respect of a NHG Mortgage Receivable means (a) on any date the (then) remaining aggregate principal sum ("*hoofdsom*") due by the relevant Borrower under the relevant NHG Mortgage Receivable and (b) after the occurrence of a Realised Loss of the type (a) and (b) in respect of such NHG Mortgage Receivable, zero.

The Deferred Purchase Price shall be equal to the sum of all Deferred Purchase Price Instalments and each '**Deferred Purchase Price Instalment**' will be equal to on any Quarterly Payment Date (A) prior to an Enforcement Notice has been given, an amount equal to the positive difference, if any, between the Notes Interest Available Amount as calculated on each Quarterly Calculation Date and the sum of all amounts payable by the Issuer as set forth in the Interest Priority of Payments under (a) up to and including (m) on such Quarterly Payment Date and (B) after an Enforcement Notice has been given, the amount remaining after all amounts as set forth in the Priority of Payments upon Enforcement under (a) up to and including (i) have been made on such date (see chapter *Credit Structure* above).

### Representations and warranties

On the Closing Date, the Seller will represent and warrant with respect to the NHG Mortgage Receivables and with respect to the Mortgage Loans from which such NHG Mortgage Receivables result and the Beneficiary Rights relating thereto that, *inter alia*:

- (a) each of the NHG Mortgage Receivables and the Beneficiary Rights relating thereto is duly and validly existing and is not subject to annulment or dissolution as a result of circumstances which have occurred prior to or on the Closing Date or in case of Further Advance Receivables and Substitute NHG Mortgage Receivables, the relevant Quarterly Payment Date;
- (b) the Seller has full right and title ("*titel*") to the NHG Mortgage Receivables and the Beneficiary Rights relating thereto and power ("*beschikkingsbevoegd*") to sell and assign the NHG Mortgage Receivables and

- the Beneficiary Rights relating thereto and no restrictions on the sale and assignment of the NHG Mortgage Receivables and the Beneficiary Rights relating thereto are in effect and the NHG Mortgage Receivables and the Beneficiary Rights relating thereto are capable of being assigned;
- (c) the NHG Mortgage Receivables and the Beneficiary Rights relating thereto are free and clear of any encumbrances and attachments ("*beslagen*") and no option rights to acquire the NHG Mortgage Receivables and the Beneficiary Rights relating thereto have been granted in favour of any third party with regard to the NHG Mortgage Receivables and the Beneficiary Rights relating thereto;
  - (d) each NHG Mortgage Receivable is secured by a Mortgage ("*hypothekrecht*") on a Mortgaged Asset in the Netherlands and is governed by Dutch law;
  - (e) each Mortgage Loan has the benefit of an NHG Guarantee and (i) each NHG Guarantee ("*Nationale Hypotheek Garantie*") connected to the relevant Mortgage Loan has been granted for the full Outstanding Principal Amount in respect of the Mortgage Loan at origination and constitutes legal, valid and binding obligations of *Stichting Waarborgfonds Eigen Woningen*, enforceable in accordance with its terms, (ii) all terms and conditions ("*voorwaarden en normen*") applicable to the NHG Guarantee at the time of origination of the Mortgage Loans were complied with, (iii) the Seller is not aware of any reason why any claim under any NHG Guarantee granted by *Stichting Waarborgfonds Eigen Woningen* in respect of any NHG Mortgage Receivable should not be met in full and in a timely manner;
  - (f) each Mortgaged Asset concerned was valued (i) by an independent qualified valuer, or (ii) in the case of Mortgage Loans of which the principal sum outstanding did not at the time of application by the Borrower exceed 50 per cent. of the purchase price of the Mortgaged Asset, by a valuer employed by the Seller or on the basis of an assessment by the Netherlands tax authorities on the basis of the Act on Valuation of Real Property ("*Wet Waardering Onroerende Zaken*"). Valuations by an independent qualified valuer are not older than twelve (12) months prior to the date of the mortgage application by the Borrower. In certain cases, newly built Mortgaged Assets are exempted from valuation requirements;
  - (g) each NHG Mortgage Receivable, the Mortgage, the Borrower Pledge(s) and any other right of pledge, if any, constitute legal, valid, binding and enforceable obligations of the relevant Borrower vis-à-vis the Seller;
  - (h) each Mortgage Loan was originated by the Seller or the relevant other Originator;
  - (i) all Mortgages and all borrower pledges (i) constitute valid mortgage rights ("*hypothekrechten*") and rights of pledge ("*pandrechten*") respectively on the Mortgaged Assets and the assets which are the subject of the borrower pledges respectively and, to the extent relating to the Mortgages, have been entered in the relevant public register ("*Dienst van het Kadaster en de Openbare Registers*"), (ii) have first priority ("*eerste in rang*") or, as the case may be, have first ("*eerste in rang*") and immediately sequentially lower in priority and (iii) were vested for an outstanding principal amount which is at least equal to the Outstanding Principal Amount of the Mortgage Loan when originated, increased with interest, penalties, costs and any insurance premium paid by the Seller on behalf of the Borrower, up to an amount of at least fifty (50) per cent. of such Outstanding Principal Amount, therefore in total up to a maximum amount of not less than one hundred and fifty (150) per cent. of the Outstanding Principal Amount of the relevant NHG Mortgage Receivables upon origination;
  - (j) neither the mortgage deeds nor any other agreements between the Seller and the relevant Borrower in respect of the relevant NHG Mortgage Receivables contain any explicit provision on the issue whether the mortgage right or rights of pledge follows the receivable upon its assignment or pledge;
  - (k) each of the Mortgage Loans meets the Mortgage Loan Criteria;
  - (l) each of the Mortgage Loans and, to the extent offered by it, the Insurance Policy connected thereto, has been granted in accordance with all applicable legal requirements prevailing at the time of origination and the Code of Conduct on Mortgage Loans (as amended from time to time) ("*Gedragcode Hypothecaire Financieringen*") and each Mortgage Loan meets in all material respects the NHG Underwriting Criteria and materially met the relevant Originator's standard underwriting criteria and procedures prevailing at that time, which do not materially differ from the criteria and procedures set forth in this Prospectus and the Seller's administration manual;
  - (m) no amounts due and payable under any of the NHG Mortgage Receivables on the Cut-Off Date, or in case of the Further Advance Receivables or Substitute NHG Receivables, the first day of the month in which the relevant Quarterly Payment Date falls, were unpaid;
  - (n) the Seller has not been notified and is not aware of anything affecting the Seller's title to the NHG Mortgage Receivables;

- (o) the maximum Outstanding Principal Amount of each Mortgage Loan does not, at the Closing Date, exceed 130 per cent. of the original foreclosure value ("*executiewaarde*") of the Mortgaged Assets;
- (p) each of the Savings NHG Mortgage Receivables and the Life NHG Mortgage Receivables has the benefit of a Savings Insurance Policy with the Participant and a Life Insurance Policy with any of the Insurance Companies, respectively, and either (i) the Seller has been validly appointed as beneficiary ("*begunstigde*") under such Insurance Policies, upon the terms of the relevant Mortgage Loans and the relevant Insurance Policies, which have been notified to the relevant Insurance Companies or (ii) the relevant Insurance Company has been given a Borrower Insurance Proceeds Instruction;
- (q) with respect to each of the NHG Mortgage Receivables to which an Insurance Policy with any of the Insurance Companies is connected, the Seller has the benefit of the Borrower Insurance Pledge granted by the relevant Borrower and such right of pledge has been notified to the relevant Insurance Companies, which, to the extent required, has been recorded on the relevant Insurance Policy;
- (r) with respect to Life Mortgage Loans to which a Life Insurance Policy with a Life Insurance Company is connected, (i) there is no connection, whether from a legal or a commercial point of view, between the Life Mortgage Loan and the relevant Life Insurance Policy other than the relevant Borrower Insurance Pledge and the relevant Life Beneficiary Rights, (ii) the Life Mortgage Loans and the Life Insurance Policies are not marketed as one product or under one name, (iii) the Borrowers were free to choose the relevant Life Insurance Company and (iv) the Life Insurance Company is not a group company of the Seller;
- (s) with respect to Life Mortgage Loans to which a Life Insurance Policy with the Participant is connected, (i) there is no connection, whether from a legal or a commercial point of view, between the relevant Life Mortgage Loan and any Life Insurance Policy, other than the right of pledge securing Life Mortgage Loan and the relevant Life Beneficiary Rights, (ii) the Life Mortgage Loans and the relevant Life Insurance Policies were not marketed as one product and (iii) the Borrowers were free to choose the relevant Life Insurance Company;
- (t) it has not, in respect of Mortgage Loans originated by any of the Originators, granted any further advance or loan, unless it is a Seller Further Advance; '**Seller Further Advance**' means a further advance or loan granted to a Borrower of a Mortgage Loan originated by: (i) Centraal Beheer Hypotheken B.V., provided that such further advance or further loan only relates to withdrawals of principal prepayments previously made by the relevant Borrower; and (ii) Woonfonds Nederland B.V. or (iii) the Seller;
- (u) with respect to each of the NHG Mortgage Receivables secured by a Mortgage on a long lease, the Mortgage Loan has a maturity that is equal to or shorter than the term of the long lease and becomes due if the long lease terminates for whatever reason; and
- (v) the Mortgage Loans originated by the Originators other than the Seller under the brand name Centraal Beheer Achmea, Avéro, FBTO and Woonfonds have been originated between 1 January 1995 and 1 September 2000;
- (w) it can be determined in the administration of the Seller without any uncertainty which Beneficiary Rights belong to the NHG Mortgage Receivables;
- (x) with respect to Investment Mortgage Loans, the relevant investments held in the name of the relevant Borrower have been validly pledged to the Seller and the securities are purchased on behalf of the relevant Borrower by:
  - a. an investment firm ("*beleggingsonderneming*") in the meaning ascribed thereto in the Wft, being either a broker ("*bemiddelaar*") or an asset manager ("*vermogensbeheerder*"), which is by law obliged to administer the securities in the name of the relevant Borrower through a bank (see the next paragraph) or a separate securities giro ("*effectengiro*"); or
  - b. a bank, which is by law obliged to (x) administer the securities through a separate depository vehicle and/or (y) only administer securities the transfer of which is subject to the Wge;
- (y) it has not accepted any deposits from the Borrowers and it currently does not have any account relationships with any of the Borrowers;
- (z) it has no Other Claims; and
- (aa) payments in respect of the vast majority of the Mortgage Loans are made in arrear in monthly instalments by direct debit.

### **Mortgage Loan Criteria**

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

- (a) the Mortgage Loans are in the form of:
  - (1) interest only mortgage loans ("*aflossingsvrije hypotheken*");
  - (2) annuity mortgage loans ("*annuïteitenhypotheken*");
  - (3) linear mortgage loans ("*lineaire hypotheken*");
  - (4) savings mortgage loans ("*spaarhypotheken*");
  - (5) life mortgage loans ("*levenhypotheken*") to which a Life Insurance Policy is connected with (a) the Traditional Alternative; or (b) the Unit-Linked Alternative;
  - (6) investment mortgage loans ("*beleggingshypotheken*"); or
  - (7) mortgage loans which combine any of the above mentioned mortgage loans,
- (b) the Borrower is a resident of the Netherlands and a natural person;
- (c) the interest rate of each Mortgage Loan is fixed, subject to a reset from time to time, or variable;
- (d) the Mortgaged Assets were not the subject of residential letting and was, or was to be, occupied by the relevant Borrower;
- (e) each Mortgage Loan has been originated after 1 January 1995;
- (f) the legal final maturity of each Mortgage Loan does not extend beyond October 2043;
- (g) the Mortgaged Asset is for residential use or for partial residential and partial commercial use by the Borrower, located in the Netherlands and the value of the commercial part is less than fifty (50) per cent. of the foreclosure value of the relevant Mortgaged Asset;
- (h) each Mortgage Loan is fully secured by a first or first and immediately sequentially lower in priority or any lower ranking Mortgage;
- (i) each Mortgage Loan, or all Mortgage Loans secured on the same Mortgaged Asset, has an Outstanding Principal Amount of not more than the maximum amount permitted pursuant to the NHG Underwriting Criteria prevailing at the time of origination of such Mortgage Loan; and
- (j) each of the Mortgage Loans is fully disbursed.

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

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

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

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

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

If on the Mortgage Payment Date immediately following the date on which 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, the Seller shall also repurchase and accept re-assignment of such NHG Mortgage Receivable on the immediately succeeding Mortgage Payment Date.



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

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

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

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

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

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

On each Quarterly Payment Date the Seller may exercise the Clean-Up Call Option. The Issuer has undertaken in the Mortgage Receivables Purchase Agreement to sell and assign the NHG Mortgage Receivables to the Seller or any third party appointed by the Seller in its sole discretion, in case of the exercise of the Clean-Up Call Option for a price set out under *Sale of NHG Mortgage Receivables* in *Credit Structure* above. The proceeds of such sale shall form part of the Notes Redemption Available Amount and consequently shall be applied by the Issuer towards redemption of all of the Senior Class A Notes in accordance with Condition 6(b).

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

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

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

- (a) the Seller will represent and warrant to the Issuer and the Security Trustee the matters set out in the clauses providing for the representations and warranties relating to the Mortgage Loans, the NHG Mortgage Receivables and the Seller in the Mortgage Receivables Purchase Agreement with respect to the Further Advance Receivables sold and relating to the Seller (with certain exceptions to reflect that the Further Advance Receivables are sold and may have been originated after the Closing Date);
- (b) no Assignment Notification Event has occurred and is continuing on the date of such completion;
- (c) there has been no failure by the Seller to repurchase any NHG Mortgage Receivable which it is required to repurchase pursuant to the Mortgage Receivables Purchase Agreement;
- (d) the Principal Available Amount is sufficient to pay the initial purchase price for the relevant Further Advance Receivables;
- (e) the Beneficiary Rights relating to such Further Advance Receivables are assigned to the Issuer;

- (f) the relevant Further Advance Receivable together with the relevant NHG Mortgage Receivable connected to such Further Advance Receivable meet the Mortgage Loan Criteria;
- (g) the percentage of the aggregate Outstanding Principal Amount of all Interest-only Mortgage Loans divided by the aggregate Outstanding Principal Amount in respect of the NHG Mortgage Receivables does not exceed the percentage of the aggregate Outstanding Principal Amount of all Interest-only Mortgage Loans on the Closing Date divided by the aggregate Outstanding Principal Amount in respect of the NHG Mortgage Receivables on the Closing Date plus 4 per cent.;
- (h) the cumulative Realised Losses in respect of the NHG Mortgage Receivables do not exceed 0.1 per cent. of the aggregate Outstanding Principal Amount in respect of all NHG Mortgage Receivables;
- (i) the weighted average of the aggregate Outstanding Principal Amount of an NHG Mortgage Receivable divided by the Foreclosure Value of the mortgaged property (the '**LTV-ratio**') of all Mortgage Loans, including the Further Advances in respect of the Further Advance Receivables purchased on such date, does not exceed the weighted average of the aggregate LTV-ratio at the Closing Date plus 2.5 per cent.;
- (j) the balance standing to the credit of the Reserve Account is at least equal to the Reserve Account Required Amount;
- (k) the percentage of the aggregate Outstanding Principal Amount of Employee Mortgage Loans divided by the aggregate Outstanding Principal Amount of the Mortgage Loans does not exceed 10 per cent.;
- (l) the percentage of the aggregate Outstanding Principal Amount of all Mortgage Loans with a LTV-ratio of more than 110 per cent. divided by the aggregate Outstanding Principal Amount of all Mortgage Loans does not exceed the percentage of the aggregate Outstanding Principal Amount of all Mortgage Loans with a LTV-ratio of more than 5 per cent. divided by the aggregate Outstanding Principal Amount of all Mortgage Loans at the Closing Date with more than 5 per cent.;
- (m) not more than 2 per cent. of the aggregate Outstanding Principal Amount relates to NHG Mortgage Receivables which are in arrears for a period exceeding 90 days;
- (n) Fitch will not have notified the Issuer on the relevant Quarterly Payment Date that the purchase of the relevant Further Advance Receivables on such Quarterly Payment Date will adversely affect the then current rating assigned to the Senior Class A Notes;
- (o) the weighted average seasoning of all Mortgage Loans does not fall below 36 months;
- (p) the LTV-ratio of the relevant Mortgage Loan does not exceed 125 per cent.; and
- (q) there are no amounts held in deposit in the form of construction amounts ("*bouwdepots*") relating to the Further Advance Receivables.

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

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

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

- (a) the Seller will represent and warrant to the Issuer and the Security Trustee the matters set out in the clauses providing for the representations and warranties relating to the Mortgage Loans, the NHG Mortgage Receivables and the Seller in the Mortgage Receivables Purchase Agreement with respect to the Substitute NHG Mortgage Receivables sold and relating to the Seller (with certain exceptions to reflect that the Substitute NHG Mortgage Receivables are sold and may have been originated after the Closing Date);
- (b) no Assignment Notification Event has occurred and is continuing on the date of such completion;

- (c) there has been no failure by the Seller to repurchase any NHG Mortgage Receivable which it is required to repurchase pursuant to the Mortgage Receivables Purchase Agreement;
- (d) the Substitution Principal Available Amount is sufficient to pay the initial purchase price for the relevant Substitute NHG Mortgage Receivables;
- (e) the Beneficiary Rights relating to such Substitute NHG Mortgage Receivables are assigned to the Issuer;
- (f) the percentage of the aggregate Outstanding Principal Amount of all Interest-only Mortgage Loans divided by the aggregate Outstanding Principal Amount in respect of the NHG Mortgage Receivables does not exceed the percentage of the aggregate Outstanding Principal Amount of all Interest-only Mortgage Loans on the Closing Date divided by the aggregate Outstanding Principal Amount in respect of the NHG Mortgage Receivables on the Closing Date plus 4 per cent.;
- (g) the cumulative Realised Losses in respect of the NHG Mortgage Receivables do not exceed 0.1 per cent. of the aggregate Outstanding Principal Amount in respect of all NHG Mortgage Receivables;
- (h) the weighted average of the LTV-ratio of all Mortgage Loans, including Mortgage Loans in respect of the Substitute NHG Mortgage Receivables purchased on such date, does not exceed the weighted average of the aggregate LTV-ratio at the Closing Date plus 2.5 per cent.;
- (i) the balance standing to the credit of the Reserve Account is at least equal to the Reserve Account Required Amount;
- (j) the percentage of the aggregate Outstanding Principal Amount of Employee Mortgage Loans divided by the aggregate Outstanding Principal Amount of the Mortgage Loans does not exceed 10 per cent.;
- (k) the percentage of the aggregate Outstanding Principal Amount of all Mortgage Loans with a LTV-ratio of more than 10 per cent. divided by the aggregate Outstanding Principal Amount of all Mortgage Loans does not exceed the percentage of the aggregate Outstanding Principal Amount of all Mortgage Loans with a LTV-ratio of more than 110 per cent. divided by the aggregate Outstanding Principal Amount of all Mortgage Loans at the Closing Date with more than 5 per cent.;
- (l) not more than 2 per cent. of the aggregate Outstanding Principal Amount relates to NHG Mortgage Receivables which are in arrears for a period exceeding 90 days;
- (m) the aggregate Outstanding Principal Amount of all Substitute NHG Mortgage Receivables does not, on an annual basis exceed 20 per cent. of the aggregate Outstanding Principal Amount of all NHG Mortgage Receivables;
- (n) Fitch will not have notified the Issuer on the relevant Quarterly Payment Date that the purchase of the relevant Substitute NHG Mortgage Receivables on such Quarterly Payment Date will adversely affect the then current rating assigned to the Senior Class A Notes by Fitch;
- (o) the weighted average seasoning of all Mortgage Loans does not fall below 36 months;
- (p) the LTV-ratio of the relevant Mortgage Loan does not exceed 125 per cent.; and
- (q) there are no amounts held in deposit in the form of construction amounts ("*bouwdepots*") relating to the Substitute NHG Mortgage Receivables;

#### **Assignment Notification Events**

If, *inter alia*:

- (a) a default is made by the Seller in the payment on the due date of any amount due and payable by it under the Mortgage Receivables Purchase Agreement or under any Relevant Document to which it is a party and such failure is not remedied within ten (10) business days after having knowledge thereof or after notice thereof has been given by the Issuer or the Security Trustee to the Seller; or
- (b) the Seller fails duly to perform or comply with any of its obligations under the Mortgage Receivables Purchase Agreement or under any Relevant Document to which it is a party and, if such failure is capable of being remedied, such failure is not remedied within ten (10) business days after having knowledge thereof 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 are started or threatened against it for its dissolution ("*ontbinding*") and liquidation ("*vereffening*") or legal demerger ("*juridische splitsing*") involving the Seller or for its conversion ("*conversie*") into a foreign entity or any of its assets are placed under administration ("*onder bewind gesteld*"); or
- (d) the Seller has taken any corporate action or any steps have been taken or legal proceedings have been instituted or threatened against it for its entering into emergency regulations or for bankruptcy or for any

- analogous insolvency proceedings under any applicable law for the appointment of a receiver or a similar officer of it or of any or all of its assets; or
- (e) the Seller, on a consolidated basis, during a period of any two consecutive months fails to have, on a consolidated basis, a solvency ratio at least 1.00 per cent. above the percentage required by Chapter 10 of the Decree prudential rule Wft for tier 1 capital, upper tier 2 capital and lower tier 2 capital together; or
  - (f) the actual liquidity of the Seller pursuant to Chapter 11 of the Decree prudential rule Wft pursuant to the Act on Financial Supervision is not greater or equal to the required liquidity under the broad liquidity test, as defined in such Decree prudential rule Wft during a period of any two consecutive months; or
  - (g) the (in)direct shareholding interest of Eureko in the Seller falls below 50 per cent., unless the new shareholder holding 50 per cent. or more of the share capital of the Seller, whether directly or indirectly, or the Seller itself, as the case may be, has a rating of at least "F1" by Fitch; or
  - (h) the Seller has taken any corporate action or any steps have been taken or legal proceedings have been instituted or threatened against the Seller in respect of its entering into emergency regulations ("*noodregeling*") as referred to in the Act on Financial Supervision ("*Wet op het financieel toezicht*" or "*Wft*") as amended from time to time, or for bankruptcy 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,

(each an '**Assignment Notification Event**') then, and at any time thereafter, unless an appropriate remedy to the satisfaction of the Security Trustee is found and the Security Trustee has notified Fitch of such event and that the Security Trustee, in its reasonable opinion, does not expect that the then current rating assigned to the Senior Class A Notes will be adversely affected as a consequence thereof, within a period of ten (10) business days, except in the occurrence of the events mentioned under (c) and (h) where no remedy shall apply, the Seller shall forthwith notify the Borrowers, the Insurance Companies and any other relevant parties indicated by the Issuer and/or the Security Trustee of the assignment of the NHG Mortgage Receivables and the Beneficiary Rights relating thereto or, at its option, the Issuer shall be entitled to make such notifications itself.

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

#### **Sale of Mortgage Receivables:**

The Issuer may not dispose of the NHG Mortgage Receivables, except to comply with its obligations under the Notes in certain circumstances as further provided in the Trust Deed. If the Issuer decides to offer for sale (part of) the NHG Mortgage Receivables it will first offer such NHG Mortgage Receivables to the Seller. The Seller shall within a period of fifteen (15) business days inform the Issuer whether it wishes to repurchase the NHG Mortgage Receivables. After such fifteen (15) business day period, the Issuer may offer such NHG Mortgage Receivables for sale to any third party. See chapter *Credit Structure* above for a description of the calculation of the purchase price of the NHG Mortgage Receivables in the case of a sale of NHG Mortgage Receivables.

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

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

#### **Jointly-held Security Interests**

In the Mortgage Receivables Purchase Agreement the Seller, the Issuer and/or the Security Trustee (as applicable) will agree that the Issuer and/or the Security Trustee (as applicable) will manage and administer any jointly-held security interests. Furthermore, the Seller, the Issuer and/or the Security Trustee (as applicable) will agree that, in case of foreclosure the share ("*aandee!*") in each jointly-held security interest of the Security Trustee and/or the Issuer will be equal to the Outstanding Principal Amount in respect of the NHG Mortgage Receivables, increased with interest and costs, if any, and the share of the relevant Seller will be equal to the Net Proceeds less the Outstanding Principal Amount in respect of the NHG Mortgage Receivables, increased with interest and costs, if any. Moreover, it will be agreed in the Mortgage Receivables Purchase Agreement 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) 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 during any Mortgage Calculation Period. Such compensation will be paid by the Seller as soon as possible, but in any event ultimately on the Mortgage Payment Date immediately succeeding such Mortgage Calculation Period. (see also chapter *Risk Factors*).

## ADMINISTRATION AGREEMENT

### Services

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

The Pool Servicer, being Achmea Hypotheekbank N.V., which as a licensed bank holds a licence under the Act on Financial Supervision ("*Wet op het financieel toezicht*") by operation of law, will be obliged to administer the Mortgage Loans and the NHG Mortgage Receivables with the same level of skill, care and diligence as it administers mortgage loans in its own portfolio.

Each of the Pool Servicer and the Issuer Administrator may subcontract its obligations subject to and in accordance with the Administration Agreement (without the consent of the Issuer and the Security Trustee or the approval of Fitch or any other party being required in case such sub-agent is a group company). Any such subcontracting will not relieve the Pool Servicer or the Issuer Administrator from its responsibility to perform its obligations under the Administration Agreement, although in the case of subcontracting, such services will be performed by a sub-agent.

### Termination

The appointment of the Pool Servicer and/or the Issuer Administrator under the Administration Agreement may be terminated by the Security Trustee or the Issuer (with the consent of the Security Trustee) in certain circumstances, including (a) a default by the Pool Servicer and/or the Issuer Administrator in the payment on the due date of any payment due and payable by it under the Administration Agreement which is not remedied within the cure period, (b) a default by the Pool Servicer and/or the Issuer Administrator in the performance or observance of any of its other covenants and obligations under the Administration Agreement which is not remedied within the cure period or (c) the Pool Servicer and/or the Issuer Administrator has taken any corporate action or any steps have been taken or legal proceedings have been instituted or threatened against it for its entering into emergency regulations ("*noodregeling*") as referred to in Chapter 3 of the Act on Financial Supervision ("*Wet op het financieel toezicht*") or for any analogous insolvency proceedings under any applicable law or for bankruptcy or for the appointment of a receiver or a similar officer of its or any or all of its assets or (d) the Pool Servicer no longer holds a licence as intermediary ("*bemiddelaar*") or offeror ("*aanbieder*") under the Act on Financial Supervision.

Upon termination of the appointment of the Pool Servicer and/or the Issuer Administrator under the Administration Agreement, each of the Security Trustee and the Issuer shall use its best efforts to appoint a substitute pool servicer and/or issuer administrator, as the case may be, and such substitute pool servicer and/or issuer administrator, as the case may be, shall enter into an agreement with the Issuer and the Security Trustee substantially on the terms of the Administration Agreement, provided that such substitute pool servicer and/or issuer administrator, as the case may be, shall have the benefit of a fee at a level to be then determined. Any such substitute pool servicer must (i) have experience of administering mortgage loans and mortgages of residential property in the Netherlands and (ii) hold a license as intermediary ("*bemiddelaar*") or offeror ("*aanbieder*") under the Act on Financial Supervision. The Issuer shall, promptly following the execution of such agreement, pledge its interest in such agreement in favour of the

Security Trustee on the terms of the Security Trustee Pledge Agreement II, *mutatis mutandis*, to the satisfaction of the Security Trustee.

The appointment of the Pool Servicer and/or the Issuer Administrator under the Administration Agreement may be terminated by the Pool Servicer and/or Issuer Administrator or the Issuer and/or the Security Trustee upon the expiry of not less than twelve (12) months' notice of termination given by the Pool Servicer and/or the Issuer Administrator to each of the Issuer and the Security Trustee or by the Issuer and/or the Security Trustee to the Pool Servicer and/or the Issuer Administrator provided that – *inter alia* – (a) the Security Trustee consents in writing to such termination and (b) a substitute pool servicer and/or issuer administrator, as the case may be, shall be appointed, such appointment to be effective not later than the date of termination of the Administration Agreement and the Pool Servicer and/or the Issuer Administrator, as the case may be, shall not be released from its obligations under the Administration Agreement until such substitute pool servicer and/or issuer administrator, as the case may be, has entered into such new agreement.

## SUB-PARTICIPATION AGREEMENT

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

### Participation

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

- (i) at (a) the Closing Date or (b) the relevant Quarterly Payment Date in case of a purchase and assignment of (x) Further Advance Receivables or (y) Substitute NHG Mortgage Receivables which qualify as Savings NHG Mortgage Receivables, the sum of an amount equal to Savings Premia in respect of the Savings Insurance Policies received by the Participant with accrued interest up to in case of (a) the Cut-Off Date or in case of (b) the first day of the month wherein the relevant Quarterly Payment Date falls (the '**Initial Participation**'); and
- (ii) on each Mortgage Payment Date an amount equal to the amount received by the Participant as Savings Premium during the immediately preceding Mortgage Calculation Period in respect of the relevant Savings Insurance Policies,

provided that in respect of each relevant Savings NHG Mortgage Receivable no amounts will be paid to the extent that, as a result thereof, the Participation in such relevant Savings NHG Mortgage Receivable would exceed the relevant Outstanding Principal Amount.

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

(Participation Fraction x R) + S whereby

- R = the amount of interest, due by the Borrower on the Savings NHG Mortgage Receivable and actually received by the Issuer in such Mortgage Calculation Period or the relevant Mortgage Payment Date; and
- S = the amount received by the Issuer from the Participant in such Mortgage Calculation Period in respect of the relevant Savings NHG Mortgage Receivable pursuant to the Sub-Participation Agreement.

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



**Reduction of Participation**

If:

- (i) a Borrower invokes a defence, including, but not limited to, a right of set-off or counterclaim, in respect of a Savings Mortgage Loan based upon a default in the performance, in whole or in part, by the Participant or, for whatever reason, the Participant does not pay the insurance proceeds when due and payable, whether in full or in part, in respect of the relevant Savings Insurance Policy; or
- (ii) the Seller fails to pay any amount due by it to the Issuer pursuant to the Mortgage Receivables Purchase Agreement in respect of a Savings NHG Mortgage Receivable;

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

**Enforcement Notice**

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

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

**Termination**

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

## SECURITIZED GUARANTEED MORTGAGE LOANS II B.V.

Securitized Guaranteed Mortgage Loans II B.V. (the '**Issuer**') a private company with limited liability ("*besloten vennootschap met beperkte aansprakelijkheid*") was incorporated under the laws of the Netherlands under the laws of the Netherlands on 6 October 2008.

The statutory seat ("*statutaire zetel*") of the Issuer is in Amsterdam, the Netherlands and its registered office is at Frederik Roeskestraat 123, 1076 EE Amsterdam and its telephone number is +31 20 5771 177. The Issuer operates on a cross-border basis when offering the Notes in certain countries. The Issuer is registered with the Commercial Register of the Chamber of Commerce of Amsterdam under number 34313683.

The Issuer is a special purpose vehicle, whose objectives are (a) to acquire, purchase, conduct the management of, dispose of and encumber receivables ("*vorderingen op naam*") and to exercise any rights connected to such receivables, (b) to 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 risks, currency risks 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 amongst others to repay the principal sum of the securities mentioned under (b), and to grant security rights and (f) to perform all activities which are incidental to or which may be conducive to any of the foregoing.

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

Stichting SGML II Holding is a foundation ("*stichting*") incorporated under the laws of the Netherlands on 10 September 2008. The objects of Stichting SGML II 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 SGML II Holding is ATC Management B.V.

### **Statement by managing director of the Issuer**

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

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

The sole managing director of the Issuer is ATC Management B.V. The managing directors of ATC Management B.V. are J.H. Scholts, R. Rosenboom, R. Posthumus, A.R. van der Veen and R. Langelaar. The managing directors of ATC Management B.V. have chosen domicile at the office address of ATC Management B.V., being Frederik Roeskestraat 123, 1076 EE Amsterdam.

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. The sole shareholder of ATC Management B.V. and Amsterdamsch Trustee's Kantoor B.V. is ATC Group B.V.

The objectives of ATC Management B.V. are (a) advising of and mediation by financial and related transactions, (b) acting as a finance company, and (c) management of legal entities.

Each of the managing directors of Stichting SGML II Holding and the Issuer has entered into a management agreement with the entity of which it has been appointed as managing director. In these management agreements

each of the managing directors agrees and undertakes to, *inter alia*, (i) do all that an adequate managing director should do or should refrain from what an adequate managing director should not be doing, and (ii) 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. In addition each of the managing directors agrees in the relevant management agreement that it will not enter into any agreement in relation to the Issuer other than the Relevant Documents to which it is a party, without the prior written consent of the Security Trustee and provided that the Security Trustee has notified Fitch thereof and that the Security Trustee, in its reasonable opinion, does not expect that the then current rating assigned to the Senior Class A Notes will be adversely affected as a consequence thereof.

There are no potential conflicts of interest between any duties to the Issuer of its managing director and private interests or other duties of the managing director. The Seller does not hold an interest in any group company of the managing directors.

The financial year of the Issuer coincides with the calendar year, except for the first financial year which started on 6 October 2008 and ends on 31 December 2009.

### **Capitalisation**

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

#### **Share Capital**

Authorised Share Capital	euro 90,000
Issuer Share Capital	euro 18,000

#### **Borrowings**

Senior Class A Notes	euro	500,000,000
Subordinated Class B Notes	euro	24,000,000
Initial Participation	euro	9,602,465.93

## **USE OF PROCEEDS**

The gross proceeds of the Notes to be issued on the Closing Date amount to euro 524,000,000.

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

An amount of euro 9,602,465.93 will be received by the Issuer as consideration for the Initial Participation granted to the Participant in the Savings NHG Mortgage Receivables. The Issuer will apply this amount towards payment of the remaining part of the Initial Purchase Price to be paid on the Closing Date.

## DESCRIPTION OF SECURITY

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

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

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

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

The pledge provided in the Security Trustee Pledge Agreement I will not be notified to the Borrowers or the Insurance Companies except following the occurrence of certain notification events, which are similar to the

Assignment Notification Events but relate to the Issuer and which includes the delivery of an Enforcement Notice ("**Trustee Notification Events**"). Prior to notification of the pledge to the Borrowers and the Insurance Companies respectively, the pledge on the NHG Mortgage Receivables and the Beneficiary Rights respectively will be a "silent" right of pledge ("*stil pandrecht*") within the meaning of section 3:239 of the Dutch Civil Code.

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

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

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

The rights of pledge described above shall 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, *inter alia*, amounts owing to the Subordinated Class B Noteholders will rank in priority of payment after amounts owing to the Senior Class A Noteholders (see chapter *Credit Structure* above).

## THE SECURITY TRUSTEE

Stichting Security Trustee SGML II (the '**Security Trustee**') is a foundation ("*stichting*") established under the laws of the Netherlands on 10 July 2008. It has its registered office at Frederik Roeskestraat 123, 1076 EE Amsterdam, the Netherlands and its telephone number is +31 20 5771 177.

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

The sole director of the Security Trustee is Amsterdamsch Trustee's Kantoor B.V., having its registered office at Frederik Roeskestraat 123, 1st floor, 1076 EE Amsterdam, the Netherlands. The managing directors of Amsterdamsch Trustee's Kantoor B.V. are F.E.M. Kuijpers and D.P. Stolp. *The managing director of the Security Trustee belongs to the same group as the managing director of the Issuer.*

The Security Trustee has agreed to act as security trustee for the holders of the Notes and to pay any amounts received from the Issuer or amounts collected by the Security Trustee under the Pledge Agreements to the Noteholders subject to and pursuant to the Parallel Debt Agreement and the Trust Deed subject to and in accordance with the Priority of Payments upon Enforcement.

In addition, the Security Trustee has agreed to act as security trustee vis-à-vis the other Secured Parties and to pay to such Secured Parties any amounts received from the Issuer or amounts collected by the Security Trustee under the Pledge Agreements to which the relevant Secured Party is a party subject to and pursuant to the Parallel Debt Agreement and the Trust Deed subject to and in accordance with the Priority of Payments upon Enforcement.

The Security Trustee shall not be liable for any action taken or not taken by it or for any breach of its obligations under or in connection with the Trust Deed or any other Relevant Document to which it is a party, except in the event of its wilful misconduct ("*opzet*"), negligence ("*nalatigheid*"), fraud or bad faith and it shall not be responsible for any act or negligence of persons or institutions selected by it in good faith and with due care.

Without prejudice to the right of indemnity by law given to it, the Security Trustee and every attorney, manager, agent, delegate or other person appointed by it under the Trust Deed shall be indemnified by the Issuer against and shall on first demand be reimbursed in respect of all liabilities and expenses properly incurred by it in the execution or purported execution of the powers of the Trust Deed or of any powers, authorities or discretions vested in it or him pursuant to the Trust Deed and against all actions, proceedings, costs, claims and demands in respect of any matter or thing done or omitted in any way relating to the Trust Deed or otherwise.

As set out in the Trust Deed, the relevant Management Agreement and the Security Trustee's articles of incorporation, the Security Trustee shall not retire or be removed from its duties under the Trust Deed until all amounts payable by the Issuer to the Secured Parties have been paid in full.

However, the Noteholders can resolve to dismiss the director of the Security Trustee as the director of the Security Trustee by an Extraordinary Resolution, on the basis of the Trust Deed and Clause 4.4 of the articles of incorporation of the Security Trustee. The director of the Security Trustee shall only resign from its position as director of the Security Trustee as soon as a suitable person, trust or administration office, reasonably acceptable to the Issuer, after having consulted the Secured Parties, other than the Noteholders, and provided that the Security Trustee has notified Fitch of such event and that the Security Trustee, in its reasonable opinion, does not expect that the then current rating assigned to the Senior Class A Notes will be adversely affected as a consequence thereof, has been contracted to act as director of the Security Trustee.

The Security Trustee may agree, without the consent of the Noteholders, to (i) any modification of any of the provisions of the Relevant Documents which is of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except if prohibited in the Relevant Documents), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Relevant Documents which is in the opinion of the Security Trustee not materially prejudicial to the interests of the Noteholders, provided that the Security Trustee (i) has notified Fitch and (ii) does not expect that the then current rating assigned to the Senior Class A Notes will be adversely affected by any such modification, authorisation or waiver (see *Terms and Conditions of the Notes*).



## TERMS AND CONDITIONS OF THE NOTES

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

The issue of the euro 500,000,000 floating rate Senior Class A Mortgage-Backed Notes 2008 due 2045, (the '**Senior Class A Notes**') and the euro 24,000,000 floating rate Subordinated Class B Notes 2008 due 2045 (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 Securitized Guaranteed Mortgage Loans II B.V. (the '**Issuer**') passed on 27 October 2008. The Notes are issued under a trust deed dated 30 October 2008 (the '**Trust Deed**') between the Issuer, Stichting SGML II Holding and Stichting Security Trustee SGML II (the '**Security Trustee**').

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of (i) the Trust Deed, which will include the priority of payments and the form of the Notes and the coupons appertaining to the Notes (the '**Coupons**') and the forms of the Temporary Global Notes and the Permanent Global Notes, (ii) a paying agency agreement (the '**Paying Agency Agreement**') dated 30 October 2008 between the Issuer, the Security Trustee and The Bank of New York Mellon, acting through its London Branch, as paying agent (the '**Paying Agent**') and as reference agent (the '**Reference Agent**'), (iii) an administration agreement (the '**Administration Agreement**') dated 30 October 2008 between the Issuer, Achmea Hypotheekbank N.V. as the Issuer Administrator and the Pool Servicer and the Security Trustee, (iv) a pledge agreement dated October 2008 between the Issuer and the Security Trustee (the '**Security Trustee Pledge Agreement I**') and (v) a pledge agreement dated October 2008 between the Issuer, the Security Trustee and others (the '**Security Trustee Pledge Agreement II**') and together with the Security Trustee Pledge Agreement I jointly the '**Pledge Agreements**').

Unless otherwise defined herein, words and expressions used below are defined in a master definitions agreement (the '**Master Definitions Agreement**') dated October 2008 and signed by the Issuer, the Security Trustee, the Seller and certain other parties. Such words and expressions shall, except where the context requires otherwise, have the same meanings in these Conditions. As used herein, '**Class**' means either the Senior Class A Notes or the Subordinated Class B Notes, as the case may be. If the terms or definitions in the Master Definitions Agreement would conflict with the terms and definitions used herein, the terms and definitions of these Conditions shall prevail and any reference to such documents as amended, supplemented, restated or otherwise modified from time to time.

Copies of the Trust Deed, the Paying Agency Agreement, the Parallel Debt Agreement, the Pledge Agreements and the Master Definitions Agreement and certain other Relevant Documents (see under *General Information* of the Prospectus) are available for inspection free of charge by holders of the Senior Class A Notes (the '**Senior Class A Noteholders**') and the holders of the Subordinated Class B Notes (the '**Subordinated Class B Noteholders**') and together with the Senior Class A Noteholders, the '**Noteholders**') at the specified office of the Paying Agent and the present office of the Security Trustee, being at the date hereof: Frederik Roeskestraat 123, 1<sup>st</sup> floor, 1076 EE Amsterdam, the Netherlands. The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed, the Paying Agency Agreement, the Parallel Debt Agreement, the Pledge Agreements and the Master Definitions Agreement and reference to any document is considered to be a reference to such document as amended, supplemented, restated or otherwise modified from time to time.

### 1. Form, Denomination and Title

Each of the Notes will be in bearer form serially numbered with Coupons attached on issue and will be available in denominations of euro 50,000. Under Dutch law, the valid transfer of Notes or Coupons requires, *inter alia*, delivery ("*levering*") thereof. The Issuer, the Security Trustee and the Paying Agent may, to the fullest extent permitted by law, treat any Noteholder and the Coupons appertaining thereto as its absolute owner for all purposes (whether or not payment under such Note or Coupon shall be overdue and notwithstanding any notice of ownership or writing thereon or any notice of previous loss or theft thereof) for any purposes, including payment and no person shall be liable for so treating such holder. The signatures on the Notes will be in facsimile.

### 2. Status and Relationship between the Classes of 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 and subject to the provisions of Conditions 4, 6 and 9 and the Trust Deed payments of principal and interest on the Subordinated Class B Notes are subordinated to, *inter alia*, payments of principal and interest on the Senior Class A Notes.
- (c) The security for the obligations of the Issuer towards the Noteholders (the '**Security**') will be created pursuant to, and on the terms set out in the Trust Deed, the Parallel Debt Agreement and the Pledge Agreements, which will create the following security rights:
  - (i) a first ranking pledge by the Issuer in favour of the Security Trustee over the NHG Mortgage Receivables and the Beneficiary Rights; and
  - (ii) a first ranking pledge by the Issuer in favour of the Security Trustee over all rights of the Issuer (a) under or in connection with (i) the Mortgage Receivables Purchase Agreement, (ii) the Administration Agreement, (iii) the Interest Swap Agreement, (iv) the Sub-Participation Agreement and (v) the Floating Rate GIC and (b) in respect of the Transaction Accounts.
- (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 of interest between the Secured Parties the Priority of Payments upon Enforcement set forth in the Trust Deed determines which interest of which Secured Party prevails.

### 3. Covenants of the Issuer

So long as any of the Notes remain outstanding, the Issuer shall carry out its business in accordance with proper and prudent Dutch business practice and 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 Administration Agreement, the Pledge Agreements, the Parallel Debt Agreement, the Interest Swap Agreement, the Floating Rate GIC, the Liquidity Loan Agreement, the Sub-Participation Agreement, the Note Purchase Agreement, the Notes, the Paying Agency Agreement, the Beneficiary Waiver Agreement, the Management Agreements, the Deed of Assignment, any Purchase Deed of Assignment and Pledge and the Trust Deed (together with the Master Definitions Agreement, the '**Relevant Documents**') or with the prior written consent of the Security Trustee:

- (a) carry out any business other than as described in the Prospectus dated 30 October 2008 relating to the issue of the Notes, except as contemplated in the Relevant Documents;
- (b) incur any indebtedness in respect of borrowed money whatsoever or give any guarantee or indemnity in respect of any indebtedness, except as contemplated in the Relevant Documents;

- (c) create or promise to create any mortgage, charge, pledge, lien or other security interest whatsoever over any of its assets, or use, invest, sell, transfer or otherwise dispose of or grant any options or rights on any part of its assets, except as contemplated in the Relevant Documents;
- (d) consolidate or merge with any other person or convey or transfer its assets substantially or in entirety to one or more persons;
- (e) permit the validity or effectiveness of the Parallel Debt Agreement and the Pledge Agreements, or the priority of the security created thereby or pursuant thereto to be amended, terminated, waived, postponed or discharged, or permit any person whose obligations form part of such security rights to be released from such obligations except as contemplated in the Relevant Documents;
- (f) have any employees or premises or have any subsidiary or subsidiary undertaking;
- (g) have an interest in any bank account other than (i) the Transaction Accounts or (ii) accounts to which collateral under the Interest Swap Agreement is transferred, unless all rights in relation to such account has been pledged to the Security Trustee as provided in Condition 2(c)(ii); or
- (h) take any action for its entering into a suspension of payments or bankruptcy or its dissolution or liquidation or being converted into a foreign entity.

#### 4. Interest

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

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

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

##### (b) *Floating Rate Interest Periods and payment dates*

Interest on the Notes shall be payable by reference to successive floating rate interest periods (each a '**Floating Rate Interest Period**') in respect of the Principal Amount Outstanding)) on each Class of Notes on the first day of such Floating Rate Interest Period and will be payable quarterly in arrear on the 25<sup>th</sup> day of January, April, July and October (or, if such day is not a Business Day (as defined below), the next succeeding Business Day, unless such Business Day falls in the next succeeding calendar month in which event the Business Day immediately preceding such 25<sup>th</sup> day) in each year (each such day being a '**Quarterly Payment Date**'). A '**Business Day**' means a day on which banks are open for business in Amsterdam, London and Dublin provided that such day is also a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system ('**TARGET 2**') 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 on (but exclude) the Quarterly Payment Date falling in January 2009.

##### (c) *Interest on the Notes up to (but excluding) the first Optional Redemption Date*

Interest on the Notes for each Floating Rate Interest Period will accrue at an annual rate of interest equal to the sum of the Euro Interbank Offered Rate ('**Euribor**') for three (3) month deposits in euro (determined in accordance with Condition 4(e)) (or, in respect of the first Floating Rate Interest Period, the rate which represents the linear interpolation of Euribor for 2 and 3 months deposits in euro, rounded if necessary, to the 5<sup>th</sup> decimal place with 0.00005, being rounded upwards) plus, up to (but excluding) the first Optional Redemption Date:

- (i) for the Senior Class A Notes margin of [●] per cent. per annum; and
- (ii) for the Subordinated Class B Notes [●] per cent. per annum.

(d) *Interest following the first Optional Redemption Date*

If on the first Optional Redemption Date any Class of Notes have not been redeemed in full, the annual rate of interest applicable to each Class of Notes will be equal to the sum of Euribor for three (3) month deposits in euro (determined in accordance with Condition 4(e)), payable by reference to Floating Rate Interest Periods on each succeeding Quarterly Payment Date, plus:

- (i) for the Senior Class A Notes [●] per cent. per annum; and
- (ii) for the Subordinated Class B Notes [●] per cent. per annum.

(e) *Euribor*

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

- (i) The Reference Agent will obtain for each Floating Rate Interest Period the interest rate equal to Euribor for three (3) month deposits in euro. The Reference Agent shall use the Euribor rate as determined and published jointly by the European Banking Federation and ACI - The Financial Market Association and which appears for information purposes on the Reuters Screen EURIBOR01, (or, if not available, any other display page on any screen service maintained by any registered information vendor (including, without limitation, the Reuter Monitor Money Rate Service, the Dow Jones Telerate Service and the Bloomberg Service) for the display of the Euribor rate selected by the Reference Agent) as at or about 11:00 a.m. (Amsterdam time) on the day that is two (2) Business Days preceding the first day of each Floating Rate Interest Period (each an '**Euribor Interest Determination Date**').
- (ii) If, on the relevant Euribor Interest Determination Date, such Euribor rate is not determined and published jointly by the European Banking Association and ACI - The Financial Market Association, or if it is not otherwise reasonably practicable to calculate the rate under (i) above, the Reference Agent will:
  - (A) request the principal Euro-zone office of each of four major banks in the Euro-zone interbank market (the '**Reference Banks**') to provide a quotation for the rate at which three (3) month deposits in euro are offered by it in the euro-zone interbank market at approximately 11.00 a.m. (Amsterdam time) on the relevant Euribor Interest Determination Date to prime banks in the Euro-zone interbank market in an amount that is representative for a single transaction at that time; and determine if at least two quotations are provided the arithmetic mean rounded, if necessary, to the fifth decimal place (with 0.000005 being rounded upwards) of such quotations as provided; and
  - (B) if fewer than two such quotations are provided as requested, the Reference Agent will determine the arithmetic mean (rounded, if necessary to the fifth decimal place with 0.000005 being rounded upwards) of the rates quoted by major banks, of which there shall be at least two in number, in the euro-zone, selected by the Reference Agent, at approximately 11.00 a.m. (Amsterdam time) on the relevant Euribor Interest Determination Date for three (3) month deposits to leading Euro-zone banks in an amount that is representative for a single transaction in that market at that time,

and Euribor for such Floating Rate Interest Period shall be the rate per annum equal to the Euribor for three (3) month deposits in euro as determined in accordance with this paragraph (e), provided that if the Reference Agent is unable to determine Euribor in accordance with the above provisions in relation to any Floating Rate Interest Period, Euribor applicable to the 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 Amounts*  
The Reference Agent will, as soon as practicable after 11.00 a.m. (Amsterdam time) on each Interest Determination Date, determine the floating rates of interest referred to in paragraphs (c) and (d) above for each of the Notes (the '**Floating Rate of Interest**') and calculate the amount of interest payable on each Class of Notes for the following Floating Rate Interest Period (the '**Floating Interest Amount**') by applying, as provided in Condition 4(a), the applicable Floating Rate of Interest to the Principal Amount Outstanding of each Class of Notes respectively on the first day of such Floating Rate Interest Period. The determination of the relevant Floating Rate of Interest and each Floating Interest Amount by the Reference Agent shall (in the absence of manifest error) be final and binding on all parties.
- (g) *Notification of the Floating Rate of Interest and the Floating Interest Amount*  
The Reference Agent will in respect of each Quarterly Payment Date cause the applicable Floating Rate of Interest and the relevant Floating Interest Amount and the relevant Quarterly Payment Date applicable to each Class of Notes to be notified to the Issuer, the Security Trustee, the Paying Agent, the Issuer Administrator, the Pool Servicer, the holders of such Class of Notes, the Irish Stock Exchange and the Company Announcements Office of the Irish Stock Exchange. The Floating Interest Amount and the relevant Quarterly Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Floating Rate Interest Period.
- (h) *Determination or Calculation by Security Trustee*  
If the Reference Agent at any time for any reason does not determine the relevant Floating Rate of Interest or fails to calculate the relevant Floating Interest Amount in accordance with Condition 4(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 Condition 4(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 Condition 4(f) above, and each such determination or calculation shall (in the absence of manifest error) 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 sixty (60) days' notice in writing to that effect. Notice of any such termination will be given to the holders of the relevant Class of Notes in accordance with Condition 13. If any person shall be unable or unwilling to continue to act as a Reference Bank or the Reference Agent (as the case may be) or if the appointment of any Reference Bank or the Reference Agent shall be terminated, the Issuer will, with the prior written consent of the Security Trustee, appoint a successor Reference Bank or Reference Agent (as the case may be) to act in its place, provided that neither the resignation nor removal of the Reference Agent shall take effect until a successor approved in writing by the Security Trustee has been appointed.

## **5. Payment**

- (a) Payment of principal and interest in respect of the Notes will be made upon presentation of such Note and against surrender of the relevant Coupon appertaining thereto, at any specified office of the Paying Agent in cash or by transfer to, in the case of the Notes, 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(a)), or such earlier date the Notes become due and payable, the Notes should be presented for payment together with all unmatured Coupons appertaining thereto, failing which the full amount of any such missing unmatured Coupons (or, in the case of payment not being made in full, that proportion of the full amount of such missing unmatured Coupons which the sum of principal so paid bears to the total amount of principal due) will be deducted from the sum due for payment. Each amount so deducted will be paid in the manner mentioned above against surrender of the relevant

missing Coupon at any time before the expiry of five (5) years following the due date for payment of such principal (whether or not such Coupons would have become unenforceable pursuant to Condition 8).

- (c) If the relevant Quarterly Payment Date is not a day on which banks are open for business in the place of presentation of the relevant Note or Coupon (a '**Local Business Day**'), the holder thereof shall not be entitled to payment until the next following day on which banks are open for business in the place of presentation, 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 offices are 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 agents located in the United States of America will be appointed and that the Issuer will at all times maintain a paying agent having a specified office in the European Union. Notice of any termination or appointment of a Paying Agent will be given to the Noteholders in accordance with Condition 13.

## **6. Redemption**

### (a) *Final redemption*

Unless previously redeemed as provided below, the Issuer will redeem the Notes at their respective Principal Amount Outstanding on the Quarterly Payment Date falling in October 2045 (the '**Final Maturity Date**').

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

Provided that no Enforcement Notice has been served in accordance with Condition 10, on each Quarterly Payment Date (the first falling in January 2009), the Issuer shall apply the Notes Redemption Available Amount (as defined below and which *inter alia* includes the proceeds of the sale of the NHG Mortgage Receivables in case the Seller exercises the Clean-Up Call Option) to (partially) redeem on a *pro rata* basis the Senior Class A Notes. The amounts available for the Senior Class A Noteholders will be passed through on each Quarterly Payment Date by applying in respect of each Senior Class A Note, the Class A Redemption Amount.

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

Unless previously redeemed in full, and provided that no Enforcement Notice has been served in accordance with Condition 10, the Issuer may, at its option, on the Quarterly Payment Date falling in October 2013 and on any Quarterly Payment Date thereafter (each an '**Optional Redemption Date**') redeem all of the Senior Class A Notes, in whole but not in part, at their Principal Amount Outstanding on such date.

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

### (d) *Redemption of the Subordinated Class B Notes*

Provided that no Enforcement Notice has been served in accordance with Condition 10, on each Quarterly Payment Date (the first falling in January 2009), the Issuer shall apply the Class B Principal Redemption Available Amount (as defined below), to redeem (or partially redeem) on a *pro rata* basis the Subordinated Class B Notes. The amounts available for the Subordinated Class B Noteholders will be passed through on the relevant Quarterly Payment Date by applying in respect of each Subordinated Class B Note, the Class B Principal Redemption Amount.

### (e) *Determination of Notes Redemption Available Amount, Notes Interest Available Amount, Principal Redemption Amount and Principal Amount Outstanding*

- (i) On each Quarterly Calculation Date, the Issuer shall determine (or cause the Issuer Administrator to determine) (x) the Notes Redemption Available Amount and the Notes Interest Available Amount, (y) the Principal Redemption Amount due in respect of each of the Notes of the relevant Class on the immediately succeeding Quarterly Payment Date and (z) the Principal Amount Outstanding of the Notes of each Class on the first day following the Quarterly Payment Date. Each such determination by or on

behalf of the Issuer shall in each case (in the absence of manifest error) be final and binding on all persons.

- (ii) The Issuer or the Issuer Administrator on its behalf will on each Quarterly Calculation Date cause each determination of (x) the Notes Redemption Available Amount and the Notes Interest Available Amount and (y) the Principal Redemption Amount due in respect of each of the Notes of the relevant Class on the immediately succeeding Quarterly Payment Date and (z) the Principal Amount Outstanding of the Notes to be notified forthwith to the Security Trustee, the Paying Agent, the Reference Agent, Euroclear Netherlands and to the holders of Notes in accordance with Condition 13, but in any event no later than three (3) business days prior to the Quarterly Payment Date. If no Principal Redemption Amount in respect of a Class of Notes 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 or the Issuer Administrator on its behalf does not at any time for any reason determine (x) the Notes Redemption Available Amount and the Notes Interest Available Amount and (y) the Principal Redemption Amount due for the relevant Class of Notes on the Quarterly Payment Date and due for the relevant Class of Notes on the Quarterly Payment Date, and (z) the Principal Amount Outstanding of the Notes, such (x) Notes Redemption Available Amount and the Notes Interest Available Amount and (y) Principal Redemption Amount due for the relevant Class of Notes on the Quarterly Payment Date and (z) Principal Amount Outstanding of the Notes shall be determined by the Security Trustee in accordance with this paragraph (e) and paragraphs (a) and (d) above (but based upon the information in its possession as to the Principal Redemption Amount due for the relevant Class of Notes on the Quarterly Payment Date) and the Notes Interest Available Amount and each such determination or calculation shall be deemed to have been made by the Issuer and shall in each case (in the absence of manifest error) be final and binding on all persons.

(f) *Redemption for tax reasons*

The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Quarterly Payment Date, at their Principal Amount Outstanding if the Issuer has satisfied the Security Trustee that:

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

The Issuer shall notify the exercise of such option by giving not more than sixty (60) nor less than thirty (30) days written notice to the Senior Class A Noteholders and the Security Trustee prior to the relevant Quarterly Payment Date.

(g) *Definitions*

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

**"Class B Principal Redemption Available Amount"** means on any Quarterly Payment Date, an amount equal to the lesser of:

- (i) the aggregate Principal Amount Outstanding of the Subordinated Class B Notes; and
- (ii) the Notes Interest Available Amount, remaining after all payments ranking above item (i) in the Interest Priority of Payments have been made in full on such Quarterly Payment Date.

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

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

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

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

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

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

**less** in respect of item (x) until the Quarterly Payment Date immediately preceding the first Optional Redemption Date and in respect of item (xii) until the second Quarterly Payment Date immediately preceding the first Optional Redemption Date, the sum of:

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



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

"**Net Proceeds**" shall mean (a) the proceeds of a foreclosure on the mortgage right, (b) the proceeds of foreclosure on any other collateral securing the NHG Mortgage Receivable, (c) the proceeds, if any, of collection of any insurance policies in connection with the NHG Mortgage Receivable, including but not limited to fire insurance policy and any Insurance Policy, (d) the proceeds of the NHG Guarantee and any other guarantees or sureties, and (e) the proceeds of foreclosure on any other assets of the relevant debtor, after deduction of foreclosure costs in respect of such NHG Mortgage Receivable;

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

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

"**Mortgage Calculation Period**" means the period commencing on (and including) the first day of each calendar month and ending on (and including) the last day of the following calendar month except for the first Mortgage Calculation Period which will commence on (and include) the Cut-Off Date and end on 31 October 2008.

## **7. Taxation**

All payments in respect of the Notes will be made without withholding of, or deduction for, or on account of any present or future taxes, duties, assessments or charges of whatsoever nature unless the Issuer or the Paying Agent (as applicable) is required by applicable law to make any payment in respect of the Notes subject to the withholding or deduction of such taxes, duties, assessments or charges are required by law. In that event, the Issuer or the Paying Agent (as the case may be) shall make such payment after the required withholding or deduction has been made and shall account to the relevant authorities for the amount so required to be withheld or deducted. Neither the Paying Agent nor the Issuer will be obliged to make any additional payments to the Noteholders in respect of such withholding or deduction.

## **8. Prescription**

Claims against the Issuer for payment in respect of the Notes and Coupons shall become prescribed and become void unless made within five (5) 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 Payment Date the Issuer has insufficient funds available to it to satisfy its obligations in respect of amounts of the interest due on the Subordinated Class B Notes on such Quarterly Payment Date the amount available (if any) shall be applied *pro rata* to the amount of the interest due on such Quarterly Payment Date to the holders of the Subordinated Class B Notes. In the event of a shortfall, the Issuer shall credit the Subordinated Class B Interest Deficiency Ledger (as defined in the Master Definitions Agreement), 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 Condition 4, but shall accrue interest as long as it remains outstanding at the rate of interest applicable to the Subordinated Class B Notes for

such period, and a *pro rata* share of such shortfall and accrued interest thereon shall be aggregated with the amount of, and treated for the purpose of these Conditions as if it were interest due, subject to this Condition, on each Subordinated Class B Note on the next succeeding Quarterly Payment Date.

(b) *General*

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

In the event that the Security in respect of the Notes 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 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 following the occurrence of any of the events mentioned in (b) below, only if the Security Trustee shall have certified in writing to the Issuer that such an event is, in its opinion, materially prejudicial to the Noteholders of the Relevant Class) give notice (an '**Enforcement Notice**') to the Issuer that the Notes are, and each Note shall become, immediately due and payable at their or its Principal Amount Outstanding, together with accrued interest, if any of the following shall occur:

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

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

## 11. Enforcement

- (a) At any time after an Enforcement Notice has been given and the Notes of any Class become due and payable, the Security Trustee may, at its discretion and without further notice, take such steps and/or institute such proceedings as it may think fit to enforce the terms of the Parallel Debt Agreement, including the making of a demand for payment thereunder, the Trust Deed, the Pledge Agreements and the Notes and Coupons, but it need not take any such proceedings unless (i) it shall have been directed by an Extraordinary Resolution of the Senior Class A Noteholders or, if all amounts due in respect of the Senior Class A Notes have been fully paid, the Subordinated Class B Noteholders and (ii) it shall have been indemnified to its satisfaction.
- (b) No Noteholder may proceed directly against the Issuer unless the Security Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.
- (c) The Noteholders and the Security Trustee may not institute against, or join any person in instituting against, the Issuer any bankruptcy, winding-up, reorganisation, arrangement, insolvency or liquidation proceeding until the expiry of a period of at least one (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 above 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 and of the Issuer in Condition 6, all notices to the Noteholders will only be valid if published in at least one daily newspaper of wide circulation in the Netherlands, or, if all such newspapers shall cease to be published or timely publication therein shall not be practicable, in such newspaper as the Security Trustee shall approve having a general circulation in Europe and, as long as the Notes are listed on the Irish Stock Exchange, any notice will also be made to the Company Announcement Office of the Irish Stock Exchange. Any such notice shall be deemed to have been given on the first date of such publication.

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

The Trust Deed contains provisions for convening meetings of the Noteholders of any Class 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. Instead of at a general meeting, a resolution of the Noteholders of the relevant Class may be passed in writing - including by telegram, facsimile or telex transmission, or in the form of a message transmitted by any accepted means of communication and received or capable of being produced in writing - provided that all Noteholders with the right to vote have voted in favour.

### **(a) Meeting of Noteholders**

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

### **(b) Basic Terms Change**

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

rating assigned to the Senior Class A Notes will be adversely affected by such Basic Terms Change, then no such Extraordinary Resolution is required.

(c) Extraordinary Resolution  
Quorum and majority

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

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

Limitations

No Extraordinary Resolution to sanction a change of the date of maturity of the Senior Class A Notes, or a change which would have the effect of postponing any day for payment of interest in respect of the Senior Class A Notes, reducing or cancelling the amount of principal payable in respect of the Senior Class A Notes or altering the majority required to pass an Extraordinary Resolution or altering the rate of interest payable in respect of the Senior Class A Notes or any alteration of the date or priority of redemption of the Senior Class A Notes, shall take effect unless (i) the Issuer has agreed thereto, (ii) the Swap Counterparty has agreed thereto and (iii) 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 will not be materially prejudicial to the interests of the Senior Class A Noteholders or if it's sanctioned by an Extraordinary Resolution of the Senior Class A Noteholders. The Trust Deed imposes no such limitations on the powers of the Senior Class A Noteholders, the exercise of which will be binding on the Subordinated Class B Noteholders, irrespective of the effect on their interest.

(d) Modifications by the Security Trustee

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

(e) Exercise of Security Trustee's functions

In connection with the exercise of its functions (including but not limited to those referred to in this Condition) the Security Trustee shall have regard to the interests of the Senior Class A Noteholders and the Subordinated Class B Noteholders each as a Class and shall not have regard to the consequences of such

exercise for individual Noteholders and the Security Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders.

**15. Replacements of Notes and Coupons**

Should any Note or Coupon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the office of the 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 related Note and all unmatured Coupons to which they appertain ("*mantel en blad*"), before replacements will be issued.

**16. Governing Law**

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

## GLOBAL NOTES

Each Class of Notes shall be initially represented by a temporary global note in bearer form, without coupons (each a **'Temporary Global Note'**) (i) in the case of the Senior Class A Notes, in the principal amount of euro 500,000,000 and (ii) in the case of the Subordinated Class B Notes, in the principal amount of euro 24,000,000. Each Temporary Global Note will be deposited with Euroclear Netherlands ("*Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V.*"), on or about 30 October 2008. Upon deposit of each such Temporary Global Note, Euroclear Netherlands 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-US beneficial ownership by the Noteholders has been received) not earlier than forty (40) days after the issue date of the Notes (the **'Exchange Date'**) for interests in a permanent global note (each a **'Permanent Global Note'**), in bearer form, without coupons, in the principal amount of the Notes of the relevant Class (the expression **'Global Notes'** meaning the Temporary Global Notes of each Class and the Permanent Global Notes of each Class and the expression **'Global Note'** means any of them, as the context may require). On the exchange of each Temporary Global Note for the relevant Permanent Global Note, the relevant Permanent Global Note will remain deposited with Euroclear Netherlands.

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 50,000 or, as the case may be, in the Principal Amount Outstanding of the Notes on such exchange date. Each of the persons shown in the records of Euroclear Netherlands as the holder of a Note will be entitled to receive any payment made in respect of that Note in accordance with the rules and procedures of Euroclear Netherlands. 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 Netherlands.

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

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

If after the Exchange Date (i) the Notes become immediately due and payable by reason of accelerated maturity following an Event of Default, or (ii) either Euroclear Netherlands is closed for business for a continuous period of fourteen (14) days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business and no alternative clearance system satisfactory to the Security Trustee is available, or (iii) as a result of any amendment to, or change in the laws or regulations of the Netherlands (or of any political sub-division thereof) or of any authority therein or thereof having power to tax, or in the interpretation or administration of such

laws or regulations, which becomes effective on or after 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 thirty (30) days of the occurrence of the relevant event, subject in each case to certification as to non-US beneficial ownership.

As long as the Notes are represented by a Global Note deposited with Euroclear Netherlands, a Noteholder shall not have the right to request delivery ("*uitlevering*") thereof under the Dutch Securities Giro Transfer Act ("*Wet giraal effectenverkeer*") other than in the Exchange Event as described above.

## TAXATION IN THE NETHERLANDS

### 1. General

The following is a general summary of the Dutch tax consequences as at the date hereof in relation to payments made under the Notes and in relation to the acquisition, holding, redemption or disposal of the Notes. This summary does not purport to describe all possible tax considerations or consequences that may be relevant to a holder of a Note or a prospective holder and in view of its general nature, it should be treated with corresponding caution. Prospective Noteholders should consult their tax advisers with regard to the tax consequences of investing in the Notes.

Except as otherwise indicated, this summary only addresses Dutch tax legislation as in effect and in force at the date hereof and as interpreted in published case law until this date, without prejudice to any amendment introduced at a later date and implemented with or without retroactive effect.

### 2. Withholding tax

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

### 3. Taxes on income and capital gains

This paragraph does not describe the Dutch tax consequences of the acquisition, holding, redemption and disposal of the Notes if a Noteholder or, in the event the holder is an individual, individuals related to such holder (statutorily defined term) and certain of their relatives by blood or marriage in the direct line (including foster children) have a substantial interest or deemed substantial interest (statutorily defined terms) in the Issuer.

Generally speaking, a holder of securities in a company is considered to hold a substantial interest in such company, if such holder, alone or, in case of individuals, together with his/her partner (statutorily defined term), directly or indirectly, holds (i) an interest of 5% or more of the total issued and outstanding capital of that company or of 5% or more of the issued and outstanding capital of a certain class of shares of that company or (ii) holds rights to acquire, directly or indirectly, such interest or (iii) holds certain profit sharing rights in that company that relate to 5% or more of the company's annual profits and/or to 5% or more of the company's liquidation proceeds. A deemed substantial interest arises if a substantial interest (or part thereof) has been disposed of, or is deemed to have been disposed of, on a non-recognition basis.

#### *Residents of the Netherlands*

Generally speaking, if the holder of the Notes is an entity that is a resident or deemed to be resident of the Netherlands for Dutch corporate income tax purposes, any payment under the Notes or any gain realised on the disposal or deemed disposal of the Notes is subject to a 25.5% corporate income tax rate (a corporate income tax rate of 20.0% applies with respect to taxable profits up to € 40,000 and 23.0% over the following €160,000, the first two brackets for 2008).

A Dutch qualifying pension fund and a Dutch qualifying tax exempt investment fund (in Dutch "*vrijgestelde beleggingsinstelling*") are in principle not subject to Dutch corporate income tax. A qualifying Dutch investment fund (in Dutch "*fiscale beleggingsinstelling*") is subject to corporate income tax at a special rate of 0%.

If a holder of the Notes is an individual, resident or deemed to be resident of the Netherlands for Dutch income tax purposes (including the non-resident individual holder who has made an election for the application of the rules of the Dutch Income Tax Act 2001 as they apply to residents of the Netherlands), any payment under the Notes or any gain realised on the disposal or deemed disposal of the Notes is taxable at the progressive income tax rates (with a maximum of 52%), if:

- (a) the Notes are attributable to an enterprise from which the holder of the Notes derives a share of the profit, whether as an entrepreneur or as a person who has a co-entitlement to the net worth of such enterprise, without being a shareholder, as defined in the Dutch Income Tax Act 2001; or
- (b) the holder of the Notes is considered to perform activities with respect to the Notes that go beyond ordinary asset management (in Dutch "*normaal vermogensbeheer*") or derives benefits from the Notes that are (otherwise) taxable as benefits from other activities (in Dutch "*resultaat uit overige werkzaamheden*").



If the above-mentioned conditions (a) and (b) do not apply to the individual holder of the Notes such holder will be taxed annually on a deemed income of 4% of his or her net investment assets for the year at an income tax rate of 30%. The net investment assets for the year is the average of the fair market value of the investment assets less the allowable liabilities at the beginning of that year and the fair market value of the investment assets less the allowable liabilities at the end of that year. The Notes are included as investment assets. A tax free allowance may be available. Actual benefits derived from the Notes are as such not subject to Dutch income tax.

#### *Non-residents of the Netherlands*

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

- (a) such holder is neither resident nor deemed to be resident of the Netherlands nor has made an election for the application of the rules of the Dutch Income Tax Act 2001 as they apply to residents of the Netherlands; and
- (b) such holder does not have an interest in an enterprise or deemed enterprise (statutorily defined term) which, in whole or in part, is either effectively managed in the Netherlands or carried on through a permanent establishment, a deemed permanent establishment or a permanent representative in the Netherlands and to which enterprise or part of an enterprise the Notes are attributable; and
- (c) in the event the holder is an individual, such holder does not carry out any activities in the Netherlands with respect to the Notes that go beyond ordinary active asset management (in Dutch "*normaal vermogensbeheer*") and does not derive benefits from the Notes that are (otherwise) taxable as benefits from other activities in the Netherlands (in Dutch "*resultaat uit overige werkzaamheden*").

A holder of the Notes will not become subject to taxation on income and capital gains in the Netherlands by reason only of the execution, delivery and/or enforcement of the Notes or the performance by the Issuer of its obligations under the Notes.

#### **4. Gift and estate taxes**

##### *Residents of the Netherlands*

Gift, estate or inheritance taxes will arise in the Netherlands with respect to a transfer of the Notes by way of a gift by, or on the death of, a holder of such Notes who is resident or deemed resident of the Netherlands at the time of the gift or his or her death.

##### *Non-residents of the Netherlands*

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

- (a) such holder at the time of the gift has or at the time of his death had an enterprise or an interest in an enterprise that, in whole or in part, is or was either effectively managed in the Netherlands or carried on through a permanent establishment or a permanent representative in the Netherlands and to which enterprise or part of an enterprise the Notes are or were attributable; or
- (b) in the case of a gift of a Note by an individual who at the date of the gift was neither resident nor deemed to be resident in the Netherlands, such individual dies within 180 days after the date of the gift, while being resident or deemed to be resident in the Netherlands.

For purposes of Dutch gift, estate and inheritance taxes, amongst others, a person that holds the Dutch nationality will be deemed to be resident in the Netherlands if he has been resident in the Netherlands at any time during the ten (10) years preceding the date of the gift or his death. Additionally, for purposes of Netherlands gift tax, amongst others, a person not holding the Dutch nationality will be deemed to be resident in the Netherlands if he has been resident in the Netherlands at any time during the twelve (12) months preceding the date of the gift. Applicable tax treaties may override deemed residency.

#### **5. Turnover tax**

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

**6. Other taxes and duties**

No Dutch registration tax, customs duty, stamp duty or any other similar documentary tax or duty, other than court fees, will be payable in the Netherlands by the holders of the Notes in respect of or in connection with the issue of the Notes.

**7. EU Savings Directive**

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required, since 1 July 2005, to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident in that other Member State; however, for a transitional period, Austria, Belgium and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35%. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

Also with effect from 1 July 2005, a number of non-EU countries, and certain dependent or associated territories of certain Member States, have agreed to adopt similar measures (either provision of information or transitorily withholding) 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 arrangements 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 Issuer, Seller and The Royal Bank of Scotland plc. (the '**Manager**') have entered into a notes purchase agreement dated 28 October 2008 (the '**Notes Purchase Agreement**') pursuant to which the Manager may purchase any Class of the Notes. The Issuer has agreed to indemnify and reimburse the Manager against certain liabilities and expenses in connection with the issue of the Notes.

### **European Economic Area**

In relation to each Member State of the European Economic Area<sup>5</sup> which has implemented the Prospectus Directive (each a '**Relevant Member State**'), the Manager has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the '**Relevant Implementation Date**') it has not made and will not make an offer of the Notes to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Notes, which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of the Notes to the public in that Relevant Member State at any time: (a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities; (b) to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than € 43,000,000 and (iii) an annual net turnover of more than € 50,000,000, as shown in its last annual or consolidated accounts; or (c) in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

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

### **United Kingdom**

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

### **France**

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

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<sup>5</sup> The EU plus Iceland, Norway and Liechtenstein

## **Italy**

No action has or will be taken by them which would allow an offering (or a "*sollecitazione all investimento*") of the Notes to the public in the Republic of Italy unless in compliance with the relevant Italian securities, tax and other applicable laws and regulations; and no application has been filed to obtain an authorisation from the Commissione Nazionale per le Società e la Borsa ("*CONSOB*") for the public offering of the Notes in the Republic of Italy ("*Italy*").

Accordingly, the Notes cannot be offered, sold or delivered in Italy nor may any copy of this Prospectus or any other document relating to the Notes be distributed in Italy other than:

- (i) to professional investors ("*investitori professionali*") as defined in article 30, second paragraph, of Legislative Decree No. 58 of 24 February 1998 (the "Consolidated Financial Act"), which refers to the definition of "*operatori qualificati*" as defined in Article 31, second paragraph, of CONSOB Regulation No. 11522 of 1 July, 1998, as subsequently amended; or
- (ii) in circumstances which are exempted from the rules on solicitation of investments pursuant to article 100 of the Consolidated Financial Act and article 33, first paragraph, of Consob Regulation No. 11971 of 14 May, 1999, as amended

Any offer, sale or delivery of the Notes to professional investors or distribution to the latter of copies of this Prospectus or any other document relating to the Notes in Italy must be made:

- (a) by an investment firm, bank or financial intermediary enrolled in the special register provided for in Article 107 of the Consolidated Banking Act, to the extent duly authorised to engage in the placement and/or underwriting of financial instruments in the Republic of Italy in accordance with the relevant provisions of the Consolidated Financial Act; and
- (b) in compliance with any other applicable laws and regulations and other possible requirements or limitations which may be imposed by Italian authorities.

The Notes cannot be offered, sold or delivered on a retail basis, either in the primary or in the secondary market, to any individuals residing in Italy."

## **United States**

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

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

## **General**

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

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

## GENERAL INFORMATION

1. The issue of the Notes has been duly authorised by a resolution of the board of directors of the Issuer passed on 27 October 2008.
2. Application has been made to list the Notes on the Irish Stock Exchange. The estimated expenses relating to the admission to trading of the Notes on the regulated market of the Irish Stock Exchange are approximately Euro 20,000.
3. The Senior Class A Notes have been accepted for clearance through Euroclear Netherlands and will bear common code 039548542 and ISIN code NL0006477739.
4. The Subordinated Class B Notes have been accepted for clearance through Euroclear Netherlands and will bear common code 039548569 and ISIN code NL0006477747.
5. The addresses of the clearing system is: Euroclear Netherlands, Damrak 70, 1012 LM Amsterdam, the Netherlands.
6. There are no legal, arbitration or governmental proceedings neither is the Issuer aware of any such proceedings which may have, or have had, significant effects on the Issuer's financial position or profitability nor, so far as the Issuer is aware, are any such proceedings pending or threatened against the Issuer.
7. As long as any of the Notes are outstanding, copies of the following documents may be inspected in physical form at the specified offices of the Security Trustee and the Paying Agent during normal business hours:
  - (i) the deed of incorporation, including the articles of association, of the Issuer;
  - (ii) the Mortgage Receivables Purchase Agreement;
  - (iii) the Notes Purchase Agreement;
  - (iv) the Paying Agency Agreement;
  - (v) the Trust Deed;
  - (vi) the Parallel Debt Agreement;
  - (vii) the Security Trustee Pledge Agreement I;
  - (viii) the Security Trustee Pledge Agreement II;
  - (ix) the Administration Agreement;
  - (x) the Sub-Participation Agreement;
  - (xi) the Floating Rate GIC;
  - (xii) the Interest Swap Agreement;
  - (xiii) the Liquidity Loan Agreement;
  - (xiv) the Beneficiary Waiver Agreement; and
  - (xv) the Master Definitions Agreement.
8. A copy of the Prospectus (in print) will be available in physical form (free of charge) at the registered office of the Issuer, the Security Trustee and the Paying Agent.
9. The audited annual financial statements of the Issuer will be made available, free of charge, from the specified office of the Issuer.
10. US Taxes:

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

The sections referred to in such legend provide that a United States person who holds a Note will generally not be allowed to deduct any loss realised on the sale, exchange or redemption of such Note and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income;
11. A quarterly investor report on the performance, including the arrears and the losses, of the transaction, can be obtained at: [www.atccapitalmarkets.com](http://www.atccapitalmarkets.com)

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**REGISTERED OFFICES**

**ISSUER**

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

Frederik Roeskestraat 123  
1076 EE Amsterdam  
The Netherlands

**SECURITY TRUSTEE**

**Stichting Security Trustee SGML II**

Frederik Roeskestraat 123  
1076 EE Amsterdam  
The Netherlands

**ISSUER ADMINISTRATOR**

**POOL SERVICER AND**

**LIQUIDITY LOAN PROVIDER**

**Achmea Hypotheekbank N.V.**

Lange Houtstraat 8  
2511 CW 's-Gravenhage  
The Netherlands

**PAYING AGENT AND REFERENCE AGENT**

**The Bank of New York Mellon, acting through its London Branch**

One Canada Square,  
London, E14 5AL  
United Kingdom

**INTEREST SWAP COUNTERPARTY AND**

**FLOATING RATE GIC PROVIDER**

**The Royal Bank of Scotland plc**

135 Bishopsgate  
London, EC2M EUR  
United Kingdom

**LEGAL AND TAX ADVISERS**

**to the Issuer and the Manager:**

as to Dutch law

**NautaDutilh N.V.**

Strawinskylaan 1999

1077 XV Amsterdam

The Netherlands

**LISTING AGENT**

**NCB Stockbrokers Limited**

3 George's Dock

IFSC, Dublin 1

Ireland