

HOLLAND EURO-DENOMINATED MORTGAGE-BACKED SERIES (HERMES) II B.V.

(incorporated with limited liability in the Netherlands)

euro 621,000,000 Class A Senior Mortgage-Backed Notes 2000 due
18 April 2012,
issue price 100 per cent.

euro 28,000,000 Class B Subordinated Mortgage-Backed Notes 2000 due
18 April 2012,
issue price 100 per cent.

euro 16,000,000 Class C Subordinated Mortgage-Backed Notes 2000 due
18 April 2012,
issue price 100 per cent.

UBS Warburg

SNS Financial Markets

ABN AMRO Artesia BC Rabobank International

CDC MARCHES

Deutsche Bank

Merrill Lynch International

Nomura International

Application has been made to list the euro 621,000,000 Class A Senior Mortgage-Backed Notes 2000 due 2012 (the "Class A Senior Notes") on the Official Segment of the Stock Market of the Euronext Amsterdam N.V. ("Euronext Amsterdam Stock Exchange"). The euro 28,000,000 Class B Subordinated Mortgage-Backed Notes 2000 due 2012 (the "Class B Subordinated Notes") and the euro 16,000,000 Class C Subordinated Mortgage-Backed Notes 2000 due 2012 (the "Class C Subordinated Notes" and together with the Class A Senior Notes and the Class B Subordinated Notes, the "Notes") will not be listed.

Unless previously redeemed in full, the Issuer will redeem the Notes at their respective Principal Amount Outstanding (as defined in the terms and conditions of the Notes (the "Conditions")) on 18 April 2012. The Notes will be subject to mandatory partial redemption quarterly in arrear in the specific circumstances set out in, and subject to and in accordance with, the Conditions.

Payments of principal and interest on the Notes will be made quarterly in arrear on the 18th day of January, April, July and October in each year, (subject to adjustment for non-business days) commencing on 18 January 2001.

It is a condition precedent to issuance that the Class A Senior Notes, on issue, be assigned an "Aaa" rating by Moody's Investors Service Limited ("Moody's") and an "AAA" rating by Fitch Ratings Ltd ("Fitch"), the Class B Subordinated Notes, on issue, be assigned at least an "A1" rating in respect of principal only by Moody's and an "A" rating by Fitch and the Class C Subordinated Notes, on issue, be assigned at least a "Baa1" rating in respect of principal only by Moody's and a "BBB" rating by Fitch. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. For a discussion of some of the risks associated with an investment in the Notes, see "Special Considerations" herein.

The Notes will be secured directly by a deed of surety from Stichting Security Trustee Holland Euro-Denominated Mortgage-Backed Series (Hermes) II (the "Security Trustee"), and indirectly by a pledge over the Mortgage Receivables (as described below) and a pledge over all the assets of the Issuer. The right to payment of interest and principal on the Class B Subordinated Notes and the Class C Subordinated Notes will be subordinated and may be limited as more fully described herein.

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

The Notes will be solely the obligations of the Issuer. The Notes will not be obligations or responsibilities of, or guaranteed by, any other entity or person, in whatever capacity acting, including, without limitation, the Sellers (each as referred to herein), including SNS bank Nederland N.V. ("SNS bank"), the Managers, the Liquidity Facility Provider, the Floating Rate GIC Provider, the Fees And Expenses Subordinated Loan Provider, the Reserve Fund Subordinated Loan Provider, the Swap Counterparty, the Put Option Provider, the Paying Agent, the Reference Agent (each as defined herein) or except for certain limited obligations under the Deed of Surety (as defined below) to, *inter alia*, the holders of the Notes (the "Noteholders"), the Security Trustee. Furthermore, none of the Sellers, the Managers, the Liquidity Facility Provider, the Floating Rate GIC Provider, the Fees And Expenses Subordinated Loan Provider, the Reserve Fund Subordinated Loan Provider, the Swap Counterparty, the Paying Agent, the Reference Agent or the Put Option Provider or any other person, in whatever capacity acting, other than the Security Trustee in respect of limited obligations under the Deed of Surety, 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 Sellers, the Managers, the Liquidity Facility Provider, the Floating Rate GIC Provider, the Fees And Expenses Subordinated Loan Provider, the Reserve Fund Subordinated Loan Provider, the Swap Counterparty, the Paying Agent, the Reference Agent or the Put Option Provider will be under any obligation whatsoever to provide additional funds to the Issuer (save in the limited circumstances described herein).

Only the Issuer is responsible for the information contained in this Offering Circular. To the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. The Issuer accepts responsibility accordingly.

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

This Offering Circular does not constitute an offer to sell or a solicitation of an offer to buy Notes in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction. The distribution of this document and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this 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 Offering Circular is set out in the section entitled "Subscription and Sale" below. No one is authorised to give any information or to make any representation concerning the issue of the Notes other than those contained in this Offering Circular in accordance with applicable laws and regulations. Neither the delivery of this Offering Circular at any time nor any sale made in connection with the offering of the Notes shall imply that the information contained herein is correct at any time subsequent to the date of this Offering Circular.

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

In connection with the issue of the Notes and in accordance with applicable law and regulations of the Euronext Amsterdam Stock Exchange, UBS AG, acting through its business group UBS Warburg, may over-allot or effect transactions which stabilise or maintain the market price of the Notes at a level which might not otherwise prevail. Such stabilising, if commenced, may be discontinued at any time but will in any event be discontinued 30 days after the issue date of the Notes.

All references in this Offering Circular to "NLG" and "euro" refer to the lawful currency of the Netherlands whether as a currency in its own right or as a reflection of a single or unified European currency (whether known as the euro or otherwise).

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Summary

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

Issuer:	Holland Euro-Denominated Mortgage-Backed Series (Hermes) II B.V., incorporated under the laws of the Netherlands with limited liability as a “besloten vennootschap met beperkte aansprakelijkheid”, under number B.V. 1122321 and registered with the Commercial Register of the Chamber of Commerce of Amsterdam. The entire issued share capital of the Issuer is owned by Stichting Holland Euro-Denominated Mortgage-Backed Series (Hermes) established under the laws of the Netherlands as a foundation (“stichting”).
Sellers:	SNS bank Groningen-Friesland-Drenthe N.V., SNS bank Overijssel N.V., SNS bank Gelderland N.V., SNS bank Randstad N.V., SNS bank Brabant/Rivierenland N.V., SNS bank Limburg N.V. and SNS bank Nederland N.V., each incorporated under the laws of the Netherlands with limited liability as a “naamloze vennootschap”
Administrator:	SNS bank Nederland N.V. (“SNS bank”), incorporated under the laws of the Netherlands with limited liability as a “naamloze vennootschap”.
Security Trustee:	Stichting Security Trustee Holland Euro-Denominated Mortgage Backed Series (Hermes) II, established under the laws of the Netherlands as a foundation (“stichting”).
Shareholder:	Stichting Holland Euro-Denominated Mortgage Backed Series (Hermes), established under the laws of the Netherlands as a foundation (“stichting”).
Directors:	ATC Management B.V., the sole director of the Issuer, Amsterdamsch Trustee’s Kantoor B.V., the sole director of the Security Trustee and ATC Trustees (Netherlands) B.V., the sole director of the Shareholder. The Directors belong to the same group of companies.
Put Option Provider:	Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (“Rabobank”).
Liquidity Facility Provider:	SNS bank.
Swap Counterparty:	UBS AG.
Floating Rate GIC Provider:	SNS bank.
Fees And Expenses Subordinated Loan Provider:	SNS bank.
Reserve Fund Subordinated Loan Provider:	SNS Reaal Verzekeringen N.V.
Paying Agent:	ABN AMRO Bank N.V.
Reference Agent:	ABN AMRO Bank N.V.
Notes:	The euro 621,000,000 Class A Senior Mortgage-Backed Notes 2000 due 2012 (the “Class A Senior Notes”), the euro 28,000,000 Class B Subordinated Mortgage-Backed Notes 2000 due 2012 (the “Class B Subordinated Notes”) and the euro 16,000,000 Class C Subordinated Mortgage-Backed Notes 2000 due 2012 (the “Class C Subordinated Notes” and together with the Class A Senior Notes and the Class B

Summary

Subordinated Notes, the “Notes”) will be issued by the Issuer on 30 October 2000 (or such later date as may be agreed between the Issuer and the Managers) (the “Closing Date”).

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

- (i) the Class A Senior Notes 100%;
- (ii) the Class B Subordinated Notes 100%;
- (iii) the Class C Subordinated Notes 100%

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

Interest: Interest on the Notes is payable by reference to successive interest periods (each an “Interest Period”) and will be payable quarterly in arrear in euros in respect of the Principal Amount Outstanding (as defined in the Conditions) of each class of Notes on the 18th day of January, April, July and October (or, if such day is not a day on which banks are open for business in Amsterdam and London (a “Business Day”), the next succeeding Business Day unless such Business Day falls in the next succeeding calendar month in which event interest will be payable on the immediately preceding Business Day) in each year (each such day being a “Payment Date”). The first Interest Period will commence on (and include) the Closing Date and end on (but exclude) 18 January 2001.

Each successive Interest Period will commence on (and include) a Payment Date and end on (but exclude) the next succeeding Payment Date. Interest for each 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-month deposits in euros (determined in accordance with Condition 4(d)) (or, in respect of the first such interest payment, the rate which represents the linear interpolation of Euribor for two-month and three-month deposits in euros) plus in respect of the Class A Senior Notes a margin of 0.27% per annum, in respect of the Class B Subordinated Notes a margin of 0.80% per annum and in respect of the Class C Subordinated Notes a margin of 1.45% per annum less, in respect of the Class B Subordinated Notes and the Class C Subordinated Notes, in the event the Issuer incurs a corporate income tax liability in connection with the relevant Class of Notes, the corporate income tax rate applicable to the Issuer from time to time, multiplied by the sum of Euribor for the relevant period plus the applicable margin.

Final Maturity Date for the Notes: The final maturity date for each class of Notes will be 18 April 2012 .

Redemption of the Notes: Prior to enforcement of the security for the Notes, the Notes will be subject to mandatory redemption in part on each Payment Date in an amount equal to the Redemption Available Amount (as defined in Condition 6) in the following order, (i) firstly, the Class A Senior Notes until fully redeemed and, thereafter, (ii) the Class B Subordinated Notes until fully redeemed and, thereafter, (iii) the Class C Subordinated Notes. Unless previously redeemed in full, the Notes will be redeemed at their Principal Amount Outstanding on 18 April 2012 .

Redemption for tax reasons: In the event of certain tax changes affecting the Notes, other than in respect of the Class B Subordinated Notes and the Class C Subordinated Notes pursuant to the bill containing the final amendments and additions to the Dutch Tax Reform 2001 (“*Veegwet*”) as published on 23 October 2000 (see “Special Considerations” below), including in the event that the Issuer

is or will be obliged to make any withholding or deduction from payments in respect of any of the Notes (although the Issuer will not have any obligation to pay additional amounts in respect of any such withholding or deduction), the Issuer may (but is not obliged to) redeem all (but not some only) of the Notes at their Principal Amount Outstanding together with accrued interest thereon up to and including the date of redemption, subject to and in accordance with the Conditions. No class of Notes may be redeemed under such circumstances unless the other classes of Notes (or such of them as are then outstanding) are also redeemed in full at the same time.

- Method of Payment:** For so long as the Notes are represented by a Global Note, payments of principal and interest will be made in euro for the credit of the respective accounts of the Noteholders with Euroclear and Clearstream, Luxembourg.
- Use of proceeds:** The Issuer will use the proceeds from the issue of the Notes to pay to the Sellers the Initial Purchase Price for the Mortgage Receivables (as described below), pursuant to the provisions of an agreement dated 27 October 2000 (the “Mortgage Receivables Purchase Agreement”) and made between the Sellers, the Issuer and the Security Trustee. See further “Mortgage Receivables Purchase Agreement” below.
- Mortgage Receivables:** Under the Mortgage Receivables Purchase Agreement, the Issuer will on the Closing Date purchase and accept the assignment of any and all rights (the “Mortgage Receivables”) of each of the Sellers, whether individually or jointly with one or more of the other Sellers, against certain borrowers (the “Borrowers”) under or in connection with certain pre-selected Mortgage Loans (as defined below).
- Mortgage Loans:** The Mortgage Receivables to be sold by the Sellers pursuant to the Mortgage Receivables Purchase Agreement will relate to loans secured by a first-ranking mortgage right, over residential property situated in the Netherlands and each entered into by one of the Sellers (other than SNS Bank) together with SNS Bank and the relevant Borrowers which meet criteria set forth in the Mortgage Receivables Purchase Agreement and which will be selected prior to or on the Closing Date (the “Mortgage Loans”). The Mortgage Loans will consist of interest only mortgages (“aflossingsvrije hypotheken”), linear mortgages (“lineaire hypotheken”), annuity mortgages (“annuïteitenhypotheken”), investment based mortgages (“rendementhypotheken”) or combinations of these. See further “The Mortgage Portfolio” below.
- Life Insurance Policies:** A substantial proportion of the Mortgage Loans has the benefit of combined risk and capital insurance policies (“Life Insurance Policies”) taken out by Borrowers with a life insurance company (“a Life Insurance Company”). See further “Special Considerations” below.
- Interest Rate Reset:** The Mortgage Loans carry a fixed rate of interest for a period of up to 12 years from the date of origination, after which the interest rate will be reset for a different or identical time period. Interest Rate Reset Dates fall between 1 June 2008 and 1 March 2012.
- Sale of Mortgage Receivables:** In a period beginning 225 days prior to each date on which the interest rate of a Mortgage Loan is to be reset (the “Interest Rate Reset Date”) and ending no later than 95 days prior to each Interest Rate Reset Date, the Issuer has undertaken to use its best efforts to sell and assign all but not some of the Mortgage Receivables relating to the Mortgage Loans in respect of which the interest rate is to be reset (the “Reset Mortgage Receivables”) to a third party, which may also be one or more of the Sellers. If 215 days before each Interest Rate Reset Date the Reset

Mortgage Receivables have not been purchased by, and assigned to, such third party, the Company will notify the Borrowers of (i) the termination of the mortgage rights securing the Reset Mortgage Receivables in as far as they secure other debts than the Reset Mortgage Receivables (see “Bank Mortgages” below) and (ii) the assignment of the Reset Mortgage Receivables to the Issuer (see “Transfer of Legal Title to Mortgage Receivables” below), if such notification has not already been made before that date. If and to the extent that the Issuer has not succeeded in obtaining a firm commitment to sell and assign all but not some of the Reset Mortgage Receivables, the Issuer will be obliged to offer not more than 95 nor less than 90 days prior to the relevant Interest Rate Reset Date such Mortgage Receivables to the Put Option Provider, which will be obliged to purchase and accept assignment of the Reset Mortgage Receivables on the terms and subject to the conditions set forth in the Put Option Agreement (as defined below). The Reset Mortgage Receivables will be sold at a price equal to the sum of the then outstanding principal amount of such Reset Mortgage Receivables together with accrued interest due but not paid, if any. Mortgage Receivables under which amounts, which are due and payable, have remained unpaid for a period exceeding 45 days or in respect of which an instruction has been given to the civil-law-notary to start foreclosure proceedings, will be sold for a purchase price equal to an amount which is the lesser of (a) the most recent available foreclosure value, or (b) the sum of the outstanding principal amount of such Mortgage Receivable together with accrued interest due but not paid, if any, and any other amounts due but not paid, if any.

Put Option Agreement:

The Issuer will on the Closing Date enter into a put option agreement with, *inter alia*, the Put Option Provider (the “Put Option Agreement”) which will provide that the Issuer may, at its option, on giving not more than 95 nor less than 90 days’ prior written notice offer for sale the Reset Mortgage Receivables to the Put Option Provider and assign such Reset Mortgage Receivables to the Put Option Provider which shall be obliged to purchase and accept 65 days prior to the relevant Interest Rate Reset Date assignment of such Reset Mortgage Receivables on the same terms and conditions as described above.

Security for the Notes:

The Notes will be secured (a) directly, by a deed of surety to be entered into on the Closing Date between the Security Trustee and certain Secured Parties (as defined in “Description of Security” below) pursuant to which the Security Trustee will agree to grant a surety (“borgtocht”) to the Secured Parties, which include the Noteholders on a limited recourse basis (the “Deed of Surety”); (b) indirectly, through the Security Trustee, by a first ranking pledge by the Sellers to the Security Trustee and a second ranking pledge by the Sellers to the Issuer over the Mortgage Receivables, including all rights ancillary thereto, and the rights of the Sellers as beneficiary under the Life Insurance Policies; and (c) indirectly, through the Security Trustee, by a first ranking pledge by the Issuer to the Security Trustee over the Issuer’s rights under or in connection with the Mortgage Receivables Purchase Agreement, the Administration Agreement, the Put Option Agreement, the Liquidity Facility Agreement, the Swap Agreement and the Floating Rate GIC and in respect of the Floating Rate GIC Account (each as referred below). The amount payable to the Noteholders and the other Secured Parties under the Deed of Surety will be limited to the amounts available for such purpose to the Security Trustee which, broadly, will consist of amounts recovered by the Security Trustee on the Mortgage Receivables and amounts received by the Security Trustee as creditor under the Mortgage Receivables Purchase Agreement. Payments under the Deed of Surety to the Secured Parties will be made in accordance with the Priority of

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Payments upon Enforcement (as defined in “Credit Structure” below). See for a more detailed description “Description of Security” below.

- Administration Agreement: Under the terms of an administration agreement to be entered into on the Closing Date (the “Administration Agreement”) between the Issuer, the Administrator and the Security Trustee, the Administrator will agree to provide (i) administration and management services in relation to the Mortgage Loans on a day-to-day basis, including, without limitation, the collection of payments of principal, interest and all other amounts in respect of the Mortgage Loans and the implementation of arrears procedures including, if applicable, the enforcement of mortgages (see further section “SNS Residential Mortgage Business” below) and (ii) certain administration, calculation and cash management services for the Issuer on a day-to-day basis, including without limitation, all calculations to be made pursuant to the Conditions in connection with the Notes. It is expected that the Administrator will delegate the administration and management services in relation to the Mortgage Loans and the Mortgage Receivables to each of the respective Sellers of the relevant Mortgage Receivables.
- Management Agreements: At the date hereof, each of the Issuer and the Security Trustee will enter into a management agreement (together the “Management Agreements”) with the relevant Director, whereunder the relevant Director will undertake to act as director of the Issuer or, as the case may be, the Security Trustee and to perform certain services in connection therewith.
- Liquidity Facility: On the Closing Date, the Issuer will enter into a 364 day term liquidity facility agreement with the Liquidity Facility Provider (the “Liquidity Facility Agreement”) whereunder the Issuer will be entitled to make drawings in order to meet certain shortfalls in its available revenue receipts. See further “Credit Structure” below.
- Floating Rate GIC Account: The Issuer shall maintain with the Floating Rate GIC Provider an account (the “Floating Rate GIC Account”) to which on the 8th business day of each month all amounts of interest, prepayment penalties and principal received under the Mortgage Receivables, will be transferred by the Administrator in accordance with the Administration Agreement.
- 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, whereunder the Floating Rate GIC Provider will agree to pay a guaranteed rate of interest determined by reference to Euribor on the balance standing from time to time to the credit of the Floating Rate GIC Account.
- Swap Agreement: On or before the Closing Date, the Issuer will enter into a swap agreement with the Swap Counterparty (the “Swap Agreement”) to hedge the basis risk between the fixed rate of interest to be received by the Issuer on the Mortgage Receivables and the floating rate of interest payable by the Issuer on the Notes,
- Fees And Expenses Subordinated Loan: On the Closing Date, the Issuer will enter into a subordinated loan agreement (the “Fees And Expenses Subordinated Loan”) with the Fees And Expenses Subordinated Loan Provider for an amount of euro 3,191,770 which will be used to pay certain costs and expenses incurred by the Issuer in connection with the issue of the Notes.
- Reserve Fund Subordinated Loan: On the Closing Date, the Issuer will enter into a subordinated loan agreement (the “Reserve Fund Subordinated Loan”) with the Reserve Fund Subordinated Loan Provider for an amount of euro 13,300,000 which will be used to establish the Reserve Fund (as defined below).

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- Reserve Fund:** The Issuer will pay the proceeds of the Reserve Fund Subordinated Loan to the Floating Rate GIC Account to establish a reserve fund, the purpose of which will be to enable the Issuer to meet the Issuer's payment obligations under items (a) up to and including (j) in the Interest Priority of Payments (as defined in "Credit Structure" below) in the event of a shortfall of the Interest Available Amount (as defined in "Credit Structure" below) on a Calculation Date (as defined in "Credit Structure" below) (the "Reserve Fund"). If and to the extent that the Interest Available Amount on any Calculation Date exceeds the amounts required to meet items (a) up to and including (j) of the Interest Priority of Payments, and if a drawing has been made by the Issuer from the Reserve Fund, such excess amount will be utilised to replenish the Reserve Fund by crediting such amount to the Floating Rate GIC Account up to the maximum amount described below (the "Reserve Fund Required Amount"). On the Closing Date the Reserve Fund Required Amount shall be equal to euro 13,300,000. On any Calculation Date following the Closing Date but prior to the Calculation Date immediately preceding the Payment Date falling in July 2008 the Reserve Fund Required Amount shall be equal to euro 14,630,000 and thereafter an amount equal to the lesser of (i) euro 14,630,000 and (ii) the greater of (x) 4.4% of the aggregate Principal Amount Outstanding of the Notes and (y) euro 3,000,000.
- Listing:** Application has been made for the Class A Senior Notes to be listed on the Euronext Amsterdam Stock Exchange.
- Withholding Tax:** Payments of interest and principal on the Notes will be subject to any applicable withholding taxes, without the Issuer being obliged to pay any additional amounts in respect thereof.
- Rating:** It is a condition precedent to issuance that (i) the Class A Senior Notes, on issue, be assigned a rating of "Aaa" by Moody's and "AAA" by Fitch, (ii) the Class B Subordinated Notes, on issue, be assigned a rating of at least "A1" in respect of principal only by Moody's and "A" by Fitch and (iii) the Class C Subordinated Notes, on issue, be assigned a rating of at least "Baa1" in respect of principal only by Moody's and "BBB" by Fitch.
- Governing Law:** The Notes will be governed by and construed in accordance with the laws of the Netherlands.

Special Considerations

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

LIABILITIES UNDER THE NOTES

The Notes will be solely the obligations of the Issuer. The Notes will not be obligations or responsibilities of, or guaranteed by, any other entity or person, in whatever capacity acting, including, without limitation, the Sellers, the Managers, the Liquidity Facility Provider, the Floating Rate GIC Provider, the Fees And Expenses Subordinated Loan Provider, the Reserve Fund Subordinated Loan Provider, the Swap Counterparty, the Put Option Provider, the Paying Agent, the Reference Agent or, except for certain limited obligations under the Deed of Surety as more fully described in “Description of Security”, the Security Trustee. Furthermore, none of the Sellers, the Managers, the Liquidity Facility Provider, the Floating Rate GIC Provider, the Fees And Expenses Subordinated Loan Provider, the Reserve Fund Subordinated Loan Provider, the Swap Counterparty, the Paying Agent, the Reference Agent or the Put Option Provider or any other person in whatever capacity acting, other than the Security Trustee in respect of limited obligations under the Deed of Surety, will accept any liability whatsoever to Noteholders in respect of any failure by the Issuer to pay any amounts due under the Notes.

The ability of the Issuer to meet its obligations in full to pay principal of and interest on the Notes will be dependent on the receipt by it of funds under the Mortgage Receivables, the proceeds of the sale of any Mortgage Receivables, including those sold under the Put Option Agreement, the receipt by it of payments under the Swap Agreement and the receipt by it of interest in respect of the Floating Rate GIC. See further “Credit Structure”. In addition, the Issuer will have available to it the Reserve Fund and the Liquidity Facility for certain of its payment obligations.

DEED OF SURETY

The Notes will be secured, *inter alia*, by the Deed of Surety. Under the terms of the Deed of Surety, the Security Trustee will undertake to pay to the Secured Parties (including the Noteholders), subject to the Priority of Payments upon Enforcement (as described in “Credit Structure” below), all amounts due and payable by the Issuer to the Secured Parties, including amounts due under or in connection with the Notes, if the Issuer does not perform its obligations under the Notes, whether fully or partially. However, the payment obligation to the Secured Parties will be limited, broadly, to amounts received by the Security Trustee as creditor under the Mortgage Receivables Purchase Agreement and amounts recovered under any of the pledge agreements to which the Security Trustee is a party (as more fully described in “Description of Security” below). Given the limited recourse provisions to be contained in the Deed of Surety, it should not be regarded as credit enhancement for the Notes in economic terms. The Deed of Surety will be entered into for purely technical reasons and will be used to create a recourse claim of the Security Trustee against the Issuer, so that as a matter of Netherlands law the Mortgage Receivables can be effectively pledged to the Security Trustee by each of the Sellers.

TRANSFER OF LEGAL TITLE TO MORTGAGE RECEIVABLES

The Mortgage Receivables Purchase Agreement will provide that the assignment of the Mortgage Receivables by the relevant Sellers to the Issuer will not be notified by the relevant Sellers to the Borrowers except if certain events occur. For a description of these notification events reference is made to the section “Mortgage Receivables Purchase Agreement” below. Under Netherlands law the assignment of a receivable is only perfected if the assignment has been notified to the Borrower. Consequently, prior to such notification, legal title to the Mortgage Receivables will remain with the relevant Sellers. Notification of the assignment to a Borrower after any of the relevant Sellers has been declared bankrupt or subject to emergency regulations under the Netherlands Act on the Supervision of the Credit System 1992 will not be effective and, consequently, in such event the legal ownership to the Mortgage Receivables will not pass to the Issuer.

In order to protect the Issuer in the situation that notification of the assignment of the Mortgage Receivables can no longer be effectively made due to bankruptcy or emergency regulations involving any of the relevant Sellers, each of the Sellers will grant a first-ranking “silent” right of pledge (i.e. without notification being required) under Netherlands law to the Security Trustee and a second-ranking “silent” right of pledge to the

Issuer over the relevant Mortgage Receivables and the Issuer will grant a first-ranking “disclosed” right of pledge to the Security Trustee on the rights deriving from, *inter alia*, the Mortgage Receivables Purchase Agreement, as more fully described in “Description of Security” below. Notification of the “silent” rights of pledge in favour of the Security Trustee and the Issuer can be validly made after bankruptcy or emergency regulations have been declared in respect of any of the relevant Sellers. Under Netherlands law the Issuer and the Security Trustee can, in the event of bankruptcy or emergency regulations in respect of a Seller, exercise the rights afforded by law to pledgees as if there were no bankruptcy or emergency regulations. However, bankruptcy or emergency regulations involving any of the Sellers would affect the position of the Security Trustee and the Issuer as pledgees in some respects, the most important of which are: (i) payments made by Borrowers prior to notification but after bankruptcy or emergency regulations involving any of the relevant Sellers having been declared, will be part of the estate, although the relevant pledgee has the right to receive such amounts by preference, (ii) a mandatory “cool-off” period of up to two months may apply in case of bankruptcy or emergency regulations involving any of the Sellers, which, if applicable, would delay the exercise of the right of pledge on the Mortgage Receivables and (iii) the relevant pledgee may be obliged to enforce its right of pledge within a reasonable period as determined by the judge-commissioner (*rechter-commissaris*) appointed by the court in case of bankruptcy of such Seller.

SET-OFF

The conditions applicable to the Mortgage Loans provide that payments by the Borrowers should be made without set-off. Although this clause is intended as a waiver by the Borrowers of their set-off rights *vis-à-vis* the relevant Sellers, under Netherlands law it is uncertain whether such waiver will be valid.

Should such waiver be invalid, under Netherlands law each Borrower will, subject to the legal requirements for set-off being met, be entitled to set off amounts due by any of the relevant Sellers to it (if any) with amounts it owes in respect of the Mortgage Receivables. After assignment and/or pledge of the Mortgage Receivables to the Issuer and notification thereof to a Borrower, the Borrower will also have set-off rights *vis-à-vis* the Issuer, provided that the legal requirements for set-off are met, and further provided that (i) the counterclaim of the Borrower results from the same legal relationship as the relevant Mortgage Receivable, or (ii) the counterclaim of the Borrower has been originated and become due prior to the assignment and/or pledge of the Mortgage Receivables and notification thereof to the relevant Borrower.

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

For specific set-off issues relating to Mortgage Loans which have the benefit of a Life Insurance Policy reference is made to the paragraph “Life Insurance Policies” below.

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

SALE OF MORTGAGE RECEIVABLES

Pursuant to the terms of the Trust Deed, the Issuer will be required to use its best efforts in a period beginning 225 days prior to each Interest Rate Reset Date and ending no later than 95 days prior to an Interest Rate Reset Date to sell and assign or, as the case may be, procure the assignment by the Sellers of all but not some of the Reset Mortgage Receivables to a third party, which party may also be one or more of the Sellers. If and to the extent that the Issuer has not succeeded in obtaining a firm commitment to sell and assign all but not some of the Reset Mortgage Receivables, the Issuer will be obliged to offer not more than 95 nor less than 90 days prior to the relevant Interest Rate Reset Date such Mortgage Receivables to the Put Option Provider, which will be obliged to purchase and accept assignment of the Reset Mortgage Receivables on the terms and subject to the conditions set forth in the Put Option Agreement.

The purchase price for any Reset Mortgage Receivables to be sold by the Issuer pursuant to the Put Option Agreement shall be equal to the aggregate outstanding principal amount of such Mortgage Receivables, together with accrued interest due but not paid, if any. With respect to any Mortgage Receivables (i) under which amounts, which are due and payable, have remained unpaid for a period exceeding 45 days or (ii) in respect of which an instruction has been given to the civil law-notary to commence foreclosing proceedings, the purchase price shall be equal to the amount which is the lesser of (a) the most recent available foreclosure value, or (b) the sum of the outstanding principal amount of such Mortgage Receivable together with accrued interest due but not paid, if any, and any other amounts due but not paid, if any.

The ability of the Issuer to exercise its rights under the Put Option Agreement will be dependent upon the Put Option Provider performing its obligations under the Put Option Agreement. No mechanism for the replacement of the Put Option Provider will be set out in the Put Option Agreement should the Put Option Provider fail to perform its obligations.

BANK MORTGAGES

All Mortgage Receivables sold to the Issuer 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 relevant Sellers (“Bank Mortgages”). Under Netherlands law it is uncertain whether, in the event of assignment or pledge of a receivable secured by a Bank Mortgage, the Bank Mortgage will follow such receivable. Based upon case law, it is generally assumed by Netherlands legal commentators that a Bank Mortgage will only follow the receivable which it secures, if the relationship between the bank and the borrower has been terminated in such a manner that following the transfer, the bank cannot create or obtain new receivables against the borrower.

Each of the Sellers will undertake in the Mortgage Receivables Purchase Agreement to partially terminate the relevant mortgage rights securing Mortgage Receivables to the extent that the mortgage right secures debts other than the relevant Mortgage Receivables by giving notice of such partial termination to the relevant Borrowers at the same time that the Borrowers will be notified of the assignment (see “Transfer of Legal Title to Mortgage Receivables” above). As a consequence of such partial termination the mortgage right would only secure the Mortgage Receivable assigned to the Issuer and would, in effect, cease to be a Bank Mortgage. Although there is no case law directly to support this view, the Issuer has been advised that there are no reasons why the mortgage right will not follow the Mortgage Receivable upon its assignment if the bank mortgage character is removed through partial termination prior to transfer of legal title to the Mortgage Receivables to the Issuer.

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

Under Netherlands law a mortgage right can be terminated by the mortgage holder provided that upon creation of the mortgage right the mortgage holder was granted such right by the mortgage deed. The terms of the mortgage deeds relating to Mortgage Loans created after January 1998 specifically provide for a partial termination right. Mortgage deeds in respect of Mortgage Loans created before that date include a general termination right only. However, the Issuer has been advised that even in the latter case there are strong reasons for arguing that, based on a reasonable interpretation of the termination provision, the general termination right should also include a partial termination right.

Should a Seller be declared bankrupt or become subject to emergency regulations, its undertaking to give a notice of partial termination is no longer enforceable and a notice of partial termination received after such date by a Borrower will not be effective. In such a situation the legal transfer of the relevant Mortgage Receivables can no longer be effected, although the Issuer and the Security Trustee will remain pledgees of such Mortgage Receivables (see “Transfer of Legal Title to Mortgage Receivables” above). The fact that notice can no longer be given means that it is likely, depending on the specific facts and circumstances involved, that the Issuer and the Security Trustee will not have the benefit of a mortgage right securing such Mortgage Receivables and, if a Borrower would fail to comply with its obligations under the Mortgage Loan, the Issuer or the Security Trustee (as the case may be) would not be in a position to foreclose the mortgage

right as pledgee of the Mortgage Receivables. In that case the assistance of the relevant Seller's administrator (in case of emergency regulations) or bankruptcy trustee (in case of bankruptcy) would be required to effect a foreclosure which would, in whole or in part, be for the benefit of the pledgees. It is uncertain whether such assistance will be forthcoming. A similar situation could arise if any of the relevant Sellers becomes subject to emergency regulations or is declared bankrupt after notice of partial termination is given and the courts would come to the conclusion, notwithstanding the arguments against such an interpretation, that a Bank Mortgage cannot be converted by way of partial termination into a mortgage right which only secures the Mortgage Receivables or, following such conversion, does not follow the Mortgage Receivables upon their pledge or assignment. Consequently, the Issuer would not have the benefit of the mortgage right securing such Mortgage Receivables and would have to rely on the assistance of the relevant Seller's administrator or bankruptcy trustee to foreclose the mortgage right.

LIFE INSURANCE POLICIES

Pledge

A substantial proportion of the Mortgage Loans has the benefit of a Life Insurance Policy. All rights of a Borrower under the Life Insurance Policies have been pledged to one of the relevant Sellers ("Borrower Insurance Pledge"). It is uncertain under Netherlands law whether such pledge will be effective, since it is probable that the right to receive payment under the Life Insurance Policies will be regarded by a Netherlands court as a future right. The pledge of a future right is not effective if the pledgor is declared bankrupt, and may also not be effective if the pledgor is granted a suspension of payments or emergency regulations apply, prior to the moment such right comes into existence. Even if the pledge on the rights on the Life Insurance Policies would be effective, it is unlikely that such right of pledge will pass to the Issuer or, as the case may be, the Security Trustee upon the assignment or pledge of the Mortgage Receivables, because the pledge secures the same liabilities as the Bank Mortgages and the uncertainty described above applies equally in respect of a pledge on the rights on the Life Insurance Policies. Partial termination (as described in "Bank Mortgages" above) of the rights of pledge will not be possible, since the relevant mortgage deeds and/or the relevant pledges do not provide the power to the Sellers to terminate the right of pledge.

Beneficiary

Furthermore, one of the relevant Sellers has been appointed as beneficiary under the Life Insurance Policies up to the amount of its claim on the Borrower/policyholder (the "Life Beneficiary Rights"). This appointment is not applicable, however, in those cases where the beneficiary ranking immediately behind the relevant Seller has given an instruction to the Life Insurance Company to pay the proceeds of the Life Insurance Policy to the relevant Seller. It is unlikely that the Life Beneficiary Rights will follow the Mortgage Receivables upon assignment or pledge thereof to the Issuer or the Security Trustee. The Life Beneficiary Rights will, however, be pledged to the Security Trustee and the Issuer (see "Description of Security" below), but it is uncertain whether this pledge will be effective. If such pledge is not effective, any proceeds under the Life Insurance Policies will be payable to the Seller up to the amount of any claims it may have on the relevant Borrower. If at the time of such payment under any Life Insurance Policy legal title to the Mortgage Receivables has not passed to the Issuer and the amount received by the relevant Seller is not applied in reduction of the Mortgage Receivable, this could lead to the Borrowers invoking defences against the Issuer or, as the case may be, the Security Trustee for the amounts so received by the relevant Seller. However, the Issuer has been advised that it can be argued that, assuming that the relevant Seller has no other claims on the relevant Borrowers, following notification of the pledge pursuant to the Security Trustee Pledge Agreement I (see "Description of Security" below), the relevant Seller (being only legal owner of the Mortgage Receivables and no longer authorised to collect the Mortgage Receivables) would no longer be entitled to receive the insurance proceeds as beneficiary or on the basis of a payment instruction.

Each of the Sellers will undertake, following certain notification events, if so requested by the Issuer, to use its best efforts to obtain the co-operation from the relevant Life Insurance Companies and all other relevant parties to appoint the Issuer as first beneficiary under the Life Insurance Policies and to create a first-ranking pledge on the Life Insurance Policies in favour of the Issuer, if applicable. It is uncertain whether such co-operation will be forthcoming (see further "Mortgage Receivables Purchase Agreement" below).

Set-off or defences

If any of the Life Insurance Companies is no longer able to meet its obligations under the Life Insurance Policies, for example it is declared subject to emergency regulations or bankruptcy, Borrowers that have entered such Life Insurance Policies may try to limit the rights of the relevant Sellers or, as the case may be, the Issuer or the Security Trustee under the Mortgage Receivables through set-off or defences to the effect that

such Borrowers are not liable to pay the amount outstanding under the Mortgage Receivables to the extent the relevant Sellers or, as the case may be, the Issuer or the Security Trustee would have received such amount from the relevant Life Insurance Companies, but for such default by these Life Insurance Companies.

In respect of a right of set-off by Borrowers the following is noted. As set out (in “Set-off” above) the Borrowers have waived their set-off rights, but it is uncertain whether such waiver is effective. If the waiver is not effective the Borrowers will in order to invoke a right of set-off, need to comply with the applicable requirements. One of these requirements is that the Borrower should have a claim which corresponds to his debt to the same counterparty. The Life Insurance Policies are contracts between the relevant Life Insurance Company and the Borrowers. Therefore, in order to invoke a right of set-off the Borrowers would have to establish that the relevant Sellers and the relevant Life Insurance Companies should be regarded as one legal entity or that the Life Insurance Policies and the Mortgage Receivables are to be regarded as one inter-related legal relationship. Furthermore, the Borrowers should have a counterclaim. If the relevant Life Insurance Company is declared bankrupt or subject to emergency regulations, the Borrower will have the right unilaterally to terminate the Life Insurance Policy and to receive a commutation payment (“*afkoopsom*”). These rights are subject to the Borrower Insurance Pledge (see above) and, therefore, it is unlikely that the Borrower will be entitled to invoke a right of set off for the commutation payment, subject, however, to what is stated above on “bank pledges”. However apart from the right to terminate the Life Insurance Policies, the Borrowers are also likely to have the right to rescind the Life Insurance Policies and to claim restitution of premiums paid and/or supplementary damages. It is uncertain whether such claim is subject to the Borrower Insurance Pledge. If not, the Borrower Insurance Pledge would not obstruct a right of set-off with such claim by Borrowers. Finally, set off *vis-à-vis* the Issuer and/or the Security Trustee is unlikely to be possible, since it is unlikely that one of the requirements for set-off following assignment or pledge is met (see “Set-off” above).

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

In respect of Mortgage Loans having the benefit of Life Insurance Policies the Issuer has been advised that the possibility cannot be disregarded that such defences would be successful, as described above, if, in case of bankruptcy or emergency regulations of any of the Life Insurance Companies, the Borrowers/insured will not be able to recover their claims under their Life Insurance Policies. However, taking into account that the Sellers have represented that with respect to such Mortgage Loans (i) there is no connection, whether from a legal or a commercial point of view, between the Mortgage Loan and the relevant Life Insurance Policy other than the relevant Borrower Insurance Pledge and the relevant Life Beneficiary Rights, (ii) the Mortgage Loans and the Life Insurance Policies are not marketed as one product and (iii) the Borrowers are free to choose the relevant Life Insurance Company, the Issuer has been advised that it is unlikely that a court would honour defences of the Borrowers, as described above. In the event that the Life Insurance Company is a member of the same group of companies to which the Sellers belong, the Issuer has been advised that the risk that the Borrowers can successfully invoke defences is greater.

INVESTMENT BASED MORTGAGES

In the case of investment based mortgages (“*rendementhypotheken*”) the related securities have been pledged to one of the relevant Sellers by the relevant Borrower. The uncertainty described above as to the pledge on the rights under the Life Insurance Policies following the Mortgage Receivables upon their assignment and/or pledge to the Issuer or, as the case may be, the Security Trustee applies equally to such mortgage products (see “Life Insurance Policies” above) and a similar best efforts undertaking will apply.

EC WITHHOLDING DIRECTIVE

In May 1998, the European Commission presented to the council of Ministers of the European Union a proposal to oblige Member States to adopt either a “withholding tax system” or an “information reporting system” in relation to payments of interest, discounts and premiums. In June 2000 the council of Ministers of the European Union decided in favour of an “information reporting system”. Once sufficient reassurances with regard to the application of the same measures in dependent or associated territories and of equivalent measures in the United States of America and key third countries have been obtained, the Council of Ministers of the European Union will decide on the adoption and implementation of the proposed no later than 31 December 2002. Until then, Member States shall supply to other Member States details of any payment of interest, discount or premium made by the paying agents within its jurisdiction to an individual resident in another Member State, or operate a withholding tax. For these purposes, the term “paying agent” is widely defined and includes an agent who is responsible for the payment of interest, discounts or premiums for the immediate benefit of an individual beneficially entitled thereto. Member States which operate a withholding tax agree to transfer an appropriate share of their revenue to the Investor’s state of residence. When the Council of Ministers of the European Union decides on the adoption and implementation of the proposal on the basis of the above, any Member State operating a withholding tax shall agree to implement exchange of information, as soon as conditions permit, and in any case, no later than seven years after the entry into force of the proposal. Since the Council of Ministers of the European Union still has to decide on the adoption and implementation of the proposal, our tax opinion below does not include an opinion with regard to the proposed EU Guideline.

THE INCOME TAX ACT 2001

The proposed Income Tax Act 2001 will enter into force as of 1 January 2001. The draft legislation for the new Income Tax Act of 2001 was passed by the Second Chamber and approved by the First Chamber of the Dutch Parliament. However, although this Income Tax Act has been approved by both Chambers of the Dutch Parliament (substantial) and additional proposed changes have been published on 23 October 2000. Below is an outline of the expected changes for non-residents receiving interest payments from the Netherlands. This outline does not represent a tax opinion and may not be construed as such.

Limitation of scope

The comments below are based on the assumption that purchasers of the Notes will, exclusively or almost exclusively, be persons or entities other than individuals. The present comments therefore focus on changes relevant to these persons or entities. Since it cannot be excluded that individuals will actually acquire Notes, some, but very limited remarks are made with regard to tax changes that may be relevant for individuals that actually do acquire Notes.

Withholding tax

The legislative proposal containing the Income Tax Act 2001 does not include a proposal to introduce a general withholding tax on interest payments made by residents of the Netherlands.

Changes for non-residents, other than individuals

The comments below are of a general nature and do not aim to deal with all situations that might occur. Whether a change in the Dutch tax position of a holder of a Note will actually take place owing to the Income Tax Act 2001, will always have to be reviewed on a case by case basis. The legislative proposal containing the Income Tax Act 2001 includes both technical and substantive amendments to the Corporate Income Tax Act 1969. As of 1 January 2001, the Corporate Income Tax Act 1969 will contain its own set of rules regarding the taxation of Dutch source income, taxable in the hands of non-residents (articles 17, 17a and 18) and no longer refer to the Income Tax Act 1964 in this respect. The proposed changes should generally speaking not lead to non-resident holders of notes, other than individuals, who derive income or gains from the Notes, becoming subject to Dutch taxation in situations where they currently are not.

Changes for non-resident individuals

The comments below are of a general nature and do not aim to deal with all situations that might occur. Whether a change in the Dutch tax position of a holder of a Note will actually take place owing to the Income Tax Act 2001, will always have to be reviewed on a case by case basis. It should be noted that article 2.5 of the Income Tax Act 2001, grants certain non-resident individuals the right to elect to be taxed as if they were a resident in the Netherlands. Under the Income Tax Act 2001, taxation will in most cases generally remain intact. In case the holder of a Note is entitled to a share in the profits of an enterprise

effectively managed in the Netherlands other than by way of securities or through an employment contract and the income or gains are attributable to such enterprise, taxation may, depending on the circumstances, either be based on the actual income/gains and take place at progressive rates of up to 52%, or be based on a deemed annual taxable income of 4% of the average value of the Notes held, and be taxed at a fixed rate of 30%. Net wealth tax is expected to be abolished as of 1 January 2001.

PROPOSED INCOME TAX AMENDMENT

On 23 October 2000 the text of the bill containing the final amendments and additions to the Dutch Tax Reform 2001 (“*Veegwet*”) was published. This included draft legislation with respect to the tax treatment of certain types of debt. Although it is uncertain whether the draft legislation will be accepted in its current form by Dutch Parliament, based on the draft text, the Issuer may not be able to claim a tax deduction in respect of interest payments made in respect of the Class B Subordinated Notes, the Class C Subordinated Notes, the Fees and Expenses Subordinated Loan and the Reserve Fund Subordinated Loan (the “Affected Liabilities”). In the event that the Issuer becomes liable to corporate tax in connection with such interest payments, the interest rates applicable to the Affected Liabilities shall be reduced to compensate for any corporate tax that becomes payable. The investment return on the Affected Liabilities would therefore be reduced accordingly.

SWAP AGREEMENT

The Swap Counterparty will be obliged to make payments under the Swap Agreement without any withholding or deduction of taxes unless required by law. If any such withholding or deduction is required by law, the 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 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 Swap Agreement, the 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 Issuer may request the Swap Counterparty to use its reasonable efforts to transfer its rights and obligations to another of its offices, branches or affiliates to avoid the relevant Tax Event. If no such transfer can be effected, the relevant swap transaction may be terminated by the Swap Counterparty, whereupon the Swap Counterparty will quantify, in accordance with accepted market practice, any loss or gain which would be suffered by or accrued to it by closing out its position and a settlement payment will be made. Any such termination payment could, if interest rates have changed significantly, be substantial.

The swap transaction will also be terminable by one party if (i) an event of default occurs in relation to the other party, (ii) it becomes unlawful for either party to perform its obligations under the Swap Agreement, (iii) an Enforcement Notice is served, or (iv) the Notes have been redeemed or repaid in full. Events of default under the Swap Agreement in relation to the Issuer will be limited to (i) non-payment under the Swap Agreement, (ii) a merger or similar transaction with another entity or person without assumption of the Issuer’s obligations under the Swap Agreement, and (iii) insolvency events.

Credit Structure

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

MORTGAGE LOAN INTEREST RATES

The Mortgage Loans pay interest on a fixed rate basis. Each of the Mortgage Loans has an Interest Rate Reset Date which falls between 1 June 2008 and 1 March 2012. On the Closing Date the weighted average interest rate of the Mortgage Loans is expected to be 5.33%. Interest rates vary between individual Mortgage Loans. The range of interest rates is described further in “The Mortgage Portfolio” below.

The actual amount of revenue received by the Issuer under the Mortgage Receivables Purchase Agreement will vary during the life of the Notes as a result of the level of delinquencies, defaults, repayments and prepayments in respect of the Mortgage Loans. 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, under the Reserve Fund and the Liquidity Facility and to non-payment of certain items under the Interest Priority of Payments.

CASH COLLECTION ARRANGEMENTS

Payments by the Borrowers under the Mortgage Loans are due on the first day of each month, interest being payable in arrear. All payments made by Borrowers will be paid into the respective collection accounts maintained with each of the Sellers (other than SNS Bank). The collection accounts will also be used for the collection of moneys paid in respect of mortgages other than Mortgage Loans and in respect of other moneys belonging to the Sellers (other than SNS Bank).

On each Mortgage Payment Date (being the 8th business day following each Mortgage Calculation Period End Date (defined below)) the Administrator shall transfer (or procure that each of the Sellers (other than SNS Bank) transfers on its behalf) all amounts of principal, interest and prepayment penalties received by each of the Sellers (other than SNS Bank) in respect of the Mortgage Loans and paid to each Seller's (other than SNS Bank) collection account during the immediately preceding Mortgage Calculation Period (defined below), to the Floating Rate GIC Account.

For these purposes a “Mortgage Calculation Period” is the period commencing on (and including) the first day of each calendar month and ending on (and including) the last day of such calendar month (the “Mortgage Calculation Period End Date”).

FLOATING RATE GIC ACCOUNT

The Issuer will maintain with the Floating Rate GIC Provider the Floating Rate GIC Account to which all amounts received in respect of the Mortgage Loans will be paid.

The Administrator will identify all amounts paid into the Floating Rate GIC Account by crediting such amounts to ledgers established for such purpose. Payments received on each Mortgage Payment Date in respect of the Mortgage Loans will be identified as principal or revenue receipts and credited to a principal ledger (the “Principal Ledger”) or a revenue ledger (the “Revenue Ledger”), as the case may be. Further ledgers will be maintained to record amounts held in the Floating Rate GIC in respect of the balance of the Reserve Fund and certain drawings made under the Liquidity Facility (see further “Liquidity Facility” below).

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

PRIORITY OF PAYMENTS IN RESPECT OF INTEREST

Prior to the delivery of an Enforcement Notice by the Security Trustee, the sum of the following amounts, calculated as at each Calculation Date (being the third business day prior to each Payment Date) and which have been received during the Calculation Period (as defined in the Conditions) immediately preceding such Calculation Date:

- (i) as interest on the Mortgage Receivables;
- (ii) as interest accrued on the Floating Rate GIC Account;
- (iii) as prepayment penalties under the Mortgage Receivables;
- (iv) as Net Proceeds (as defined in the Conditions) on any Mortgage Receivables to the extent such proceeds do not relate to principal;
- (v) as amounts to be drawn under the Liquidity Facility (other than Liquidity Facility Stand-by Drawings) (as defined below) on the immediately succeeding Payment Date;
- (vi) as amounts to be drawn under the Reserve Fund on the immediately succeeding Payment Date;
- (vii) as amounts to be received from the Swap Counterparty under the Swap Agreement on the immediately succeeding Payment Date;
- (viii) as amounts received in connection with a repurchase of Mortgage Receivables pursuant to the Mortgage Receivables Purchase Agreement or pursuant to the Administration Agreement to the extent such amounts do not relate to principal;
- (ix) as amounts received in connection with a sale of Reset Mortgage Receivables pursuant to the Trust Deed and the Put Option Agreement to the extent such amounts do not relate to principal; and
- (x) as amounts received as post-foreclosure proceeds;

(items (i) up to and including (x) being hereafter referred to as the “Interest Available Amount”) will pursuant to terms of the Trust Deed be applied by the Issuer on the immediately succeeding Payment Date as follows (in each case only if and to the extent that payments of a higher order of priority have been made in full) (the “Interest Priority of Payments”):

- (a) *first*, in or towards satisfaction, *pro rata*, according to the respective amounts thereof, of the fees or other remuneration due and payable to the Directors in connection with the Management Agreements and any costs, charges, liabilities and expenses incurred by the Security Trustee under or in connection with any of the Relevant Documents;
- (b) *second*, in or towards satisfaction of an administration fee and all costs and expenses due and payable to the Administrator under the Administration Agreement;
- (c) *third*, in or towards satisfaction, *pro rata* according to the respective amounts thereof, (i) of any amounts due and payable to third parties under obligation incurred in the Company’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 Company’s liability, if any, to tax and sums due to the relevant rating agencies and (ii) fees and expenses due to the Paying Agent and the Reference Agent under the Paying Agency Agreement;
- (d) *fourth*, in or towards satisfaction of any amounts due and payable to the Liquidity Facility Provider under the Liquidity Facility or, following a Liquidity Facility Stand-by Drawing in or towards satisfaction of sums to be credited to the Liquidity Facility Stand-by Ledger;
- (e) *fifth*, in or towards satisfaction, *pro rata*, according to the respective amounts thereof, of (i) all amounts of interest due or accrued due but unpaid in respect of the Class A Senior Notes and (ii) amounts, if any, due but unpaid under the Swap Agreement;
- (f) *sixth*, in or towards satisfaction of sums to be credited to the Class A Principal Deficiency Ledger (defined below) until the debit balance, if any, on the Class A Principal Deficiency Ledger is reduced to zero;
- (g) *seventh*, in or towards satisfaction of interest due or accrued due but unpaid on the Class B Subordinated Notes;

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- (h) *eighth*, in or towards satisfaction of sums to be credited to the Class B Principal Deficiency Ledger (defined below) until the debit balance, if any, on the Class B Principal Deficiency Ledger is reduced to zero;
- (i) *ninth*, in or towards satisfaction of interest due or accrued due but unpaid on the Class C Subordinated Notes;
- (j) *tenth*, in or towards satisfaction of sums to be credited to the Class C Principal Deficiency Ledger (defined below) until the debit balance, if any, on the Class C Principal Deficiency Ledger is reduced to zero;
- (k) *eleventh*, in or towards satisfaction of any sums required to replenish the Reserve Fund Ledger (defined below) up to the amount of the Reserve Fund Required Amount (defined below);
- (l) *twelfth*, in or towards satisfaction, pro rata, according to the respective amounts thereof, of interest due or accrued due but unpaid in respect of the Fees And Expenses Subordinated Loan and the Reserve Fund Subordinated Loan;
- (m) *thirteenth*, in or towards satisfaction, of repayment of principal under the Fees And Expenses Subordinated Loan;
- (n) *fourteenth*, in or towards satisfaction of repayment of principal under the Reserve Fund Subordinated Loan;
- (o) *fifteenth*, in or towards satisfaction of a Deferred Purchase Price Instalment (as defined in “Mortgage Receivables Purchase Agreement” below) to SNS bank.

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

PRIORITY OF PAYMENTS IN RESPECT OF PRINCIPAL

Prior to the delivery of an Enforcement Notice by the Security Trustee, pursuant to Condition 6(c)(i) the sum of the following amounts, calculated as at any Calculation Date and which have been received during the immediately preceding Calculation Period:

- (i) as repayment and prepayment of principal under the Mortgage Receivables;
- (ii) as Net Proceeds (as defined in the Conditions) on any Mortgage Receivable to the extent such proceeds relate to principal;
- (iii) as amounts received in connection with a repurchase of Mortgage Receivables pursuant to the Mortgage Receivables Purchase Agreement or pursuant to the Administration Agreement to the extent such amounts relate to principal;
- (iv) as amounts received in connection with a sale of Mortgage Receivables pursuant to the Trust Deed or pursuant to the Put Option Agreement to the extent such amounts relate to principal;
- (v) as amounts (if any) to be credited to the Principal Deficiency Ledger on the immediately succeeding Payment Date in accordance with the Administration Agreement;
- (vi) as amounts equal to the excess (if any) of (a) the aggregate proceeds of the issue of the Notes over (b) the Initial Purchase Price of the Mortgage Receivables;

(items (i) up to and including (vi) hereinafter referred to as the “Redemption Available Amount”) will be applied by the Issuer on the next succeeding Payment Date to redeem, on a *pro rata* basis, firstly the Class A Senior Notes, until all such Notes are fully redeemed, and thereafter the Class B Subordinated Notes, until all such Notes are fully redeemed, and thereafter to redeem the Class C Subordinated Notes.

PRIORITY OF PAYMENTS UPON ENFORCEMENT

Following delivery of an Enforcement Notice any amounts payable by the Security Trustee under the Deed of Surety will be paid to the Secured Parties (including the Noteholders) in the following order of priority (and in each case only if and to the extent payments of a higher priority have been made in full) (the “Priority of Payments upon Enforcement”):

- (a) *first*, in or towards satisfaction, *pro rata*, according to the respective amounts thereof, of (i) the fees or other remuneration due to the Directors, (ii) any cost, charge, liability and expenses incurred by the Security Trustee under or in connection with any of the Relevant Documents, (iii) the fees and expenses of the Paying Agent and the Reference Agent incurred under the provisions of the Paying Agency Agreement, (iv) the fees and expenses of any legal advisor, auditor and accountants appointed by the Issuer, and (v) the fees and expenses of the Administrator under the Administration Agreement;
- (b) *second*, to the Liquidity Facility Provider, in or towards satisfaction of any sums due or accrued due but unpaid under the Liquidity Facility Agreement;
- (c) *third*, in or towards satisfaction, *pro rata*, according to the respective amounts thereof, of (i) all amounts of interest due or accrued due but unpaid in respect of the Class A Senior Notes and (ii) amounts, if any, due but unpaid to the Swap Counterparty under the Swap Agreement including any settlement amounts to be paid by the Issuer upon early termination of the Swap Agreement as determined in accordance with their terms, but excluding any other costs to be paid by the Issuer on such early termination payable under sub-paragraph (i) below;
- (d) *fourth*, in or towards satisfaction, *pro rata*, according to the respective amounts thereof, of all amounts of principal and any other amount due but unpaid in respect of the Class A Senior Notes;
- (e) *fifth*, in or towards satisfaction of all amounts of interest due or accrued due but unpaid in respect of the Class B Subordinated Notes;
- (f) *sixth*, in or towards satisfaction of all amounts of principal and any other amount due but unpaid in respect of the Class B Subordinated Notes;
- (g) *seventh*, in or towards satisfaction of all amounts of interest due or accrued due but unpaid in respect of the Class C Subordinated Notes;
- (h) *eighth*, in or towards satisfaction of all amounts of principal and any other amount due but unpaid in respect of the Class C Subordinated Notes;
- (i) *ninth*, to the Swap Counterparty in or towards payment of any amounts due under the Swap Agreement in respect of the Issuer’s obligations in respect of the costs (other than any settlement amounts) to be paid by the Issuer upon an early termination of the Swap Agreement, as determined in accordance with their terms;
- (j) *tenth*, in or towards satisfaction of all amounts of interest and principal due but unpaid in respect of the Fees And Expenses Subordinated Loan;
- (k) *eleventh*, in or towards satisfaction of all amounts of interest and principal due but unpaid in respect of the Reserve Fund Subordinated Loan; and
- (l) *twelfth*, in or towards satisfaction of a Deferred Purchase Price Instalment to SNS Bank.

LIQUIDITY FACILITY

On the Closing Date, the Issuer will enter into the Liquidity Facility Agreement with the Liquidity Facility Provider. The Issuer will be entitled on any Payment Date (other than the Payment Date falling on 18 April 2012) to make drawings under the Liquidity Facility up to the Liquidity Maximum Amount (as defined below). The Liquidity Facility Agreement is for a term of 364 days. The commitment of the Liquidity Facility Provider is extendable at its option. Any drawing under the Liquidity Facility by the Issuer shall only be made on a Payment Date if and to the extent that, after the application of amounts available in the Reserve Fund and before any drawing under the Liquidity Facility, there is a shortfall in the Interest Available Amount to meet items (a) to (i) (inclusive) (but not items (f) or (h)) in the Interest Priority of Payments in full

on that Payment Date, provided that no drawings may be made to meet items (g) or (i) to the extent that, after the application of the Interest Available Amount, a debit balance would remain on the Class C Principal Deficiency Ledger. The Liquidity Facility Provider will rank in priority in point of payments and security to the Notes.

If, at any time, (i) the short-term unsecured, unsubordinated and unguaranteed debt obligations of the Liquidity Facility Provider are assigned a rating of less than P-1 by Moody's and/or F-1 by Fitch and (ii) the Liquidity Facility is not replaced by the Issuer with a suitable alternative Liquidity Facility Provider within 30 days of such downgrading and (iii) the then current rating of the Notes is materially adversely affected, the Issuer will be required forthwith to draw down the entirety of the undrawn portion of the Liquidity Facility (a "Liquidity Facility Stand-by Drawing") and credit such amount to the Floating Rate GIC Account with a corresponding credit to a ledger to be known as the "Liquidity Facility Stand-by Ledger". Amounts so credited to the Floating Rate GIC Account may be utilised by the Issuer in the same manner as if the Liquidity Facility had not been so drawn. A Liquidity Facility Stand-by Drawing shall also be made if the Liquidity Facility is not renewed following its commitment termination date.

For these purposes, "Liquidity Facility Maximum Amount" means euro 3,325,000.

FEES AND EXPENSES SUBORDINATED LOAN

On the Closing Date the Fees And Expenses Subordinated Loan Provider will make available to the Issuer the Fees And Expenses Subordinated Loan in an amount of euro 3,191,770 which will be used by the Issuer to pay the costs and expenses in connection with the issue of the Notes. The Fees And Expenses Subordinated Loan will be paid initially to the Floating Rate GIC Account and credited to a ledger established for such purposes (the "Fees And Expenses Ledger").

RESERVE FUND SUBORDINATED LOAN

On the Closing Date the Reserve Fund Subordinated Loan Provider will make available to the Issuer the Reserve Fund Subordinated Loan in an amount of euro 13,300,000 which will be applied to establish the Reserve Fund. The Reserve Fund Subordinated Loan will be paid to the Floating Rate GIC Account and credited to a ledger established for such purposes (the "Reserve Fund Ledger").

RESERVE FUND

Amounts credited to the Reserve Fund Ledger will be available on any Payment Date to meet items (a) to (j) (inclusive) of the Interest Priority of Payments, before application of any funds drawn under the Liquidity Facility.

If and to the extent that the Interest Available Amount on any Calculation Date exceeds the amounts required to meet items ranking higher in the Interest Priority of Payments, the excess amount will be applied to replenish, if a drawing has been made, the Reserve Fund by paying such amount to the Floating Rate GIC Account (with a corresponding credit to the Reserve Fund Ledger) until the balance standing to the credit of the Reserve Fund Ledger equals the Reserve Fund Required Amount.

The Reserve Fund Required Amount shall be equal to euro 13,300,000 on the Closing Date. On any Calculation Date following the Closing Date but prior to the Calculation Date immediately preceding the Payment Date falling in July 2008 the Reserve Fund required Amount shall be euro 14,630,000 and thereafter an amount equal to the lesser of (i) euro 14,630,000 and (ii) the greater of (x) 4.4% of the aggregate Principal Amount Outstanding of the Notes and (y) euro 3,000,000.

To the extent that the balance standing to the credit of the Reserve Fund Ledger on any Calculation Date exceeds the Reserve Fund Required Amount, such excess shall be drawn from the Floating Rate GIC Account (with a corresponding debit to the Reserve Fund Ledger) on the immediately succeeding Payment Date and shall form part of the Deferred Purchase Price Instalment (as defined in the "Mortgage Receivables Purchase Agreement" below) on that Payment Date.

It is expected that on the first Payment Date falling on 18 January 2001, a drawing will need to be made under the Reserve Fund due to initial timing differences.

PRINCIPAL DEFICIENCY LEDGER

A Principal Deficiency Ledger comprising three sub-ledgers, known as the “Class A Principal Deficiency Ledger”, the “Class B Principal Deficiency Ledger” and the “Class C Principal Deficiency Ledger”, respectively, will be established by or on behalf of the Issuer in order to record any losses on the Mortgage Receivables (each respectively the “Class A Principal Deficiency”, the “Class B Principal Deficiency” and the “Class C Principal Deficiency”, together a “Principal Deficiency”). Any Principal Deficiency shall be debited to the Class C Principal Deficiency Ledger (such debit items being recredited at item (j) of the Interest Priority of Payments) so long as the debit balance on such sub-ledger is less than the Principal Amount Outstanding of the Class C Subordinated Notes (the “Class C Principal Deficiency Limit”) and thereafter such amounts shall be debited to the Class B Principal Deficiency Ledger (such debit items being recredited at item (h) of the Interest Priority of Payments) so long as the debit balance on such sub-ledger is less than the Principal Amount Outstanding of the Class B Subordinated Notes (the “Class B Principal Deficiency Limit”) and thereafter such amounts shall be debited to the Class A Principal Deficiency Ledger (such debit items being recredited at item (f) of the Interest Priority of Payments).

INTEREST RATE HEDGING

The Mortgage Loan Criteria (as defined under “Mortgage Receivables Purchase Agreement” below) require that all Mortgage Loans bear a fixed rate of interest. The interest rate payable by the Issuer with respect to the Notes, is calculated as a margin over EURIBOR.

The Issuer will hedge this interest rate exposure by entering into the Swap Agreement with the Swap Counterparty. Under the Swap Agreement, the Issuer will agree to pay amounts calculated by reference to a fixed rate of interest applied to the relevant notional amount at the beginning of the relevant period and the Swap Counterparty will agree to pay amounts calculated by reference to the floating rate of interest applied to the relevant notional amount at the beginning of the relevant period.

The notional amount under the Swap Agreement will equal the aggregate principal amount outstanding of the Notes as at the first day of each Interest Period.

Pursuant to the Swap Agreement, if the unsecured, unsubordinated and unguaranteed debt obligations of the Swap Counterparty are assigned a rating of less than P-1 by Moody’s or F-1+ by Fitch or any such rating is withdrawn by Moody’s or Fitch then the Swap Counterparty will be obliged to use its reasonable endeavours to assist the Issuer in ensuring (if necessary) that, within forty five days of such reduction or withdrawal of any such rating, the rating of the Class A Senior Notes is that which would have subsisted but for the then current rating in respect of the Swap Counterparty. These endeavours may include (i) obtaining a third party, acceptable to the Rating Agencies and the Issuer, to guarantee the obligations of the Swap Counterparty under the Swap Agreement, or (ii) the Swap Counterparty providing cash collateral sufficient to maintain the rating of the Class A Senior Notes at the level which would have subsisted but for the then current rating of the Swap Counterparty, or (iii) any other action the Swap Counterparty in its sole discretion deems necessary to assist the Issuer in restoring the rating of the Class A Senior Notes to the rating that would have subsisted but for the then current rating of the Swap Counterparty.

Overview of The Dutch Residential Mortgage Market

Until the late 1950s the proportion of owner-occupied homes in the Netherlands was comparatively small, in part due to the availability of State subsidies for rented accommodation. However, at that time the government introduced several measures to promote home ownership such as making interest on mortgage loans tax-deductible. This measure in particular stimulated growth in home ownership. Over the years, this and other measures have also helped to increase the proportion of owner-occupied homes to approximately 52% and the total balance of outstanding residential mortgage loans to EUR 266 billion, as at 30 June 2000.

Residential mortgages are provided in the Netherlands by commercial banks, insurance groups and pension funds, mortgage banks, building funds and other institutions. Banks (retail, savings and mortgage) are the major force in the residential mortgage market with a share of approximately 75% of residential mortgage loans outstanding. Banks and insurance companies view the mortgage loan as an effective means for the cross-marketing of other products to their borrowers. Sales are made through offices of these institutions and through intermediaries such as estate agents, insurance brokers and specialist mortgage loan sellers. Additionally, direct marketing has been introduced into the Netherlands but such sales currently represent only a small part of the market.

Mortgage lenders in the Netherlands offer a wide variety of product types to their borrowers, including conventional interest only, linear repayment and annuity repayment mortgages, as well as savings mortgages which are specific to the Dutch market.

The Netherlands mortgage market is primarily a fixed rate market, although a large number of different interest rate fixing options are available.

SNS BANK NEDERLAND N.V.

INCORPORATION

SNS bank Nederland N.V. (the “Bank”) was incorporated under Dutch law on December 18, 1990 as a result of the merger of several regional savings banks. The Bank is registered in the commercial registry of 's-Hertogenbosch, under number 16062338 and its registered office is Pettelaarpark 120, 5201 DZ, 's-Hertogenbosch.

COMPANY STRUCTURE AND PROFILE

The Bank operates through its seven regional subsidiaries in the Netherlands under the name SNS bank. (SNS bank Brabant/Rivierenland N.V., SNS bank Gelderland N.V., SNS bank Groningen-Friesland-Drenthe N.V., SNS bank Limburg N.V., SNS bank Overijssel N.V., SNS bank Randstad N.V. and SNS bank Zeeland N.V.). Besides the existing branches the Bank uses intermediaries, its electronic banking network, a call centre, and the Internet to generate business.

Its focus is the domestic retail market plus small and medium sized companies and institutions with a local or domestic scope. The Bank offers a full range of banking and insurance products and services to its clients. The Bank is rated A2/P-1 by Moody's, A+/F1 by Fitch and A/A-1 by S&P.

Besides the SNS label, the Bank trades under other labels, like BLG Hypotheken, ASN bank and CVB bank, in niche markets or for specific distribution channels. Mortgages originated by BLG Hypotheekbank N.V., Algemene Spaarbank voor Nederland ASN N.V., CVB bank N.V. and SNS bank Zeeland N.V. will not be included in this transaction.

MORTGAGE BUSINESS

Residential mortgages form the major part of the Bank's assets. The outstanding mortgage loans represented 69% of the balance sheet as of 31 December 1999.

Due to innovative mortgage products the Bank has gained market share in Dutch new mortgage production. Especially through the successful product 'Stabiel Rente Hypotheek', the number of mortgages sold under the SNS label is still rapidly increasing. In the first six months of 2000, market share of new mortgage production has been approximately 9%. The 'Stabiel Rente Hypotheek' will not be included in this transaction.

Since interest paid on mortgage loans is tax-deductible for private house-owners in the Netherlands, the total mortgage market is still growing rapidly. Also the percentage house-owners in The Netherlands compared to the other countries within the European Union is still relatively low.

In November 1999 the Bank securitised a first pool of mortgages through a special purpose vehicle, Hermes I B.V.

KEY FIGURES

SNS bank Nederland N.V.

	1999	1998	1997
	(Eur millions)	(Eur millions)	(Eur millions)
Total assets	22,554	18,661	15,647
Mortgage loans.	15,622	12,312	10,048
Capital base	1,393	1,141	1,090
Interest margin	348	291	269
Income other than interest	120	113	94
Net profit.	94	83	69
BIS tier I ratio (%)	8.0	8.5	10.0
BIS total capital ratio (%)	11.7	11.8	14.3
Efficiency ratio (%)	68.8	69.9	72.4

SNS REAAL GROUP

The Bank is a 100% subsidiary of SNS Reaal Groep N.V. (“the Group”). The Group is the result of a merger in May 1997 between SNS Groep (primarily a banking group) and Reaal Groep (primarily an insurance group).

The Group has become the sixth-largest financial institution in the Netherlands, with total assets of 32.0 billion (Dec. 1999). The Group’s strategy is focused on the establishment of a fully integrated bank-insurance institution, with the possibility to use its combined marketing efforts and skills. This ‘all finance’ concept is offered through a wide range of distribution channels using strongly positioned labels. The physical distribution channel, composed of SNS bank and the intermediary distribution channel of Hooge Huys Verzekeringen N.V., an insurance subsidiary of the Group, form the major part of the commercial organisation of the Group.

SNS Residential Mortgage Business

A. MORTGAGE ORIGINATION

SNS bank originates mortgage loans through two separate channels:

- directly through the Sellers
- through independent agents, such as estate agents, financial advisers and insurance intermediaries.

The origination process is identical for both direct and agent-sourced business, although agents will typically receive assistance from SNS bank in the provision of advice to clients. Emphasis is placed on direct client contact and an advisory based approach, although the process is largely system-driven.

B. SNS RESIDENTIAL MORTGAGE PRODUCTS

The Sellers offer a full range of mortgage products with various interest rate and repayment mechanisms. The Issuer, however, will only purchase Mortgage Receivables in respect of certain specified mortgage products. The characteristics of these products are described further below.

Legal Form

Details of all land and properties are recorded in public registers in the Netherlands. All Mortgage Loans are secured by a mortgage evidenced by a notarial mortgage deed recorded in these registers.

Although other legal forms of mortgage loans are available in the Netherlands, all Mortgage Loans to be included in the securitisation are structured as “Bank Mortgages”. A Bank Mortgage is a mortgage that secures not only the loan granted to finance a property, but also any other liabilities owed at any time by the relevant Borrower to the relevant Sellers. Accordingly, the property provides security for all debts up to a maximum amount as registered in the relevant public registry. For a further description of Bank Mortgages see “Special Considerations” above.

Repayment Mechanism

Interest Only Mortgage (“*aflossingsvrije hypotheek*”). Interest is payable either on a monthly or a quarterly basis. No final maturity date is provided.

Linear Mortgage (“*lineaire hypotheek*”). Interest is payable either on a monthly or a quarterly basis. Scheduled (usually monthly) repayments of principal are fixed over the term of the mortgage.

Annuity Mortgage (“*annuïteitenhypotheek*”). Interest is payable either on a monthly or a quarterly basis. Scheduled (usually monthly) repayments of principal plus interest are fixed (provided that interest rates do not change).

Investment-Based Mortgage (“*rendementhypotheek*”). Interest is payable either on a monthly or a quarterly basis. The Borrower repays the principal in full at maturity with funds which have been accumulated through investments. There are two alternatives of this type of mortgage. In the first alternative, the Borrower pays a monthly sum (in addition to his interest payment) which is invested on his behalf in investment funds selected by SNS bank. In the second alternative, the Borrower makes a lump sum payment at the commencement of the Mortgage Loan, which is invested on his behalf in shares selected by SNS bank. In both alternatives the shares have been pledged to one of the relevant Sellers.

Combined Mortgages (“*combinatiehypotheeken*”). In order to tailor a Mortgage Loan to meet as closely as possible the specific fiscal and economic needs of a Borrower, it is common for a Mortgage Loan to be constructed from a combination of mortgage types.

It is anticipated that all of the above repayment types will be included in the portfolio of Mortgage Receivables. The Sellers also offer several other product types including current account and savings mortgages. Receivables relating to such mortgage loans will not be purchased by the Issuer.

Interest Rate

All Mortgage Loans in the mortgage portfolio will bear interest at a fixed rate (“*rente vast*”), fixed for a defined period of 10 or 12 years. At the end of this period the rate is reset, again for a defined period which does not have to be the same as the previous period for which the rate was fixed.

The Sellers also offer other interest rate options, including standard variable, capped, banded, and averaged rate structures. Receivables relating to such mortgage loans having such interest rate options will not be purchased by the Issuer.

The interest rate charged by the Sellers will depend on the Loan-to-Foreclosure Value Ratio (as described below) of the property at the time of purchase, with Mortgage Loans made in respect of high Loan-to-Foreclosure Value Ratio properties attracting a premium.

Prepayments

Annual prepayments of 20% of the original Mortgage Loan are allowed without a penalty being due. In addition full prepayments can be made without penalty in specific situations:

- at the time of rate resetting
- on sale or destruction of the property
- if the Borrower dies
- if the applicable market mortgage interest rate is higher than the fixed rate of the Mortgage Loan

In other cases, penalty charges apply which are calculated as the net present value of the difference between the fixed rate being paid and the current mortgage rate, if lower, for the remaining term of the fixed period.

C. MORTGAGE ADMINISTRATION

Collection Procedures

Once a mortgage offer has been accepted, the applicant, if not already a client of one of the Sellers, is encouraged to open an account with one of the Sellers, although this is not obligatory. If a client has given direct debit instructions, interest payments and repayments due will be debited directly from this account by the relevant Seller on the first day of each month. If insufficient funds are available in the account of the relevant Seller, an attempt is made to debit the account on the second day of the month and thereafter on a daily basis.

Approximately 90% of repayments are made by direct debit from an account with one of the Sellers. The remaining Borrowers make repayments into a designated account of one of the Sellers by direct debit from an account at another bank. All payments made to a Seller are made into one collection account. All payments are made on a monthly basis.

The loan administration system calculates the repayment schedules and reconciles collected funds with the appropriate account. A range of exception reports are automatically produced and are used by regional credit and administration departments to monitor the status of individual loans.

There are six special recovery departments, one in each of the Sellers’ regional credit administration department (except for SNS Bank). Special action is taken when the mortgage loan payments become overdue by more than a special number of days.

Arrears Management

SNS bank has installed formal arrears management procedures for the monitoring and collection of late payments. Specific action is taken when loan payments become overdue by more than a certain number of days:

1 day: Credit administration department checks daily to see if payment has been made. A delinquency report is produced by SNS bank automatically on a daily basis.

10 days: a reminder letter is generated automatically and sent by SNS bank to the Borrower.

20 days: a further automated letter is sent to the Borrower advising that payments are overdue. Contractual penalty interest calculations begin. The credit administration department updates the mortgage file with the date of the action and may inform the relevant front office staff.

40 days: the recovery department sends a letter to the Borrower indicating that legal action will be taken if payment is not made.

If all negotiations with the Borrower fail and a forced sale is necessary, typically after a further 10 to 20 days, the relevant Seller proceeds as follows:

- after 75 days past delinquency, the relevant Seller instructs the notary initially involved in the purchase of the property to sell the house within a given time period;
- the notary will approach the relevant Borrower in an attempt to reach an agreement;
- the notary will try a private sale;
- should this fail as well, then the notary will organise a forced sale by way of public auction.

The relevant Seller would, therefore, typically initiate the forced sale process approximately three months after the initial default by the Borrower.

Rate re-setting procedures

The loan administration system automatically generates 35 days prior to the reset date, a letter to the Borrower advising that a rate re-setting is imminent and listing the rate(s) that would apply. The Borrower may discuss with the relevant Seller the most suitable period to refix given the prevailing and forecast economic and interest rate environment. The Borrower does not have to choose the same fixed rate period as the previous one. If there is no response from the Borrower by the rate re-setting date, the rate is automatically reset for a one year term.

D. THE MORTGAGE PORTFOLIO

The Mortgage Receivables to be sold and assigned to the Issuer on the Closing Date represent the rights (whether actual or contingent) of the Sellers against any Borrower under or in connection with the Mortgage Loans (the “Final Portfolio”) selected by agreement between the Sellers and the Issuer.

The Mortgage Loans are loans secured by a mortgage, evidenced by notarial mortgage deeds (“*notariële akten van hypotheekstelling*”) each entered into by one of the Sellers (other than SNS Bank) together with SNS Bank and the relevant Borrowers. The Mortgage Loans are all in the form of Bank Mortgages.

The Mortgage Loans in the Final Portfolio will be selected from a provisional pool of mortgage loans (the “Provisional Pool”) that have been selected in accordance with the criteria set forth in the Mortgage Receivables Purchase Agreement and will be selected in accordance with such agreement on the Closing Date.

For a description of the representations and warranties given by the Sellers reference is made to “Mortgage Receivables Purchase Agreement” below.

The numerical information set out below relates to the Provisional Pool which was selected on 31 August 2000. Therefore, the information set out below in relation to the Provisional Pool may not necessarily correspond to that of the Mortgage Loans actually sold on the Closing Date. After the Closing Date, the portfolio will change from time to time as a result of prepayment and repurchase of Mortgage Receivables.

Selected mortgage pool
Key characteristics of the pool of mortgage loans

Outstanding principal balance (euro)	665,000,000.00
Number of mortgages	5,961
Number of mortgage parts	7,663
Average outstanding principal balance (euro)	111,558.46
Minimum outstanding principal balance (euro)	4,537.80
Maximum outstanding principal balance (euro)	340,335.16
Maximum current interest rate (%)	7.60
Minimum current interest rate (%)	4.50
Weighted average current interest rate (%)	5.33
Weighted average original LtFV (%)	98
Weighted average current LtFV (%)	73

Table 1: Distribution by Mortgage size

Size of outstanding loan balance (euro)	Principal balance (euro)	% of Total	Number of mortgages	% of Total
0 but less than 25,000	3,216,335.73	0.48%	181	3.04%
25,000 but less than 50,000	22,628,697.77	3.40%	566	9.50%
50,000 but less than 75,000	57,632,749.87	8.67%	903	15.15%
75,000 but less than 100,000	98,086,680.87	14.75%	1109	18.60%
100,000 but less than 125,000	133,001,325.57	20.00%	1178	19.76%
125,000 but less than 150,000	114,987,789.43	17.29%	835	14.01%
150,000 but less than 175,000	77,188,920.28	11.61%	477	8.00%
175,000 but less than 200,000	50,517,732.68	7.60%	272	4.56%
200,000 but less than 225,000	35,996,564.11	5.41%	172	2.89%
225,000 but less than 250,000	26,905,111.23	4.05%	114	1.91%
250,000 but less than 275,000	15,633,698.63	2.35%	59	0.99%
275,000 but less than 300,000	11,571,401.18	1.74%	40	0.67%
300,000 but less than 325,000	11,271,703.33	1.69%	36	0.60%
325,000 but less than 350,000	6,361,289.33	0.96%	19	0.32%
Total	665,000,000.00	100.00%	5,961	100.00%

Table 2: Interest rates Distribution

Interest Rate (%)	Principal balance (euro)	% of Total	Number of parts	% of Total
4.50 but less than 5.00	41,568,419.67	6.25%	423	5.52%
5.00 but less than 5.50	416,228,840.19	62.59%	4,745	61.92%
5.50 but less than 6.00	159,600,633.68	24.00%	1,792	23.39%
6.00 but less than 6.50	34,272,636.09	5.15%	484	6.32%
6.50 but less than 7.00	11,929,855.53	1.79%	193	2.52%
7.00 but less than 7.50	1,310,370.43	0.20%	24	0.31%
7.50 but less than 8.00	89,244.41	0.01%	2	0.03%
Total	665,000,000.00	100.00%	7,663	100.00%

Table 3: Interest Rate Reset Date Distribution

Interest Reset Dates	Principal balance (euro)	% of Total	Number of parts	% of Total
Jun 2008 — Aug 2008	7,684,849.41	1.16%	87	1.14%
Sep 2008 — Nov 2008	11,937,108.53	1.80%	133	1.74%
Dec 2008 — Feb 2009	19,501,123.67	2.93%	207	2.70%
Mar 2009 — May 2009	113,283,460.54	17.04%	1,333	17.40%
Jun 2009 — Aug 2009	166,646,117.61	25.06%	1,960	25.58%
Sep 2009 — Nov 2009	104,878,368.28	15.77%	1,163	15.18%
Dec 2009 — Feb 2010	41,495,886.50	6.24%	474	6.19%
Mar 2010 — May 2010	30,809,199.73	4.63%	363	4.74%
Jun 2010 — Aug 2010	58,317,278.41	8.77%	633	8.26%
Sep 2010 — Nov 2010	30,637,705.12	4.61%	340	4.44%
Dec 2010 — Feb 2011	36,873,678.82	5.54%	461	6.02%
Mar 2011 — May 2011	24,520,164.00	3.69%	304	3.97%
Jun 2011 — Aug 2011	14,498,161.83	2.18%	155	2.02%
Sep 2011 — Nov 2011	3,101,908.30	0.47%	43	0.56%
Dec 2011 — Mar 2012	814,989.27	0.12%	7	0.09%
Total	665,000,000.00	100.00%	7,663	100.00%

Table 4: Mortgage type

Repayment Type	Principal balance (euro)	% of Total	Number of parts	% of Total
Annuity	12,453,349.55	1.87%	303	3.95%
Interest only	612,753,028.96	92.14%	6,818	88.97%
Investment-based	38,627,793.31	5.81%	513	6.69%
Linear	1,165,828.18	0.18%	29	0.38%
Total	665,000,000.00	100.00%	7,663	100.00%

Table 5: Interest type

Interest Type	Principal balance (euro)	% of Total	Number of parts	% of Total
10 yr fixed	450,199,384.10	67.70%	5,125	66.88%
12 yr fixed	214,800,615.90	32.30%	2,538	33.12%
Total	665,000,000.00	100.00%	7,663	100.00%

Table 6: Current Loan-to-Foreclosure Value Ratio distribution

Loan-to-Foreclosure Value ratio	Principal balance (euro)	% of Total	Number of mortgages	% of Total
0 but less than 0.1	667,338.17	0.10%	48	0.81%
0.1 but less than 0.2	5,945,232.24	0.89%	195	3.27%
0.2 but less than 0.3	15,820,625.40	2.38%	325	5.45%
0.3 but less than 0.4	30,110,385.98	4.53%	434	7.28%
0.4 but less than 0.5	56,268,119.21	8.46%	656	11.00%
0.5 but less than 0.6	78,073,669.77	11.74%	756	12.68%
0.6 but less than 0.7	71,078,591.04	10.69%	584	9.80%
0.7 but less than 0.8	97,938,542.01	14.73%	739	12.40%
0.8 but less than 0.9	154,198,246.84	23.19%	1111	18.64%
0.9 but less than 1.0	123,707,909.60	18.60%	894	15.00%
1.0 but less than 1.1	29,548,441.16	4.44%	206	3.46%
1.1 but less than 1.2	1,642,898.57	0.25%	13	0.22%
Total	665,000,000.00	100.00%	5,961	100.00%

Table 7: Original Loan-to-Foreclosure Value Ratio distribution

Loan-to-Foreclosure Value ratio	Principal balance (euro)	% of Total	Number of mortgages	% of Total
0 but less than 0.1	220,903.73	0.03%	17	0.29%
0.1 but less than 0.2	1,700,885.97	0.26%	87	1.46%
0.2 but less than 0.3	6,112,792.49	0.92%	172	2.89%
0.3 but less than 0.4	11,123,776.18	1.67%	226	3.79%
0.4 but less than 0.5	18,766,074.06	2.82%	296	4.97%
0.5 but less than 0.6	29,551,463.13	4.44%	390	6.54%
0.6 but less than 0.7	46,115,550.58	6.93%	517	8.67%
0.7 but less than 0.8	72,069,837.56	10.84%	707	11.86%
0.8 but less than 0.9	40,869,421.05	6.15%	330	5.54%
0.9 but less than 1.0	51,653,948.13	7.77%	410	6.88%
1.0 but less than 1.1	81,766,941.82	12.30%	619	10.38%
1.1 but less than 1.2	95,221,501.78	14.32%	686	11.51%
1.2 but less than 1.25	209,826,903.53	31.55%	1,504	25.23%
Total	665,000,000.00	100.00%	5,961	100.00%

Table 8: Types of property

Type of Property	Principal balance (euro)	% of Total	Number of mortgages	% of Total
Apartment	42,022,274.33	6.32%	465	7.80%
House	622,977,725.67	93.68%	5,496	92.20%
Total	665,000,000.00	100.00%	5,961	100.00%

Table 9: Geographic distribution

Region	Principal balance (euro)	% of Total	Number of mortgages	% of Total
Drenthe	16,953,943.73	2.55%	207	3.47%
Flevoland	72,186,150.39	10.86%	596	10.00%
Friesland	8,180,763.39	1.23%	89	1.49%
Gelderland	145,157,295.17	21.83%	1,258	21.10%
Groningen	14,280,900.59	2.15%	195	3.27%
Limburg	89,983,096.72	13.53%	892	14.96%
Noord-Brabant	67,695,256.94	10.18%	560	9.39%
Noord-Holland	91,016,085.43	13.69%	666	11.17%
Overijssel	51,294,393.26	7.71%	587	9.85%
Utrecht	62,129,792.16	9.34%	511	8.57%
Zeeland	1,879,308.08	0.28%	17	0.29%
Zuid-Holland	44,243,014.14	6.65%	383	6.43%
Total	665,000,000.00	100.00%	5,961	100.00%

Table 10: Seasoning of Mortgages

Date of origination	Principal balance (euro)	% of Total	Number of parts	% of Total
Mar 95 — May 95	1,223,873.84	0.18%	30	0.39%
Jun 95 — Aug 95	1,385,542.40	0.21%	27	0.35%
Sep 95 — Nov 95	2,128,854.20	0.32%	28	0.37%
Dec 95 — Feb 96	1,529,630.99	0.23%	27	0.35%
Mar 96 — May 96	1,978,326.71	0.30%	34	0.44%
Jun 96 — Aug 96	2,920,660.52	0.44%	37	0.48%
Sep 96 — Nov 96	1,889,398.66	0.28%	23	0.30%
Dec 96 — Feb 97	3,805,746.62	0.57%	55	0.72%
Mar 97 — May 97	4,559,652.26	0.69%	75	0.98%
Jun 97 — Aug 97	5,106,552.36	0.77%	65	0.85%
Sep 97 — Nov 97	7,666,219.39	1.15%	99	1.29%
Dec 97 — Feb 98	17,329,110.40	2.61%	215	2.81%
Mar 98 — May 98	55,061,995.93	8.28%	603	7.87%
Jun 98 — Aug 98	70,570,256.34	10.61%	766	10.00%
Sep 98 — Nov 98	49,989,799.53	7.52%	563	7.35%
Dec 98 — Feb 99	54,910,655.02	8.26%	591	7.71%
Mar 99 — May 99	167,730,581.10	25.22%	1,979	25.83%
Jun 99 — Aug 99	115,716,747.71	17.40%	1,350	17.62%
Sep 99 — Nov 99	79,051,033.14	11.89%	879	11.47%
Dec 99 — Feb 00	20,445,362.87	3.07%	217	2.83%
Total	665,000,000.00	100.00%	7,663	100.00%

LOAN-TO-FORECLOSURE VALUE RATIO

The loan-to-foreclosure value ratio of a mortgage loan (the “Loan-to-Foreclosure Value Ratio”) is determined by calculating the ratio of the principal amount of the loan to the estimated foreclosure value of the relevant property at a public sale (the “Foreclosure Value”). The Foreclosure Value is established by an independent qualified valuer or, in certain cases, on the basis of an assessment by the Netherlands tax authorities or by an employee of any of the Sellers. The Foreclosure Value is typically in the region of 85% of the open market value of a property.

BORROWER INCOME REQUIREMENTS

The maximum amount that can be borrowed from a Seller depends on the Borrower’s income. The Sellers calculate the maximum proportion of a Borrower’s income that may be applied to service principal and interest on the Mortgage Loan and all of the Borrower’s other financial commitments. This maximum proportion can vary between 26% and 33% of the gross income of the relevant Borrower.

OTHER CONDITIONS

The following general conditions also apply to all mortgage loans offered by the Sellers:

- The borrowers must be at least 18 years old;
- Self employed and contractors are subject to additional income tests;
- Credit assessment of the borrower is required, including proof of income; and
- Insurance in respect of the property against risk of fire and other accidental damage for its full restitution value is required.

Mortgage Receivables Purchase Agreement

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

PURCHASE PRICE

The purchase price for the Mortgage Receivables shall consist of an initial purchase price (the “Initial Purchase Price”) which shall be payable on the Closing Date, and a deferred purchase price (the “Deferred Purchase Price”). The Deferred Purchase Price shall be equal to the sum of all Deferred Purchase Price instalments and each Deferred Purchase Price instalment will be equal to the positive difference, if any, between the Interest Available Amount as calculated on each 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 (n) (see “Credit Structure” above) on such date plus the amount, if any, by which the balance standing to the credit of the Reserve Fund Ledger exceeds the Reserve Fund Required Amount on each Calculation Date.

REPRESENTATIONS AND WARRANTIES

The Sellers (and in the case of Mortgage Receivables of which legal title is held by any of the other Sellers, such other Seller (the “Legal Owner”)) represents and warrants with respect to the Mortgage Receivables that they will sell (the “Relevant Mortgage Receivables”), and the Mortgage Loans to which such Mortgage Receivables relate (the “Relevant Mortgage Loans”) that *inter alia*:

- (a) the relevant Sellers or, if applicable, the relevant Seller and the relevant Legal Owner have full right and title to the Relevant Mortgage Receivables and power to assign the Relevant Mortgage Receivables and no restrictions on the sale and transfer of the Relevant Mortgage Receivables are in effect;
- (b) the Relevant Mortgage Receivables are free and clear of any encumbrances and attachments and no option rights have been granted in favour of any third party with regard to the Mortgage Receivables or, as the case may be, the Relevant Mortgage Receivables;
- (c) each Relevant Mortgage Receivable is secured by a mortgage right on a residential property in the Netherlands and is governed by Netherlands law;
- (d) upon creation of each mortgage right securing the Relevant Mortgage Loans the relevant Sellers were granted power by the mortgage deed to unilaterally terminate such mortgage right and in mortgage deeds relating to Relevant Mortgage Loans created after 1 January 1998 the power was also granted to unilaterally terminate the mortgage right partially and such power has not been amended, revoked or terminated;
- (e) each existing residential property concerned was valued (i) by an independent qualified valuer, (ii) in case of Relevant Mortgage Loans of which the principal sum outstanding does not at the time of application by the Borrower exceed 50% of the purchase price of the residential property, by a valuer employed by SNS bank or any of the other Sellers or on the basis of an assessment by the Netherlands tax authorities; valuations by an independent qualified valuer are not older than six months prior to the date of the mortgage application by the Borrower; in certain cases newly built residential properties are exempted from valuation requirements;
- (f) each Relevant Mortgage Receivable and the mortgage right and the right of pledge, if any, securing such receivable constitutes valid, binding and enforceable obligations of the relevant Borrower;
- (g) all mortgage rights and rights of pledge granted to secure the Relevant Mortgage Receivables are (i) validly vested and, to the extent relating to the mortgage rights, entered into the appropriate public register, (ii) have first priority and (iii) were vested for a principal sum which is at least equal to the principal sum of the Relevant Mortgage Loan when originated, increased with interest, penalties, costs and any insurance premium paid by the relevant Sellers on behalf of the Borrower, together up to an amount equal to 50% of the outstanding principal amount;

- (h) each of the Relevant Mortgage Loans will have been granted in accordance with the Netherlands Civil Law Notaries Act, all other applicable legal requirements and SNS's standard underwriting criteria and procedures, including borrower income requirements, prevailing at that time and that these underwriting criteria and procedures are in the form as may be expected from a reasonably prudent lender of Netherlands residential mortgages;
- (i) as at 30 September 2000, no amounts due and payable under any of the Relevant Mortgage Receivables, were unpaid for a period exceeding one month;
- (j) the maximum principal amount of each Relevant Mortgage Loan, or all Relevant Mortgage Loans secured on the same mortgaged property together, did not, upon its origination and on the Closing Date, exceed 125% of the Foreclosure Value of the mortgaged property.

REPURCHASE

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

MORTGAGE LOAN CRITERIA

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

- (i) the Mortgage Loans are either:
 - a. interest only mortgages (“*aflossingsvrije hypotheek*”);
 - b. linear mortgages (“*lineaire hypotheek*”);
 - c. annuity mortgages (“*annuïteitenhypotheek*”);
 - d. investment-based mortgages (“*rendementhypotheek*”); or
 - e. mortgages which combine any of the above mentioned mortgages (“*combinatiehypotheek*”);
- (ii) the Borrower is a resident of the Netherlands and not an employee of any of the Sellers;
- (iii) the interest rate of each Mortgage Loan is fixed, subject to an interest rate reset from time to time; each Mortgage Loan has an interest rate reset date which falls between 1 June 2008 and 1 March 2012;
- (iv) the mortgaged property is not the subject of letting and is occupied by the Borrower;
- (v) each mortgage right securing a Mortgage Loan has been created after 1 March 1995;
- (vi) interest payments are scheduled to be made monthly;
- (vii) the maximum principal amount of each Mortgage Loan, or all mortgage loans secured on the same mortgaged property together, did not, upon its origination exceed 125% of the Foreclosure Value of the property;
- (viii) the Mortgage Loans, other than investment-based mortgages, of which the Loan to Foreclosure Value Ratio exceeds 75% have a compulsory Life Insurance Policy covering the excess over the 75% threshold and, in respect of interest only mortgages, have some form of compulsory principal repayment or savings mechanism for that part of the Mortgage Loan which is in excess of 75% thereof;

- (ix) each Mortgage Loan, or all mortgage loans secured on the same mortgaged property, has an original principal balance of not more than euro 350,000;
- (x) each Mortgage Loan is secured by a first ranking mortgage right;
- (xi) the mortgaged property is located in the Netherlands.

NOTIFICATION EVENTS

If, *inter alia*:

- (a) a default is made by any of the Sellers 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 5 business days after notice thereof has been given by the Company or the Security Trustee to the relevant Seller; or
- (b) any of the Sellers fails duly to perform or comply with any of its obligations under the Mortgage Receivables Purchase Agreement or under any Relevant Document to which it is a party and, if such failure is capable of being remedied, such failure is not remedied within 10 business days after notice thereof has been given by the Company or the Security Trustee to the relevant Seller; or
- (c) any of the Sellers 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
- (d) any of the Sellers 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 X of the Netherlands Act on the Supervision of the Credit System 1992 or for bankruptcy or for the appointment of a receiver or a similar officer of it or of any or all of its assets; or
- (e) any of the Sellers during a period of any two consecutive months fail to have a solvency ratio equal to or greater than 8% as required by clause 4001 of the Guidelines issued pursuant to the Act on the Supervision of the Credit System 1992 (“*Wet Toezicht Kredietwezen 1992*”, hereinafter “*Wtk 1992*”) as set out in the Netherlands Central Bank’s Credit System Supervision Manual (“*Handboek Wtk*”); or
- (f) The Netherlands Central Bank has restricted any of the Sellers’ powers in accordance with Clause 28.3 (a) of the Wtk 1992 or has made an official announcement as referred to in Clause 28.3 (b) of the Wtk 1992 and within two weeks after any such events the relevant Seller has taken the necessary steps resulting in such measures being withdrawn; or
- (g) the credit rating of SNS bank’s long term unsecured, unsubordinated and unguaranteed debt obligations
 - (i) by Moody’s falls below A3 or is withdrawn and/or
 - (ii) by Fitch falls below A or is withdrawn.

then any Seller in respect of which a Notification Event has occurred or, if applicable any of the Legal Owners in respect of which a Notification Event has occurred, or SNS bank on behalf of the relevant Seller (other than SNS Bank) or Legal Owner shall, unless the Security Trustee, after having received confirmation from Moody’s and Fitch that no downgrading of the Notes will occur as a result of not giving notice as described below, instructs them otherwise, forthwith (a) notify the Borrowers of the relevant Seller and any other relevant parties indicated by the Issuer and/or the Security Trustee of (i) the termination of the Mortgages securing the Relevant Mortgage Receivables in as far as they secure debts other than the Relevant Mortgage Receivables assigned to the Issuer and, (ii) the assignment of the Mortgage Receivables or, at its option, the Issuer shall be entitled to make such notifications itself and (b), if so requested by the Issuer, use its best efforts to obtain the co-operation from the relevant Life Insurance Companies and all other relevant parties to appoint the Issuer as first beneficiary under the Life Insurance Policies and to create a first-ranking pledge on the Life Insurance Policies, if applicable, and on the relevant securities, in the case of investment-based mortgages, in favour of the Issuer.

Pursuant to the terms of the Trust Deed, notification as described above will also be made if 215 days before each Interest Rate Reset Date a third party has not purchased the Reset Mortgage Receivables.

The Administration Agreement

SERVICES

In the Administration Agreement the Administrator will agree (i) to provide administration and management services to the Issuer on a day-to-day basis in relation to the Mortgage Loans and the Mortgage Receivables, including, without limitation, the collection of payments of principal, interest and other amounts in respect of the Mortgage Receivables and the implementation of arrears procedures including the enforcement of mortgage rights (see further “Mortgage Administration” above) and (ii) to provide certain administration, calculation and cash management services to the Issuer, including (a) the direction of amounts received by the Sellers to the Floating Rate GIC Account and the production of monthly reports in relation thereto, (b) drawings (if any) to be made by the Issuer under the Liquidity Facility and from the Reserve Fund, (c) all payments to be made by the Issuer under the Swap Agreement, (d) all payments to be made by the Issuer under the Notes in accordance with the Paying Agency Agreement and the Conditions of the Notes, (e) the maintaining of all required ledgers in connection with the above and (f) all calculations to be made pursuant to the Conditions under the Notes. It is expected that the Administrator will delegate the administration and management services in relation to the Mortgage Loans and the Mortgage Receivables to each of the respective Sellers (other than SNS Bank) of the relevant Mortgage Receivables.

The Administrator will be obliged to administer the Mortgage Loans and the Mortgage Receivables at the same level of skill, care and diligence as mortgage loans in its own or, as the case may be, the relevant Seller’s (other than SNS Bank) portfolio.

The Issuer will agree in the Put Option Agreement that if one or more Reset Mortgage Receivables have been sold and assigned to the Put Option Provider, it will, if so requested by the Put Option Provider, terminate the Administration Agreement to the extent relating to the administration to the Mortgage Loans and the Mortgage Receivables and shall substitute the Put Option Provider as administrator in this respect.

REPURCHASE OF MORTGAGE RECEIVABLES

The Administration Agreement provides that to the extent that the making of a further advance under a Mortgage Loan does not require the relevant Borrower to prepay the relevant Mortgage Receivable, the Administrator shall cause the relevant Sellers to repurchase and accept re-assignment of the relevant Mortgage Receivable in accordance with, and on the same terms as provided in, the Mortgage Receivables Purchase Agreement as if there were a breach of the warranties set forth therein.

The Administrator shall also cause the relevant Sellers to repurchase and accept re-assignment of a Mortgage Receivable in the same manner and on the same terms as set out in the previous paragraph, if at any time such Sellers agree with a Borrower to amend the terms of the relevant Mortgage Loan and as a result thereof such Mortgage Loan or, as the case may be, Mortgage Receivable no longer meets the criteria set forth in the Mortgage Receivables Purchase Agreement (see “Mortgage Receivables Purchase Agreement” above).

The Issuer

The Issuer was incorporated with limited liability under the laws of the Netherlands on 1 September 2000 under number B.V. 1122321. The registered office of the Issuer is in Amsterdam.

The objectives of the Issuer are (a) to acquire, purchase, conduct the management of, dispose of and encumber assets and to exercise any rights connected to such assets, (b) to take up loans by way of issue of securities or by entering into loan agreements to acquire the assets mentioned under (a), (c) to invest and on-lend any funds held by the Issuer, (d) to hedge interest rate and other financial risks amongst others by entering into derivative agreements, such as swaps and options, (e) if incidental to the foregoing, to take up loans 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 18,500 has been issued in denominations of euro 100 each and is fully paid. All shares of the Issuer are held by Stichting Holland Euro-Denominated Mortgage-Backed Series (Hermes) (the “Shareholder”).

The Shareholder is a foundation (“*stichting*”) incorporated under the laws of the Netherlands on 20 May 1999. The objects of the Shareholder 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 Shareholder has issued to each of SNS Bank and SNS Reaal Verzekeringen N.V. depositary receipts (“*certificaten*”) for 10 shares held in the capital of the Issuer. The administration conditions (“*administratievoorwaarden*”) provide that the depositary receipts cannot be exchanged into shares (“*geroyeerd*”) at the request of the holder thereof, as long as the Issuer has not fulfilled all obligations under the Relevant Documents, including the Notes, except if such obligation is *vis-à-vis* SNS Bank or SNS Reaal Verzekeringen N.V. or to any of their group companies. The sole managing director of the Shareholder is ATC Trustees (Netherlands) B.V.

The Issuer has the corporate power and capacity to issue the Notes, to acquire the Mortgage Receivables and to enter into and perform the Relevant Documents.

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

The sole managing director of ATC Management B.V. is Mr. O. B. Linker.

CAPITALISATION

The following table shows the capitalisation of the Issuer as of 27 October 2000 as adjusted to give effect to the issue of the Notes:

SHARE CAPITAL

Authorised Share Capital	euro 90,000
Issued Share Capital	euro 18,500
Borrowings	
Class A Senior Notes	euro 621,000,000
Class B Subordinated Notes	euro 28,000,000
Class C Subordinated Notes	euro 16,000,000
Subordinated Loans	euro 16,491,770

AUDITORS' REPORT

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

“To the Directors

Holland Euro-Denominated Mortgage Backed Series (Hermes) II B.V.

Amsterdam, 27 October 2000

Dear Sirs

Holland Euro-Denominated Mortgage Backed Series (Hermes) II B.V. (the “Company”) was incorporated on 1 September 2000 under number B.V. 1122321 with an issued share capital of euro 18,500. The Company has not yet prepared any financial statements. Since its incorporation, the Company has not traded, no profits and losses have been made or incurred and it has not declared or paid any dividends nor made any distributions, save for the activities related to its establishment and the securitisation transaction included in the Offering Circular dated 27 October 2000.

Yours faithfully,

Ernst & Young Accountants”

Use Of Proceeds

The net proceeds of the issue of the Notes will be applied on the Closing Date to pay the Initial Purchase Price for the Mortgage Receivables purchased under the Mortgage Receivables Purchase Agreement.

The net proceeds of the Notes to be issued on the Closing Date amount to euro 663,271,500.

Description Of Security

The Notes will be secured by the Deed of Surety to be entered into by the Security Trustee with (i) the Managers as initial Noteholders, (ii) the Directors, (iii) the Administrator, (iv) the Paying Agent and the Reference Agent, (v) the Liquidity Facility Provider, (vi) the Swap Counterparty, (vii) the Fees And Expenses Subordinated Loan Provider, (viii) the Reserve Fund Subordinated Loan Provider and (ix) the Sellers (the “Secured Parties”). The Security Trustee will agree in the Deed of Surety to grant a surety (“*borgtocht*”) to the Secured Parties and will undertake to pay, as surety, after the date on which an Enforcement Notice has been received (see Condition 10 below) from time to time as soon as reasonably possible and practicable, to the Secured Parties an amount corresponding to the sum of any amounts due and payable by the Issuer:

- (a) to the Noteholders under the Notes;
- (b) as fees or other remuneration to the Directors under the Management Agreements;
- (c) as fees and expenses to the Administrator under the Administration Agreement;
- (d) as fees and expenses to the Paying Agent and the Reference Agent under the Paying Agency Agreement;
- (e) to the Liquidity Facility Provider under the Liquidity Facility Agreement;
- (f) to the Swap Counterparty under the Swap Agreement;
- (g) to the Fees And Expenses Subordinated Loan Provider and the Reserve Fund Subordinated Loan Provider under the Subordinated Loan Agreement;
- (h) to the Sellers under the Mortgage Receivables Purchase Agreement;

provided that such amount shall never exceed the sum of (a) amounts recovered (“*verhaald*”) by it on the Mortgage Receivables, (b) amounts received in connection with the penalty provided in the Mortgage Receivables Purchase Agreement and (c) the amount of any advance having been made available to the Security Trustee under a recourse liquidity facility agreement to the extent the amount so made available will be recovered under (a) above and will not exceed the amount of such advance. Any amounts will be paid to the Secured Parties in accordance with and subject to the Priority of Payments upon Enforcement (see “Credit Structure” above).

Each of the Sellers or, as the case may be, Legal Owners shall grant a first ranking right of pledge (“*pandrecht*”) (the “Security Trustee Pledge Agreement I”) over the Relevant Mortgage Receivables and the Life Beneficiary Rights (see further “Special Considerations” above) to the Security Trustee on the Closing Date. Security in respect of the Mortgage Receivables will be given by each of the Sellers or, as the case may be, the Legal Owners since they will have the legal title to the relevant Mortgage Receivables, until notification to the underlying Borrowers of the assignment has been made. After such notification to the Borrowers (which will only be made upon the occurrence of Notification Events, see “Mortgage Receivables Purchase Agreement” above), legal title to the Mortgage Receivables will pass to the Issuer and the Security Trustee Pledge Agreement I will provide that the Issuer (who will be a party to the pledge agreement) will be bound by the provisions thereof in such event.

The Security Trustee Pledge Agreement I will secure all liabilities of the Sellers under the Mortgage Receivables Purchase Agreement, including the obligation to pay to the Security Trustee an amount equal to a penalty which is due to the Issuer if, for whatever reason, the transfer of legal ownership of Mortgage Receivables to the Issuer is not completed. The penalty will be drafted so that any detrimental effects resulting from the failure to transfer legal ownership of the Mortgage Receivables to the Issuer will, to the extent possible, be eliminated. Any amount due to the Security Trustee will be reduced by any amount paid in respect of the penalty to the Issuer and any amount due to the Issuer in respect of the penalty will be reduced by any amount paid to the Security Trustee.

In addition, the Security Trustee Pledge Agreement I will be created as security for all liabilities (including, without limitation, recourse claims) of the Issuer to the Security Trustee in connection with the Deed of Surety. If the Security Trustee pursuant to its claims on the Sellers cannot fully recover all amounts required to meet its obligations under the Deed of Surety, it can create a recourse claim under the Deed of Surety

Description Of Security

against the Issuer by paying further amounts to the Noteholders. The obligations of the Security Trustee in this respect will, therefore, be conditional upon it having funds available to effect such payment. For this purpose, the Security Trustee will have the ability to borrow an amount equal to the amount which it has as at such date collected and which it will be entitled to recover under the Security Trustee Pledge Agreement I and the Security Trustee Pledge Agreement II (see below). After having paid the Noteholders using such borrowed funds, the Security Trustee will be entitled to reimbursement in respect of payments made by it under the Deed of Surety. It will therefore be entitled to apply the amounts held by it under the Security Trustee Pledge Agreement I and the Security Trustee Pledge Agreement II to pay its recourse claim and use these amounts to repay drawings made under the recourse liquidity facility agreement together with interest thereon and any related costs.

The pledge provided in the Security Trustee Pledge Agreement I will not be notified to the Borrowers except in case of certain Notification Events (as defined in the Security Trustee Pledge Agreement I). These Notification Events will be similar to the Notification Events defined in the Mortgage Receivables Purchase Agreement. Prior to notification of the pledge to the Borrowers, the pledge will be a “silent” right of pledge (“*stil pandrecht*”) within the meaning of section 3:239 of the Netherlands Civil Code.

In order to secure the obligation of each of the Sellers to transfer legal title to the Relevant Mortgage Receivables to the Issuer, the Sellers, or as the case may be, the Legal Owners, will each grant a second ranking right of pledge (the “Company Pledge Agreement”) over the Relevant Mortgage Receivables and the Life Beneficiary Rights to the Issuer on the Closing Date. Since a right of pledge can only be vested as security for a monetary claim, this pledge will secure the payment of the penalty by the relevant Sellers, provided in the Mortgage Receivables Purchase Agreement, as described above. This right of pledge will also be a “silent” pledge as described above.

The Issuer will also vest a right of pledge (“Security Trustee Pledge Agreement II”) in favour of the Security Trustee on the Closing Date. This right of pledge will secure any and all liabilities (including, without limitation, recourse claims) of the Issuer to the Security Trustee resulting from or in connection with the Deed of Surety and will be vested on all rights of the Issuer under or in connection with (i) the Mortgage Receivables Purchase Agreement, (ii) the Administration Agreement, (iii) the Floating Rate GIC, (iv) the Liquidity Facility Agreement, (v) the Put Option Agreement and (vi) the Swap Agreement. This right of pledge will be notified to the relevant obligors and will, therefore be a “disclosed” right of pledge (“*openbaar pandrecht*”).

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

The Security Trustee

Stichting Security Trustee Holland Euro-Denominated Mortgage-Backed Series (Hermes) II (the “Security Trustee”) is a foundation (“*stichting*”) incorporated under the laws of the Netherlands on 1 September 2000. It has its registered office in Amsterdam, the Netherlands.

The objects of the Security Trustee are (a) to act as agent and/or trustee; (b) to act as surety in favour of the Noteholders, as well as in favour of other creditors of the Issuer; (c) to acquire security rights as agent and/or trustee and/or for itself; (d) to hold, administer and to enforce the security rights mentioned under (c); (e) to borrow money and (f) 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, 1076 EE Amsterdam, the Netherlands.

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 Definitive Note if they are issued. While the Notes remain in global form, the same terms and conditions govern the Notes, except to the extent that they are not appropriate for Notes in global form. See “The Global Notes” below.

The issue of the euro 621,000,000 Class A Senior Mortgage-Backed Notes 2000 due 2012 (the “Class A Senior Notes”), the euro 28,000,000 Class B Subordinated Mortgage-Backed Notes 2000 due 2012 (the “Class B Subordinated Notes”) and the euro 16,000,000 Class C Subordinated Mortgage-Backed Notes 2000 due 2012 (the “Class C Subordinated Notes”) and together with the Class A Senior Notes and the Class B Subordinated Notes, the “Notes”) was authorised by a resolution of the managing director of the Issuer passed on 19 October 2000. The Notes are issued under a paying agency agreement to be dated 30 October 2000 (the “Paying Agency Agreement”) between the Issuer, the Security Trustee and ABN AMRO Bank N.V., as paying agent (the “Paying Agent”) and as reference agent (the “Reference Agent”).

The statements in these terms and conditions of the Notes (the “Conditions”) include summaries of, and are subject to, the detailed provisions of (i) the Paying Agency Agreement, which will include the form of the Notes and the interest coupons appertaining to the Notes (the “Coupons”), the forms of the Temporary Global Notes and the Permanent Global Notes, (ii) a trust deed (the “Trust Deed”) dated 30 October 2000 between Stichting Security Trustee Holland Euro-Denominated Mortgage-Backed Series (Hermes) II (the “Security Trustee”) and the Issuer, (iii) an administration agreement (the “Administration Agreement”) dated 30 October 2000 between the Issuer, SNS bank Nederland N.V. (“SNS bank” or, in its capacity as administrator, the “Administrator”) and the Security Trustee, (iv) a deed of surety (the “Deed of Surety”) dated 30 October 2000 between the Security Trustee and, *inter alia*, the Managers as initial holders of the Notes (the “Noteholders”), (v) a pledge agreement dated 30 October 2000 between SNS bank Groningen-Friesland-Drenthe N.V., SNS bank Overijssel N.V., SNS bank Gelderland N.V., SNS bank Randstad N.V., SNS bank Brabant/Rivierenland N.V. and SNS bank Limburg N.V. and SNS bank (collectively the “Sellers” and each individually, a “Seller”), the Security Trustee and the Issuer, (vi) a pledge agreement dated 30 October 2000 between the Sellers and the Issuer and (vii) a pledge agreement dated 30 October 2000 between the Issuer, the Security Trustee and others (jointly with the two other pledge agreements referred to under (v) and (vi) above, the “Pledge Agreements”).

Certain words and expressions used below are defined in a master definitions schedule (the “Master Definitions Schedule”) dated 27 October 2000 and signed by the Issuer, the Security Trustee, the Sellers, SNS bank 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 Class A Senior Notes, the Class B Subordinated Notes or the Class C Subordinated Notes, as the case may be.

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

1. FORM, DENOMINATION AND TITLE

The Notes will be in bearer form serially numbered with Coupons attached on issue in denomination of euro 500,000 each. Under Netherlands law, the valid transfer of Notes or Coupons requires, *inter alia*, delivery (“levelling”) thereof. The Issuer, the Security Trustee and the Paying Agent may, to the fullest extent permitted by law, treat the holder of any Note and of the Coupons appertaining thereto as its absolute owner for all purposes (whether or not payment under such Note or Coupon shall be overdue and notwithstanding any notice of ownership or writing thereon or any notice of previous loss or theft thereof) for any purposes, including payment and no person shall be liable for so treating such holder. The signatures on the Notes will be in facsimile.

2. STATUS, RELATIONSHIP BETWEEN THE CLASS A SENIOR NOTES, THE CLASS B SUBORDINATED NOTES AND THE CLASS C SUBORDINATED NOTES AND SECURITY

- (a) The Notes of each Class, are direct and unconditional obligations of the Issuer and rank *pari passu* and rateably without any preference or priority among Notes of the same Class.
- (b) In accordance with the provisions of Conditions 4, 6 and 9, the Trust Deed and the Deed of Surety (i) payments of principal and interest on the Class B Subordinated Notes are subordinated to, *inter alia*, payments of principal and interest on the Class A Senior Notes and (ii) payments of principal and interest on the Class C Subordinated Notes are subordinated to, *inter alia*, payments of principal and interest on the Class A Senior Notes and the Class B Subordinated 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 Deed of Surety and the Pledge Agreements, which will create the following security rights:
- (i) a deed of surety (“*borgtocht*”) on a limited recourse basis by the Security Trustee, *inter alia*, to the Noteholders;
 - (ii) a first ranking pledge by the Sellers to the Security Trustee over the Mortgage Receivables;
 - (iii) a second ranking pledge by the Sellers to the Issuer over the Mortgage Receivables;
 - (iv) a first ranking pledge by the Issuer to the Security Trustee on the Issuer’s rights (a) against the Sellers under or in connection with the Mortgage Receivables Purchase Agreement; (b) against the Administrator under or in connection with the Administration Agreement; (c) against the Floating Rate GIC Provider under or in connection with the Floating Rate GIC and in respect of the Floating Rate GIC Account, (d) against the Swap Counterparty under or in connection with the Swap Agreement, (e) against the Put Option Provider under or in connection with the Put Option Agreement and (f) against the Liquidity Facility Provider under or in connection with the Liquidity Facility Agreement.
- (d) The Class A Senior Notes, the Class B Subordinated Notes and the Class C Subordinated Notes will be secured (directly and/or indirectly) by the Security. The Class A Senior Notes will rank in priority to the Class B Subordinated Notes and the Class C Subordinated Notes and the Class B Subordinated Notes will rank in priority to the Class C Subordinated Notes in the event of the Security being enforced. The Trust Deed contains provisions requiring the Security Trustee to have regard to the interests of the Class A Senior Noteholders, the Class B Subordinated Noteholders and the Class C Subordinated Notes, 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 Class A Senior Noteholders, if, in the Security Trustee’s opinion, there is a conflict between the interests of the Class A Senior Noteholders on one hand and the Class B Subordinated Noteholders and the Class C Subordinated Noteholders on the other hand and, if no Class A Senior Notes are outstanding, to have regard only to the interest of the Class B Subordinated Noteholders, if, in the Security Trustee’s opinion, there is a conflict between the interest of the Class B Subordinated Noteholders on the one hand the Class C Subordinated Noteholders on the other hand.

3. COVENANTS OF THE ISSUER

So long as any of the Notes remains outstanding, the Issuer shall carry out its business in accordance with proper and prudent Netherlands business practice and in accordance with the requirements of Netherlands law and accounting practice, and shall not, except to the extent permitted by the Mortgage Receivables Purchase Agreement, the Administration Agreement, the Swap Agreement, the Put Option Agreement, the Floating Rate GIC, the Liquidity Facility Agreement, the Pledge Agreements, the Deed of Surety, the Subscription Agreement, the Notes, the Paying Agency Agreement, the Trust Deed, the Fees and Expenses Subordinated Loan Agreement and the Reserve Fund Subordinated Loan Agreement (together, the “Relevant Documents”) or with the prior written consent of the Security Trustee:

- (a) carry out any business other than as described in the Offering Circular dated 27 October 2000 relating to the issue of the Notes and as contemplated by 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 by the Relevant Documents;
- (d) consolidate or merge with any other person or convey or transfer its assets substantially or as an entirety to one or more persons;
- (e) permit the validity or effectiveness of the Relevant Documents, or the priority of the security created thereby or pursuant thereto to be amended, terminated, postponed or discharged, or permit any person whose obligations form part of such security rights to be released from such obligations or consent to any waiver 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 the Floating Rate GIC Account, unless all rights in relation to such account will have been pledged to the Security Trustee as provided in Condition 2(c)(iv).

4. INTEREST

(a) Period of Accrual

The Notes shall bear interest on their Principal Amount Outstanding (as defined in Condition 6) 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 judgment) 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 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 Interest Period (as defined below)), such interest shall be calculated on the basis of the actual days elapsed and a 360 day year.

(b) Interest Periods and Payment Dates

Interest on the Notes shall be payable by reference to successive interest periods (each an "Interest Period") and will be payable in arrear in euros in respect of the Principal Amount Outstanding (as defined in the Conditions) of each class of Notes on the 18th day of January, April, July and October (or, if such day is not a day on which banks are open for business in Amsterdam and London, provided that such day is also a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer System or any successor thereto is operating credit or transfer instructions in respect of payments in euro (a "Business Day"), the next succeeding Business Day unless such Business Day falls in the next succeeding calendar month in which event the immediately preceding Business Day) in each year (each such day being a "Payment Date"). The first Interest Period will commence on (and include) the Closing Date and end on (but exclude) 18 January 2001.

Each successive Interest Period will commence on (and include) a Payment Date and end on (but exclude) the next succeeding Payment Date.

(c) Interest on the Class A Senior Notes, the Class B Subordinated Notes and the Class C Subordinated Notes

Interest on the Class A Senior Notes, the Class B Subordinated Notes and the Class C Subordinated Notes for each 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-month deposits in euros (determined in accordance with paragraph (d) below) (or, in respect of the first such interest payment, the rate which represents the linear interpolation of EURIBOR for two-month and three-month deposits in euros), plus in respect of the Class A Senior Notes a margin of 0.27% per annum, in respect of the Class B Subordinated Notes a margin of 0.80% per annum and in respect of the Class C Subordinated Notes a margin of 1.45% per annum less, in respect of the Class B Subordinated Notes and the Class C Subordinated Notes, in the event the Issuer incurs a

corporate income tax liability in connection with the relevant Class of Notes, the corporate income tax rate applicable to the Issuer from time to time, multiplied by the sum of EURIBOR for the relevant period plus the applicable margin (together the “Floating Rates of Interest”).

(d) EURIBOR

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

- (i) The “Reference Agent” will obtain for each Interest Period the rate equal to the sum of the Euro Interbank Offered Rate (“EURIBOR”) for three months deposits in euros. The Reference Agent shall use the EURIBOR rate as determined and published jointly by the European Banking Federation and ACI — The Financial Market Association and which appears for information purposes on the Telerate Page 248 (or, if not available, any other display page on any screen service maintained by any registered information vendor (including, without limitation, the Reuter Monitor Money Rate Service, the Dow Jones Telerate Service and the Bloomberg Service) for the display of the EURIBOR rate selected by the Reference Agent) as at or about 11.00 am (Brussels time) on the day that is two Business Days preceding the first day of each Interest Period (each an “Interest Determination Date”).
- (ii) If, on the relevant Interest Determination Date, such EURIBOR rate is not determined and published jointly by the European Banking Association and ACI — The Financial Market Association, or if it is not otherwise reasonably practicable to calculate the rate under (i) above, the Reference Agent will:
 - (A) request the principal Euro-zone office of each of four major banks in the Euro-zone interbank market (the “Reference Banks”) to provide a quotation for the rate at which three months euro deposits are offered by it in the Euro-zone interbank market at approximately 11.00 am (Brussels time) on the relevant Interest Determination Date to prime banks in the Euro-zone interbank market in an amount that is representative for a single transaction at that time; and
 - (B) determine the arithmetic mean (rounded, if necessary, to the fifth decimal place with 0.000005 being rounded upward) of such quotation as is provided; and
- (iii) if fewer than two such quotations are provided as requested, the Reference Agent will determine the arithmetic mean (rounded, if necessary to the fifth decimal place with 0.000005 being rounded upwards) of the rates quoted by major banks, of which there shall be at least two in number, in the Euro-zone, selected by the Reference Agent, at approximately 11.00 am (Brussels time) on the relevant Interest Determination Date for three months deposits to leading Euro-zone banks in an amount that is representative for a single transaction in that market at that time,

and the EURIBOR for such Interest Period shall be the rate per annum equal to (a) the Euro interbank offered rate for euro deposits as determined in accordance with this paragraph (d), (b) provided that if the Reference Agent is unable to determine EURIBOR in accordance with the above provisions in relation to any Interest Period, EURIBOR is applicable to the Class A Senior Notes, the Class B Subordinated Notes and the Class C Subordinated Notes during such Interest Period will be EURIBOR last determined in relation thereto.

(e) Determination of Floating Rates of Interest and Calculation of Interest Amounts

The Reference Agent will, as soon as practicable after 11.00 am (Brussels time) on each Interest Determination Date, determine EURIBOR for the relevant period and the Floating Rates of Interest for the Class A Senior Notes and calculate the amount of interest payable on each of the Class A Senior Notes for the following Interest Period by applying the relevant Floating Rates of Interest. The Administrator will determine the Floating Rate of Interest for the Class B Subordinated Notes and the Class C Subordinated Notes, using EURIBOR as determined by the Reference Agent, and calculate the amount of interest payable on the Class B Subordinated Notes and the Class C Subordinated Notes for the following Interest Period by applying the relevant Floating Rate of Interest. The amount of interest payable on each of the Notes shall be the “Interest Amount”. The determination of the relevant Floating Rates of Interest and each Interest Amount by the Reference Agent or, as the case may be, the Administrator shall (in the absence of manifest error) be final and binding on all parties.

(f) Notification of Floating Rates of Interest and Interest Amounts

The Reference Agent and the Administrator will cause the relevant Floating Rates of Interest and the Interest Payment Date applicable to each of the Notes to be notified to the Issuer, the Security Trustee, the Paying Agent, the Administrator and to the holders of the Notes in accordance with Condition 13 as soon as

possible after the determination. The Interest Amount and Interest 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 Interest Period.

(g) Determination or Calculation by Security Trustee

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

(h) Reference Banks and Reference Agent

The Issuer will procure that, as long as any of 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 Agent or of any Reference Bank by giving at least 90 days' notice in writing to that effect. Notice of any such termination will be given to the holders of the 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 Definitive Notes in K-form will be made upon presentation of the Definitive Note and against surrender of the relevant Coupon appertaining thereto at any specified office of the Paying Agent in cash or by transfer to an euro account maintained by the payee with a bank in the Netherlands, as the holder may specify. All such payments are subject to any fiscal or other laws and regulations applicable in the place of payment.
- (b) At the Final Maturity Date (as defined in Condition 6), or such earlier date the Notes become due and payable, the Notes in should be presented for payment together with all unmatured Coupons appertaining thereto, failing which the full amount of any such missing unmatured Coupons (or, in the case of payment not being made in full, that proportion of the full amount of such missing unmatured Coupons which the sum of principal so paid bears to the total amount of principal due) will be deducted from the sum due for payment. Each amount so deducted will be paid in the manner mentioned above against surrender of the relevant missing Coupon at any time before the expiry of five years following the due date for payment of such principal (whether or not such Coupons would have become unenforceable pursuant to Condition 8).
- (c) If the Payment Date is not a day on which banks are open for business in the place of presentation of the relevant Note or Coupon, the holder thereof shall not be entitled to payment until the next following such day, or to any interest or other payment in respect of such delay, provided that in the case of payment by transfer to an euro account as referred to above, the Paying Agent shall not be obliged to credit such account until the day on which banks in the place of such account are open for business 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 agent located in the United States of America will be appointed and that the Issuer will at all times maintain a paying agent having a specified office in a European city which, for as long as the Class A Senior Notes are listed on the Euronext Amsterdam Stock Exchange, shall be located in Amsterdam. Notice of any termination or appointment of a Paying Agent and of any changes in the specified offices of the Paying Agent will be given to the Noteholders in accordance with Condition 13.

6. REDEMPTION AND PURCHASE

- (a) Provided that no Enforcement Notice has been served in accordance with Condition 10, on each Payment Date the Issuer shall be obliged to apply the Redemption Available Amount (as defined below) to redeem (or partially redeem) on a *pro rata* basis the Notes in the following order, (i) firstly, the Class A Senior Notes until fully redeemed and, thereafter, (ii) the Class B Subordinated Notes until fully redeemed and, thereafter, (iii) the Class C Subordinated Notes. The principal amount so redeemable in respect of each relevant Note (each a “Principal Redemption Amount”) on the relevant Payment Date shall be the aggregate amount (if any) of the Redemption Available Amount on the Calculation Date relating to that Payment Date divided by the number of Notes of the relevant Class subject to such redemption (rounded down to the nearest euro, 0.5 being rounded upwards), provided always that the Principal Redemption Amount may never exceed the Principal Amount Outstanding (as defined below) of the relevant Note of the relevant Class. Following application of the Principal Redemption Amount to redeem a Note, the Principal Amount Outstanding of such Note shall be reduced accordingly.
- (b) (i) The “Principal Amount Outstanding” on any Calculation Date of any Note shall be the principal amount of that Note upon issue less the aggregate amount of all Principal Redemption Amounts in respect of that Note that have become due and payable prior to such Calculation Date.
- (ii) The term “Redemption Available Amount” shall mean on any Calculation Date the aggregate amount received by the Issuer during the immediately preceding Calculation Period:
- (a) by means of repayment and prepayment of principal under the Mortgage Receivables;
- (b) as Net Proceeds (as defined in Condition 6(b) (iii) below) on any Mortgage Receivable to the extent such proceeds relate to principal;
- (c) in connection with a repurchase of Mortgage Receivables pursuant to the Mortgage Receivables Purchase Agreement or pursuant to the Administration Agreement to the extent such amounts relate to principal;
- (d) in connection with a sale of Mortgage Receivables pursuant to the Trust Deed or pursuant to the Put Option Agreement to the extent such amounts relate to principal;
- (e) by crediting to the Principal Deficiency Ledger on the immediately succeeding Payment Date in accordance with the Administration Agreement;
- (f) as the excess (if any) of (a) the aggregate net proceeds of the issue of the Notes over (b) the Initial Purchase Price of the Mortgage Receivables.
- (iii) The term “Net Proceeds” shall mean the sum of (a) the proceeds of a foreclosure on the mortgage right, (b) the proceeds of foreclosure on any other collateral securing the Mortgage Receivable, (c) the proceeds, if any, of collection of any insurance policies in connection with the Mortgage Receivable, including but not limited to life insurance and fire insurance, (d) the proceeds of any guarantees or sureties, and (e) the proceeds of foreclosure on any other assets of the relevant debtor, after deduction of foreclosure costs.
- (iv) The term “Calculation Date” means, in relation to a Calculation Period, the eighth business day following the last day of such Calculation Period.
- (v) The term “Calculation Period” means, in relation to a Calculation Date, the three successive Mortgage Calculation Periods immediately preceding such Calculation Date.
- (c) (i) On each Calculation Date, the Issuer shall determine (or cause the Administrator to determine) (x) the Redemption Available Amount, (y) the amount of the Principal Redemption Amount due for the relevant Class of Notes on the Payment Date, and (z) the Principal Amount Outstanding of the relevant Note on the first day following the Payment Date. Each determination by or on behalf of the Issuer of any Principal Redemption Amount or the Principal Amount Outstanding of a Note shall in each case (in the absence of manifest error) be final and binding on all persons.

- (ii) The Issuer will on each Calculation Date cause each determination of a Principal Redemption Amount and Principal Amount Outstanding of the Notes to be notified forthwith to the Security Trustee, the Paying Agent, Euroclear and Clearstream, Luxembourg.
- (iii) If the Issuer or the Administrator on its behalf does not at any time for any reason determine the Redemption Available Amount, a Principal Redemption Amount or the Principal Amount Outstanding of the Notes, such Principal Redemption Amount or such Principal Amount Outstanding shall be determined by the Security Trustee in accordance with Condition 6(a), (b) and (c) (but based upon the information in its possession as to the Principal Redemption 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.
- (d) If and to the extent not otherwise redeemed, the Issuer will redeem the Notes at their respective Principal Amount Outstanding on 18 April 2012 (the "Final Maturity Date").
- (e) In the event of certain tax changes affecting the Notes, other than in respect of the Class B Subordinated Notes and the Class C Subordinated Notes pursuant to the bill containing final amendments and additions to the Dutch Tax Reform 2001 ("*Veegwet*") as published on 23 October 2000, including in the event that the Issuer is or will be obliged to make any withholding or deduction from payments in respect of any of the Notes (although the Issuer will not have any obligation to pay additional amounts in respect of any such withholding or deduction), the Issuer may (but is not obliged to) redeem on the next Payment Date all (but not some only) of the Notes at their Principal Amount Outstanding together with accrued interest thereon up to and including the date of redemption, subject to and in accordance with the Conditions. No class of Notes may be redeemed under such circumstances unless the other class of Notes (or such of them as are then outstanding) are also redeemed in full at the same time.

7. TAXATION

All payments of, or in respect of, principal of and interest on the Notes will be made without withholding of, or deduction for, or on account of any present or future taxes, duties, assessments or charges of whatsoever nature imposed or levied by or on behalf of the State of the Netherlands, any authority therein or thereof having power to tax unless the withholding or deduction of such taxes, duties, assessments or charges are required by law. In that event, the Issuer will make the required withholding or deduction of such taxes, duties, assessments or charges for the account of the Noteholders, as the case may be, and shall not pay any additional amounts to such Noteholders.

8. PRESCRIPTION

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

9. SUBORDINATION

(a) Interest

Interest on the Class B Subordinated Notes and the Class C Subordinated Notes shall be payable in accordance with the provisions of Conditions 4 and 6, subject to the terms of this Condition.

In the event that on any Calculation Date the Issuer has insufficient funds available to it to satisfy its obligations in respect of amounts of interest due on the Class B Subordinated Notes on the next Payment Date, the amount available (if any) shall be applied *pro rata* to the amount of interest due on such Payment Date to the holders of the Class B Subordinated Notes. In the event of a shortfall, the Issuer shall credit the Class B Subordinated Notes Interest Shortfall Ledger (as defined in the Master Definitions Schedule), with an amount equal to the amount by which the aggregate amount of interest paid on the Class B Subordinated Notes, on any Payment Date in accordance with this Condition falls short of the aggregate amount of interest payable on the Class B Subordinated 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 Class B Subordinated 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 Note on the next succeeding Payment Date.

In the event that on any Calculation Date the Issuer has insufficient funds available to it to satisfy its obligations in respect of amounts of interest due on the Class C Subordinated Notes on the next Payment Date, the amount available (if any) shall be applied *pro rata* to the amount of interest due on such Payment Date to the holders of the Class C Subordinated Notes. In the event of a shortfall, the Issuer shall credit the Class C Subordinated Notes Interest Shortfall Ledger (as defined in the Master Definitions Schedule), with an amount equal to the amount by which the aggregate amount of interest paid on the Class C Subordinated Notes, on any Payment Date in accordance with this Conditions falls short of the aggregate amount of interest payable on the Class C Subordinated 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 Class C Subordinated 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 Class C Subordinated Note on the next succeeding Payment Date.

(b) Principal

Until the date on which the Principal Amount Outstanding of all Class A Senior Notes is reduced to zero, the Class B Subordinated Noteholders will not be entitled to any repayment of principal in respect of the Class B Subordinated Notes. If, on the Payment Date falling in April 2012, there is a balance on the Class B Principal Deficiency Ledger, then notwithstanding any other provisions of the Conditions the principal amount payable on final redemption of each Class B Subordinated Note shall be its Principal Amount Outstanding less the quotient of the balance on the Class B Principal Deficiency Ledger on such date, divided by the number of Class B Subordinated Notes then outstanding.

Until the date on which the Principal Amount Outstanding of all Class A Senior Notes is reduced to zero and the Principal Amount Outstanding of the Class B Subordinated Notes is reduced to zero, the Class C Subordinated Noteholders will not be entitled to any repayment of principal in respect of the Class C Subordinated Notes. If, on the Payment Date falling in April 2012, there is a balance on the Class C Principal Deficiency Ledger, then notwithstanding any other provisions of the Conditions the principal amount payable on final redemption of each Class C Subordinated Note shall be its Principal Amount Outstanding less the quotient of the balance on the Class C Principal Deficiency Ledger on such date, divided by the number of Class C Subordinated Notes then outstanding.

(c) General

In the event that the Security in respect of the Notes and the Coupons appertaining thereto has been fully enforced and the proceeds of such enforcement, after payment of all other claims ranking under the Trust Deed in priority to the Class C Subordinated Notes or, as the case may be, the Class B Subordinated Notes, are insufficient to pay in full all principal and interest and other amounts whatsoever due in respect of the Class C Subordinated Notes, or, as the case may be, the Class B Subordinated Notes, the Class C Subordinated Noteholders, or, as the case may be, the Class B Subordinated Noteholders 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 required in writing by the holders of not less than 25% in aggregate of the Principal Amount Outstanding of the Class A Senior Notes or if no Class A Senior Notes are outstanding by the holders of not less than 25% in aggregate of the Principal Amount Outstanding of the Class B Subordinated Notes or if no Class A Senior Notes and Class B Subordinated Notes are outstanding by the holders of not less than 25% in aggregate of the Principal Amount Outstanding of the Class C Subordinated Notes, or if so directed by an Extraordinary Resolution of the Class A Senior Noteholders or if no Class A Senior Notes are outstanding, by an Extraordinary Resolution of the holders of the Class B Subordinated Notes, or if no Class A Senior Notes and Class B Subordinated Notes are outstanding, by an Extraordinary Resolution of the Class C Subordinated Notes (subject, in each case, to being indemnified to its satisfaction) (in each case, the "Relevant Class") shall (but in the case of the occurrence of any of the events mentioned in (b) below, only if the Security Trustee shall have certified in writing to the Issuer that such an event is, in its opinion, materially prejudicial to the Noteholders of the Relevant Class) give notice (an "Enforcement Notice") to the Issuer that the Notes are, and each Note shall become, immediately due and payable at their or its Principal Amount Outstanding, together with accrued interest, if any of the following shall occur:

- (a) default is made for a period of seven days in the payment of the principal of, or default is made for a period of 14 days in the payment of interest on, the Senior Notes 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 21 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 21 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 (“*surséance van betaling*”) or for bankruptcy (“*faillissement*”) or is declared bankrupt.

Provided that, if Class A Senior Notes are outstanding, no Enforcement Notice may or shall be given by the Security Trustee to the Issuer in respect of the Class B Subordinated Notes or the Class C Subordinated Notes, irrespective of whether an Extraordinary Resolution is passed by the Class B Subordinated Noteholders or the Class C Subordinated Noteholders, unless an Enforcement Notice in respect of the Class A Senior 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 Class A Senior Notes, the Security Trustee shall not be required to have regard to the interests of the Class B Subordinated Noteholders or the Class C Subordinated Noteholders.

11. ENFORCEMENT

- (a) At any time after the Notes of any Class become due and payable, the Security Trustee may, at its discretion and without further notice, take such steps and/or institute such proceedings as it may think fit to enforce the terms of the Deed of Surety, 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 Class A Senior Noteholders or, if all amounts due in respect of the Class A Senior Notes have been fully paid, the Subordinated 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 year after the latest maturing Note is paid in full. The Noteholders accept and agree that, apart from any recourse claims in connection with the Deed of Surety, the only remedy of the Security Trustee against the Issuer after any of the Notes have become due and payable pursuant to Condition 10 above is to enforce the Security.

12. INDEMNIFICATION OF THE SECURITY TRUSTEE

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

13. NOTICES

All notices to the Noteholders will only be valid if published in at least one daily newspaper of wide circulation in the Netherlands and in the *Financial Times*, or, if such newspaper shall cease to be published or timely publication therein shall not be practicable, in such English language newspaper as the Security Trustee shall approve having a general circulation in Europe and, as long as the Class A Senior Notes are listed on the Euronext Amsterdam Stock Exchange, in the English language in the Official Price List of Euronext Amsterdam N.V. (“*Officiële Prijscourant*”) in Amsterdam. Any such notice shall be deemed to have been given on the first date of such publication.

14. MEETINGS OF NOTEHOLDERS; MODIFICATION; CONSENTS; WAIVER

- (a) The Trust Deed contains provisions for convening meetings of the Class A Senior Noteholders, the Class B Subordinated Noteholders and the Class C Subordinated Noteholders to consider matters affecting the interests, including the sanctioning by Extraordinary Resolution, of such Noteholders of the relevant Class of a change of any of these Conditions or any provisions of the Relevant Documents, provided that no change of certain terms by the Noteholders of any Class including the date of maturity of the Notes of the relevant Class, or a change which would have the effect of postponing any day for payment of interest in respect of such Notes, reducing or cancelling the amount of principal payable in respect of such Notes or altering the majority required to pass an Extraordinary Resolution or any alteration of the date or priority of redemption of such Notes (any such change in respect of any such class of Notes referred to below as a “Basic Terms Change”) shall be effective except that, if the Security Trustee is of the opinion that such a Basic Terms Change is being proposed by the Issuer as a result of, or in order to avoid, an Event of Default, such Basic Terms Change may be sanctioned by an Extraordinary Resolution of the Noteholders of the relevant Class of Notes as described below.

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

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

An Extraordinary Resolution of the Class B Subordinated Noteholders and/or the Class C Subordinated 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 Class A Senior Noteholders and/or, as the case may be, the Class B Subordinated Noteholders or it is sanctioned by an Extraordinary Resolution of the Class A Senior Noteholders or, as the case may be, the Class B Subordinated Noteholders. The Trust Deed imposes no such limitations on the powers of the Class A Senior Noteholders, the exercise of which will be binding on the Class B Subordinated Noteholders and on the Class C Subordinated Noteholders, irrespective of the effect on their interests.

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

- (b) The Security Trustee may agree, without the consent of the Noteholders, to (i) any modification of any of the provisions of the Relevant Documents which is of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except if prohibited in the Relevant Documents), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Relevant Documents which is in the opinion of the Security Trustee not materially prejudicial to the interests of the Noteholders, provided that (i) the Security Trustee has notified Moody's and Fitch and (ii) Moody's and Fitch have confirmed that the then current rating of the Notes will not be adversely affected by any such modification, authorisation or waiver. Any such modification, authorisation or waiver shall be binding on the Noteholders and, if the Security Trustee so requires, such modification shall be notified to the Noteholders in accordance with Condition 13 as soon as practicable thereafter.
- (c) In connection with the exercise of its functions (including but not limited to those referred to in this Condition) the Security Trustee shall have regard to the interests of the Class A Senior Noteholders and the Class B Subordinated Noteholders and the Class C Subordinated Noteholders each as a Class and shall not have regard to the consequences of such exercise for individual Noteholders and the Security Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders.

15. REPLACEMENTS OF NOTES AND COUPONS

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

16. GOVERNING LAW

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

17. ADDITIONAL OBLIGATIONS

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

The Global Notes

Each Tranche of the Notes shall be initially represented by (i) in the case of the Class A Senior Notes a Temporary Global Note in bearer form, without coupons, in the principal amount of euro 621,000,000 (ii) in the case of the Class B Subordinated Notes a Temporary Global Note in bearer form, without coupons, in the principal amount of euro 28,000,000 and (iii) in the case of the Class C Subordinated Notes or a Temporary Global Note in bearer form, without coupons, in the principal amount of euro 16,000,000. Each Temporary Global Note will be deposited with a common depositary for Morgan Guaranty Trust Company of New York, Brussels office, as operator of Euroclear, and Clearstream, Luxembourg on or about 26 October 2000. Upon deposit of each such Temporary Global Note, Euroclear and Clearstream, Luxembourg, as the case may be, will credit each subscriber 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 subscribed 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 40 days after the issue date of the Notes (the "Exchange Date") for interests in a permanent global note (each a "Permanent Global Note"), in bearer form, without coupons, in the principal amount of the Notes of the relevant Class (the expression "Global Notes" meaning the Temporary Global Notes of each Class and the Permanent Global Notes of each Class and the expression "Global Note" means any of them, as the context may require). On the exchange of a Temporary Global Note for a Permanent Global Note of the relevant Class, the Permanent Global Note will remain deposited with the common depositary.

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

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

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

If after the Exchange Date (i) the Notes become immediately due and payable by reason of accelerated maturity following an Event of Default, or (ii) either Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business and no alternative clearance system satisfactory to the Security Trustee is available, 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 30 October 2000, the Issuer or 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) Class A Senior Notes in definitive form in exchange for the whole outstanding interest in the Permanent Global Note in respect of the Class A Senior Notes; and

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

(iii) Class C Subordinated Notes in definitive form in exchange for the whole outstanding interest in the Permanent Global Notes in respect of the Class C Subordinated Notes;

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

Taxation

The information below is not intended as specific personal tax advice and it does not purport to describe all of the tax considerations that may be relevant to a prospective purchaser of Class A Senior Notes. Prospective purchasers are strongly advised to satisfy themselves as to the overall tax consequences of purchasing, holding and/or selling the Class A Senior Notes. See also “The Income Tax Act 2001” in Special Considerations above.

The Issuer has been advised that under the existing laws of the Netherlands:

- (a) all payments by the Issuer under the Class A Senior Notes and the documents as mentioned in this letter can be made free of withholding or deduction for or on account of any taxes of whatsoever nature imposed, levied, withheld or assessed by the Netherlands or any political subdivision or taxing authority thereof or therein;
- (b) a holder of a Class A Senior Note who derives income from a Class A Senior Note or who realises a gain on the disposal of a Class A Senior Note will not be subject to Dutch taxation on income or capital gains unless:
 - (i) the holder is or is deemed to be resident in The Netherlands for the purpose of the relevant provisions; or
 - (ii) such income or gain is attributable to an enterprise or a part thereof which enterprise is owned by the holder of a Class A Senior Note or in which enterprise the holder of a Class A Senior Note holds an interest which is carried on through a permanent establishment or a permanent representative in The Netherlands; or
 - (iii) the holder of a Class A Senior Note has, directly or indirectly, a substantial interest or a deemed substantial interest in the issued share capital of the Issuer and such interest or the Class A Senior Note does not form part of the assets of an enterprise, owned by the holder of a Class A Senior Note or in which enterprise the holder of a Class A Senior Note has an interest; or
 - (iv) the holder of a Class A Senior Note is an individual not having a substantial interest or a deemed substantial interest in the issued share capital of the Issuer, whilst any of certain connected persons has, directly or indirectly, a substantial interest or a deemed substantial interest in the issued share capital of the Issuer and the Class A Senior Note does not form part of the assets of an enterprise, owned by the holder of a Class A Senior Note or in which enterprise the holder of a Class A Senior Note holds an interest; or
 - (v) the holder of a Class A Senior Note is entitled to a share in the profits of an enterprise effectively managed in The Netherlands other than by way of securities or through an employment contract and the income or gains are attributable to such enterprise.

A substantial interest will be present in case a person (individual or corporate body as defined under Dutch tax law) owns or is deemed to own, directly or indirectly, an interest of at least 5% in the issued share capital of a company that is resident or deemed to be resident in The Netherlands.

- (c) Dutch net wealth tax will not be levied on a holder of a Class A Senior Note unless such holder is an individual and:
 - (i) the holder is, or is deemed to be, resident in The Netherlands for the purpose of the relevant provisions; or
 - (ii) such Class A Senior Note is attributable to an enterprise or a part thereof which enterprise is owned by the holder of a Class A Senior Note or in which enterprise the holder of a Class A Senior Note has an interest which is carried on through a permanent establishment or a permanent representative in The Netherlands; or

- (iii) the holder of a Class A Senior Note is entitled to a share in the profits of an enterprise effectively managed in The Netherlands other than by way of securities or through an employment contract, and the Class A Senior Note is attributable to such enterprise;
- (d) Dutch gift, estate or inheritance taxes will not be levied on the occasion of the transfer of a Class A Senior Note by way of gift or on the death of a holder, unless:
 - (i) the holder is, or is deemed to be, resident in The Netherlands for the purpose of the relevant provisions; or
 - (ii) the transfer is construed as an inheritance or as a gift made by or on behalf of a person who, at the time of the gift or death is, or is deemed to be, resident in The Netherlands for the purpose of the relevant provisions; or
 - (iii) such Class A Senior Note is attributable to an enterprise or a part thereof which enterprise was owned by the deceased or donor, or in which enterprise the deceased or donor had an interest which is carried on through a permanent establishment or a permanent representative in The Netherlands; or
 - (iv) such Class A Senior Note is attributable to an enterprise that is effectively managed in The Netherlands and the holder of a Class A Senior Note is entitled to a share in the profits of such company other than by way of securities or through an employment contract;
- (e) no Dutch registration tax, capital tax, customs duty, stamp duty or any similar tax or duty other than court fees and contributions for the registration with the trade register of the Chamber of Commerce is payable in The Netherlands in respect of or in connection with the execution, delivery or enforcement by legal proceedings (including any foreign judgement in the Courts of The Netherlands) of the Class A Senior Notes or the performance of the Issuer's obligations under the documents as mentioned in this letter;
- (f) no Dutch value added tax is payable in respect of payments in consideration for the issue of the Class A Senior Note or the transfer of a Class A Senior Note;
- (g) a holder of a Class A Senior Note will not become resident, or deemed to be resident, in The Netherlands by reason only of the holding of a Class A Senior Note or the execution, performance delivery and/or enforcement of the Class A Senior Note;

Subscription and Sale

UBS AG, acting through its business group UBS Warburg, SNS bank Nederland N.V., ABN AMRO Bank N.V., Artesia Banking Corporation N.V./S.A., Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., CDC MARCHES, Deutsche Bank Aktiengesellschaft, Merrill Lynch International and Nomura International p.l.c. (together the “Class A Managers”) have pursuant to a subscription agreement dated 27 October 2000, among the Class A Managers, the Issuer, and the Sellers (the “Class A Subscription Agreement”), jointly and severally agreed with the Issuer, subject to certain conditions, to subscribe for the Class A Notes at their issue price. SNS bank Nederland N.V. (the “Class B and C Manager”) has, pursuant to a note purchase agreement dated 27 October 2000, among SNS bank Nederland N.V. and the Issuer (the “Note Purchase Agreement”) agreed with the Issuer, subject to certain conditions, to purchase the Class B Subordinated Notes and the Class C Subordinated Notes at their issue price. The Class A Managers, the Class B and C Manager are herein together referred to as the “Managers”. The Issuer has agreed to indemnify each of the respective Managers against certain liabilities and expenses in connection with the issue of each of the respective Classes of Notes.

Each of the Managers has agreed that (i) it has not offered or sold and, prior to the expiry of the period of six months from the Closing Date, will not offer or sell any Notes to persons in the United Kingdom, except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995, (ii) it has complied and will comply with all applicable provisions of the Financial Services Act 1986 with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom and (iii) it has only issued or passed on and will only issue or pass on in the United Kingdom any document received by it in connection with the issue of the Notes to a person who is of a kind described in Article 11(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1996 (as amended) or is a person to whom such document may otherwise lawfully be issued or passed on.

The Notes have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the “Securities Act”) and may not be offered or sold within the United States or to, or for the account or benefit of, US Persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The distribution of this Offering Circular and the offering of the Notes in certain jurisdictions may be restricted by law; persons into whose possession this Offering Circular comes are required by the Issuer and the Managers to inform themselves about and to observe any such restrictions. This Offering Circular does not constitute an offer, or an invitation to subscribe for or purchase, any Notes.

General Information

1. The issue of the Notes has been authorised by a resolution of the managing director of the Issuer passed on 19 October 2000.
2. The Class A Senior Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg and through the Securities Clearing Corporation of the Euronext Amsterdam Stock Exchange. The Class A Senior Notes will bear common code 011956335, ISIN XS 0119563350 and Fondscodes 12925.
3. The Class B Subordinated Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg and will bear common code 011956360 and ISIN XS 0119563608.
4. The Class C Subordinated Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg and will bear common code 011956408 and ISIN XS 0119564085.
5. Ernst & Young have given and have not withdrawn their written consent to the issue of this offering circular with their report included herein in the form and context in which it appears.
6. Since its incorporation, the Issuer has not been involved in any legal or arbitration proceedings which may have a significant effect on the Issuer's financial position nor, so far as the Issuer is aware, are any such proceedings pending or threatened against the Issuer.
7. Copies of the following documents may be inspected at the specified offices of the Security Trustee and the Paying Agent during normal business hours within a period of 14 days after the date of this document:
 - (i) the Deed of Incorporation of the Issuer;
 - (ii) the Mortgage Receivables Purchase Agreement;
 - (iii) the Subscription Agreement;
 - (iv) the Paying Agency Agreement;
 - (v) the Trust Deed;
 - (vi) the Deed of Surety;
 - (vii) the Security Trustee Pledge Agreement I;
 - (viii) the Security Trustee Pledge Agreement II;
 - (ix) the Company Pledge Agreement;
 - (x) the Administration Agreement;
 - (xi) the Put Option Agreement;
 - (xii) the Liquidity Facility Agreement;
 - (xiii) the Floating Rate GIC;
 - (xiv) the Swap Agreement;
 - (xv) the Fees And Expenses Subordinated Loan Agreement;
 - (xvi) the Reserve Fund Subordinated Loan Agreement;
 - (xvii) the Master Definitions Schedule.
8. A quarterly transaction performance report will be available from the Security Trustee.
9. The articles of association of the Issuer are incorporated herein by reference.

THE ISSUER

Holland Euro-Denominated Mortgage-Backed Series (Hermes) II B.V.

Frederik Roeskestraat 123
1076 EE Amsterdam
the Netherlands

ADMINISTRATOR

SNS bank Nederland N.V.

Pettelaarpark 120
5216 PT 's-Hertogenbosch
the Netherlands

SECURITY TRUSTEE

Stichting Security Trustee Holland Euro-Denominated Mortgage-Backed Series (Hermes) II

Frederik Roeskestraat 123
1076 EE Amsterdam
the Netherlands

PAYING AGENT AND REFERENCE AGENT

ABN AMRO Bank N.V.

Herengracht 595
1017 CE Amsterdam
the Netherlands

LEGAL ADVISERS

To the Sellers and the Issuer:

NautaDutilh

Prinses Irenestraat 59
1077 WV AMSTERDAM
the Netherlands

To the Managers:

Freshfields

Apollolaan 151
1077 AR Amsterdam
the Netherlands

AUDITORS

Ernst & Young

Drenthestraat 20
1083 HK Amsterdam
the Netherlands

LISTING AGENT

SNS bank Nederland N.V.

N.Z. Voorburgwal 162
1012 SJ Amsterdam
the Netherlands

HOLLAND EURO-DENOMINATED MORTGAGE-BACKED SERIES (HERMES) II B.V.

euro 621,000,000 Class A Senior Mortgage-Backed Notes 2000 due 18 April 2012

Addendum dated 16 February 2001

This addendum forms part of and is deemed to be integrated in the Offering Circular dated 27 October 2000.

Holland Euro-Denominated Mortgage-Backed Series (Hermes) II B.V. is registered with the Commercial Register of the Chamber of Commerce of Amsterdam under number 34140599.

The sole managing director of ATC Management B.V. is Mr. O. B. Linker, who chooses to hold domicile at the office of ATC Management B.V.

Stichting Security Trustee Holland Euro-Denominated Mortgage-Backed Series (Hermes) II is registered with the Chamber of Commerce of Amsterdam under number 34140336.

The articles of association and the most recent annual reports of Holland Euro-Denominated Mortgage-Backed Series (Hermes) II B.V. and the articles of association of Stichting Security Trustee Holland Euro-Denominated Mortgage-Backed Series (Hermes) II are incorporated by reference and copies of these documents are available free of charge at the office of the Paying Agent and at the office of SNS Financial Markets, Nieuwezijds Voorburgwal 162, Amsterdam (telephone + 31 20 5508509).