

HOLLAND MORTGAGE BACKED SERIES (HERMES) IX B.V.
(incorporated with limited liability in the Netherlands)

**euro 1,417,500,000 Senior Class A Mortgage-Backed Notes 2005 due 2039,
issue price 100 per cent.**
**euro 30,000,000 Mezzanine Class B Mortgage-Backed Notes 2005 due 2039
issue price 100 per cent.**
**euro 37,500,000 Mezzanine Class C Mortgage-Backed Notes 2005 due 2039,
issue price 100 per cent.**
**euro 15,000,000 Junior Class D Mortgage-Backed Notes 2005 due 2039,
issue price 100 per cent.**
**euro 28,500,000 Subordinated Class E Notes 2005 due 2039,
issue price 100 per cent.**

Application has been made to list the euro 1,417,500,000 Senior Class A Mortgage-Backed Notes 2005 due 2039 (the "**Senior Class A Notes**"), the euro 30,000,000 Mezzanine Class B Mortgage-Backed Notes 2005 due 2039 (the "**Mezzanine Class B Notes**"), the euro 37,500,000 Mezzanine Class C Mortgage-Backed Notes 2005 due 2039 (the "**Mezzanine Class C Notes**"), the euro 15,000,000 Junior Class D Mortgage-Backed Notes 2005 due 2039 (the "**Junior Class D Notes**") and the euro 28,500,000 Subordinated Class E Notes 2005 due 2039 (the "**Subordinated Class E Notes**"), and together with the Senior Class A Notes, the Mezzanine Class B Notes, the Mezzanine Class C Notes and the Junior Class D Notes, the "**Notes**"), to be issued by Holland Mortgage Backed Series (Hermes) IX B.V. (the "**Issuer**"), on the Official Segment of the stock market of Euronext Amsterdam N.V. ("**Euronext Amsterdam**"). This Offering Circular constitutes a prospectus for the purpose of the listing and issuing rules of Euronext Amsterdam. The Notes are expected to be issued on 24 February 2005.

The Notes will carry a floating rate of interest, payable quarterly in arrear on each Payment Date. The rate of interest for the Senior Class A Notes, the Mezzanine Class B Notes, the Mezzanine Class C Notes, the Junior Class D Notes and the Subordinated Class E Notes will be three months Euribor (or, in respect of the first Interest Period, the rate which represents the linear interpolation of Euribor for two and three months deposits in euro), plus a margin per annum, which will be 0.10 per cent. for the Senior Class A Notes, 0.16 per cent. for the Mezzanine Class B Notes, 0.26 per cent. for the Mezzanine Class C Notes, 0.50 per cent. for the Junior Class D Notes and 0.80 per cent. for the Subordinated Class E Notes. On the Payment Date falling in August 2014 (the "**Step-Up Date**"), the margin of the Notes, other than the Subordinated Class E Notes, will be reset subject to and in accordance with the Terms and Conditions of the Notes (the "**Conditions**").

The Notes are scheduled to mature on the Payment Date falling in May 2039. On each Payment Date, the Notes (other than the Subordinated Class E Notes) will be subject to mandatory redemption (in whole or in part) in the circumstances set out in, and subject to, and in accordance with, the Conditions. On the Payment Date falling in February 2009 and each Payment Date thereafter the Subordinated Class E Notes will be subject to mandatory redemption (in whole or in part) in the circumstances set out in, and subject to, and in accordance with the Conditions. On the Payment Date falling in February 2014 and on each Payment Date thereafter, the Issuer will have the option to redeem all (but not some only) of the Notes, other than the Subordinated Class E Notes, at their Principal Amount Outstanding, subject to and in accordance with the Conditions. In addition, the Senior Class A Notes, the Mezzanine Class B Notes, the Mezzanine Class C Notes and the Junior Class D Notes will, on each Payment Date falling after the Step-Up Date, be subject to further mandatory partial redemption in the circumstances set out in, and subject to and in accordance with the Conditions.

It is a condition precedent to issuance that the Senior Class A Notes, on issue, be assigned an "AAA" rating by Standard & Poor's Rating Group ("**S&P**"), an "Aaa" rating by Moody's Investors Service Limited ("**Moody's**") and an "AAA" rating by Fitch Ratings Limited ("**Fitch**"), the Mezzanine Class B Notes, on issue, be assigned at least an "AA" rating by S&P, an "Aa2" rating by Moody's and an "AA" rating by Fitch, the Mezzanine Class C Notes, on issue, be assigned at least an "A" rating by S&P, an "A1" rating by Moody's and an "A" rating by Fitch, the Junior Class D Notes, on issue, be assigned at least a "BBB" rating by S&P, an "A2" rating by Moody's and a "BBB" rating by Fitch and the Subordinated Class E Notes, on issue, be assigned at least a "Baa3" rating by Moody's and a "BBB-" rating by Fitch.

A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. For a discussion of some of the risks associated with an investment in the Notes, see *Special Considerations* 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 Euroclear Bank S.A./N.V., 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 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 ("**Definitive Notes**") as described in the Conditions. 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.

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

For the page reference of the definitions of capitalised terms used herein see *Index of Defined Terms*.

Joint Lead Managers

The Royal Bank of Scotland

UBS Investment Bank

Co-Managers

Deutsche Bank
DZ BANK AG

Dresdner Kleinwort Wasserstein
SNS Bank

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

The Seller is responsible solely for the information contained in the following sections of this Offering Circular: *Overview of the Dutch Residential Mortgage Market*, *SNS Bank N.V.*, *SNS Residential Mortgage Business* and *Description of Mortgage Loans*. To the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case) the information contained in these paragraphs is in accordance with the facts and does not omit anything likely to affect the import of such information. The Seller accepts responsibility accordingly.

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

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

Persons into whose possession this Offering Circular (or any part thereof) comes are required to inform themselves about, and to observe, any such restrictions. A fuller description of the restrictions on offers, sales and deliveries of the Notes and on the distribution of this Offering Circular is set out in the section entitled *Purchase and Sale* below. No one is authorised by the Issuer or the Seller 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.

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

Neither the delivery of this 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 Issuer and the Seller have no obligation to update this Offering Circular.

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

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

In connection with the issue of the Notes, UBS Limited (the "**Stabilising Manager**" or any duly appointed person acting for the Stabilising Manager) may over-allot or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail for a limited period. However, there is no obligation on the Stabilising Manager (or any agent of the Stabilising Manager) to do this. Such stabilising, if commenced, may be discontinued at any time. Such stabilising shall be in compliance with all applicable laws and regulations. In accordance with the rules of Euronext Amsterdam, such stabilising will in any event be discontinued within 30 days after the Closing Date. Stabilisation transactions conducted on the stock market of Euronext Amsterdam must be conducted on behalf of the Stabilising Manager, by a Member of Euronext Amsterdam and must be conducted in accordance with all applicable laws and regulations of Euronext Amsterdam and Article 32 (and Annex 6) of the Further Regulation on Market Conduct Supervision of the Securities Trade 2002 ("*Nadere Regeling Gedragstoezicht Effectenverkeer 2002*") as amended.

All references in this Offering Circular to "**EUR**" and "**euro**" refer to the single currency which was introduced at the start of the third stage of the European Economic and Monetary Union pursuant to the Treaty establishing the European Community (as amended by the Treaty on European Union and as amended by the Treaty of Amsterdam).

For the page reference of the definitions of capitalised terms used herein see *Index of Defined Terms*.

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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.

PARTIES:

Issuer:	Holland Mortgage Backed Series (Hermes) IX B.V., incorporated under the laws of the Netherlands as a private company with limited liability (" <i>besloten vennootschap met beperkte aansprakelijkheid</i> "), having its corporate seat in Amsterdam and registered with the Commercial Register of the Chamber of Commerce of Amsterdam under number 34220931.
Seller:	SNS Bank N.V. (the " Seller " or " SNS Bank "), incorporated under the laws of the Netherlands as a public limited liability company (" <i>naamloze vennootschap</i> ").
Administrator:	SNS Bank.
Security Trustee:	Stichting Security Trustee Holland Mortgage Backed Series (Hermes) IX, established under the laws of the Netherlands as a foundation (" <i>stichting</i> ") and registered with the Commercial Register at the Chamber of Commerce in Amsterdam under number 34220927.
Shareholder:	The entire issued share capital of the Issuer is held by Stichting Holland Euro-Denominated Mortgage-Backed Series (Hermes) Holding, established under the laws of the Netherlands as a foundation (" <i>stichting</i> ").
Directors:	ATC Management B.V., the sole director of the Issuer, N.V. Algemeen Nederlands Trustkantoor ANT, the sole director of the Security Trustee and ATC Corporate Services (Netherlands) B.V., the sole director of the Shareholder.
Savings Insurance Company:	REAAL Levensverzekeringen N.V., incorporated under the laws of the Netherlands as a public limited liability company (" <i>naamloze vennootschap</i> ").
Liquidity Facility Provider:	SNS Bank.
Floating Rate GIC Provider:	SNS Bank.
Swap Counterparty:	SNS Bank.
Paying Agent:	ABN AMRO Bank N.V. (the " Paying Agent " or " ABN AMRO "), incorporated under the laws of the Netherlands as a public limited liability company (" <i>naamloze vennootschap</i> ").

Reference Agent: ABN AMRO.

Common Depository: Société Générale Bank & Trust S.A., Luxembourg.

THE NOTES:

Notes: The euro 1,417,500,000 Senior Class A Mortgage-Backed Notes 2005 due 2039 (the "**Senior Class A Notes**"), the euro 30,000,000 Mezzanine Class B Mortgage-Backed Notes 2005 due 2039 (the "**Mezzanine Class B Notes**"), the euro 37,500,000 Mezzanine Class C Mortgage-Backed Notes 2005 due 2039 (the "**Mezzanine Class C Notes**"), the euro 15,000,000 Junior Class D Mortgage-Backed Notes 2005 due 2039 (the "**Junior Class D Notes**"), and the euro 28,500,000 Subordinated Class E Notes 2005 due 2039 (the "**Subordinated Class E Notes**" and together with the Senior Class A Notes, the Mezzanine Class B Notes, the Mezzanine Class C Notes and the Junior Class D Notes, the "**Notes**") will be issued by the Issuer on 24 February 2005 (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 Senior Class A Notes 100 per cent.;
- (ii) the Mezzanine Class B Notes 100 per cent.;
- (iii) the Mezzanine Class C Notes 100 per cent.;
- (iv) the Junior Class D Notes 100 per cent.; and
- (v) the Subordinated Class E Notes 100 per cent.

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

Denomination: The Senior Class A Notes, the Mezzanine Class B Notes, the Mezzanine Class C Notes, the Junior Class D Notes and the Subordinated Class E Notes will be issued in denominations of euro 100,000.

Status and Ranking: The Notes of each Class rank *pari passu* without any preference or priority among Notes of the same Class. In accordance with the Conditions and the Trust Deed (i) payments of principal and interest on the Mezzanine Class B Notes are subordinated to, *inter alia*, payments of principal and interest on the Senior Class A Notes, (ii) payments of principal and interest on the Mezzanine Class C Notes are subordinated to, *inter alia*, payments of principal and interest on the Senior Class A Notes and the Mezzanine Class B Notes, (iii) payments of principal and interest on the Junior Class D Notes are subordinated to, *inter alia*, payments of principal and interest on the Senior Class A Notes, the Mezzanine Class B Notes and the Mezzanine Class C Notes and (iv) payments of principal and interest on the Subordinated Class E Notes are subordinated to, *inter alia*, payments of principal and interest on the Senior Class A Notes, the Mezzanine Class B Notes, the Mezzanine Class C Notes and the Junior Class D Notes. See further *Terms and Conditions of the Notes* below.

Interest: Interest on the Notes is payable by reference to successive

interest periods. Each successive interest period will commence on (and include) a Payment Date and end on (but exclude) the next succeeding Payment Date (each an "**Interest Period**"), except for the first Interest Period which will commence on (and include) the Closing Date and end on (but exclude) the Payment Date falling in May 2005. The interest will be calculated on the basis of the actual days elapsed in the Interest Period divided by 360 days.

Interest on the Notes will be payable quarterly in arrear in euros, in each case in respect of the Principal Amount Outstanding of each Class of Notes on the 18th day of February, May, August and November (or, if such day is not a Business Day, the next succeeding Business Day, unless such Business Day falls in the next succeeding calendar month in which event interest on the Notes will be payable on the Business Day immediately preceding such day) in each year (each such day being a "**Payment Date**").

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

Interest on the Notes for each Interest Period will accrue from the Closing Date at an annual rate equal to the sum of the Euro Interbank Offered Rate ("**Euribor**") for three months deposits in euros (determined in accordance with Condition 4(e)) (or, in respect of the first Interest Period, the rate which represents the linear interpolation of Euribor for two and three months deposits in euro), plus up to (and including) the Payment Date falling in August 2014 (the "**Step-Up Date**"), and in respect of the Subordinated Class E Notes up to the Final Maturity Date:

- (i) for the Senior Class A Notes, a margin of 0.10 per cent. per annum;
- (ii) for the Mezzanine Class B Notes, a margin of 0.16 per cent. per annum;
- (iii) for the Mezzanine Class C Notes, a margin of 0.26 per cent. per annum;
- (iv) for the Junior Class D Notes, a margin of 0.50 per cent. per annum; and
- (v) for the Subordinated Class E Notes, a margin of 0.80 per cent. per annum.

Interest Step-Up:

If on the Step-Up Date the Notes, other than the Subordinated Class E Notes, have not been redeemed in full, the rate of interest applicable for the Senior Class A Notes, the Mezzanine Class B Notes, the Mezzanine Class C Notes and the Junior Class D Notes will accrue in the Interest Period commencing on the Step-Up Date and each Interest Period thereafter at an annual rate equal to the sum of Euribor for three months deposits in euros determined in accordance with Condition 4(e), plus a margin which will be:

- (i) for the Senior Class A Notes, a margin of 1.00 per cent. per annum;
- (ii) for the Mezzanine Class B Notes, a margin of 1.25 per cent. per annum;
- (iii) for the Mezzanine Class C Notes, a margin of 1.50 per cent. per annum; and
- (iv) for the Junior Class D Notes, a margin of 2.00 per cent. per annum.

Mandatory Redemption of the Notes:

The Issuer will be obliged to apply the Redemption Available Amount, if and to the extent such amount has not been applied to purchase Substitute Mortgage Receivables (see *Substitution* below), to redeem in whole at their respective Principal Amount Outstanding (or partially redeem) the Senior Class A Notes, the Mezzanine Class B Notes, the Mezzanine Class C Notes and the Junior Class D Notes on each Payment Date on a *pro rata* basis in the following order: (i) firstly, the Senior Class A Notes until fully redeemed, and, thereafter, (ii) the Mezzanine Class B Notes until fully redeemed, and, thereafter, (iii) the Mezzanine Class C Notes until fully redeemed, and, thereafter, (iv) the Junior Class D Notes until fully redeemed.

In respect of the Subordinated Class E Notes, the Issuer will be obliged to apply the Interest Available Amount if and to the extent that all items ranking in priority to item (p) in the Interest Priority of Payments have been made in full, to redeem (or partially redeem) on a *pro rata* basis the Subordinated Class E Notes on the Payment Date falling in February 2009 and each Payment Date thereafter until the Subordinated Class E Notes are redeemed in full.

Optional Redemption of the Notes:

Unless previously redeemed in full, the Issuer will have the option to redeem all of the Notes, other than the Subordinated Class E Notes, but not some only, on the Payment Date falling in February 2014 and on each Payment Date thereafter (each an "**Optional Redemption Date**") at their Principal Amount Outstanding, less (i) in the case of the Mezzanine Class B Notes, a Mezzanine Class B Principal Shortfall (if any) (ii) in the case of the Mezzanine Class C Notes, a Mezzanine Class C Principal Shortfall (if any), and (iii) in the case of the Junior Class D Notes, a Junior Class D Principal Shortfall (if any), all subject to and in accordance with the Conditions, in particular Conditions 6(e) and 9(b).

Further Mandatory Redemption:

If on the Step-Up Date the Notes, other than the Subordinated Class E Notes, have not been redeemed in full, the Issuer will, without prejudice to its obligation to apply the Redemption Available Amount in (partial) redemption of the Notes, be obliged to apply an amount equal to the positive difference, if any, between the Interest Available Amount and the sum of all amounts payable by the Issuer in accordance with the Interest Priority of Payments under (a) up to and including (p) (the "**Further Redemption Available Amount**") to redeem (or partially redeem) the Senior Class A Notes, the Mezzanine Class B Notes, the Mezzanine Class C Notes and the Junior Class D Notes on

each Payment Date after the Step-Up Date on a *pro rata* basis in the following order, (a) firstly, the Senior Class A Notes until fully redeemed, and, thereafter, (b) the Mezzanine Class B Notes until fully redeemed, and, thereafter, (c) the Mezzanine Class C Notes until fully redeemed, and, thereafter, (d) the Junior Class D Notes.

Final Maturity Date for the Notes:

Unless previously redeemed, the Issuer will, subject to Condition 9(b), redeem all of the Notes at their respective Principal Amount Outstanding on the Payment Date falling in May 2039.

Redemption for tax reasons:

If the Issuer is or will be obliged to make any withholding or deduction for, or on account of, any taxes, duties or charges of whatsoever nature from payments in respect of any Class of Notes as a result of any change in, or amendment to, the laws or regulations of the Netherlands (including any guidelines issued by the tax authorities) or any other jurisdiction or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which becomes effective on or after the Closing Date and such obligation cannot be avoided by the Issuer taking reasonable measures available to it, the Issuer has the option to redeem the Notes, in whole but not in part, on any Payment Date at their Principal Amount Outstanding, subject to Condition 9(b), together with interest accrued up to and including the date of redemption. 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.

Withholding Tax:

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

Method of Payment:

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

Use of proceeds:

The Issuer will use the net proceeds from the issue of the Notes, other than the Subordinated Class E Notes, to pay to the Seller (part of) the Initial Purchase Price for the Mortgage Receivables, pursuant to the provisions of an agreement dated 22 February 2005 (the "**Mortgage Receivables Purchase Agreement**") and made between the Seller, the Issuer and the Security Trustee. See further *Mortgage Receivables Purchase Agreement* below. The net proceeds from the issue of the Subordinated Class E Notes will be credited to the Reserve Fund.

SECURITY FOR THE NOTES:**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**", which will include any Substitute Mortgage Receivables) of the Seller against certain borrowers (the "**Borrowers**") under or in connection with certain pre-selected Mortgage Loans. The Mortgage Receivables relating to the Savings Mortgage Loans, will hereinafter be referred to as the "**Savings Mortgage Receivables**".

Mortgage Loans:

The Mortgage Receivables to be sold by the Seller pursuant to the Mortgage Receivables Purchase Agreement will result from loans secured by a first-ranking mortgage right over (i) a real property ("*onroerende zaak*"), (ii) an apartment right ("*appartementsrecht*") or (iii) a long lease ("*erfpacht*", together with real property and apartment rights, the "**Mortgaged Assets**"), situated in the Netherlands and entered into by the Seller 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 mortgage loans ("*aflossingsvrije hypotheken*"), savings mortgage loans ("*spaarhypotheken*"), linear mortgage loans ("*lineaire hypotheken*"), annuity mortgage loans ("*annuïteitenhypotheken*"), investment-based mortgage loans ("*rendementhypotheken*") or combinations of any of these types of mortgage loans. Mortgage Loans may consist of one or more loan parts ("*leningdelen*"), each of which normally constitutes a different mortgage type agreed with the relevant Borrower. If a Mortgage Loan consists of one or more of such loan parts, the Seller shall sell and assign and the Issuer shall purchase and accept the assignment of all, but not some, loan parts of such Mortgage Loan at the Closing Date. See further *Description of Mortgage Loans* below.

Life Insurance Policies:

The interest-only mortgage loans (the "**Interest-only Mortgage Loans**," to the extent that the part of the Mortgage Loan that is interest-only exceeds 75 per cent. of the Foreclosure Value of the Mortgaged Assets, have the benefit of combined risk and capital life insurance policies ("**Life Insurance Policies**") taken out by Borrowers with a life insurance company ("**Life Insurance Company**"), which Life Insurance Company may also belong to the SNS REAAL Group. For a description of SNS REAAL Group, see *SNS Bank N.V.* below. See further *Special Considerations* and *Mortgage Receivables Purchase*

Agreement below.

Risk Insurance Policies:

Mortgage Loans originated by the Seller before 1 April 2002 and of which the outstanding principal amount exceeded upon origination 75 per cent. of the Foreclosure Value of the Mortgaged Assets have the benefit of a compulsory insurance policy containing only a risk insurance policy which pays out upon the death of the insured, but not a capital insurance policy (the "**Risk Insurance Policy**"), which Risk Insurance Policy covers as a minimum the excess over the 75 per cent. threshold.

Mortgage Loans originated by the Seller after 1 April 2002 and of which the outstanding principal amount exceeded upon origination 90 per cent. of the Foreclosure Value of the Mortgaged Assets have the benefit of a Risk Insurance Policy covering as a minimum the excess over the 90 per cent. threshold.

Savings Insurance Policies:

A portion of the Mortgage Loans will be in the form of savings mortgage loans ("*spaarhypotheken*", hereinafter "**Savings Mortgage Loans**"), which consist of Mortgage Loans entered into by the Seller and the relevant Borrowers combined with an insurance policy (a "**Savings Insurance Policy**") with the Savings Insurance Company. A Savings Insurance Policy is a combined risk and capital insurance policy taken out by the relevant Borrower with the Savings Insurance Company in connection with the relevant Savings Mortgage Loan. Under the Savings Mortgage Loan no principal is paid by the Borrower prior to maturity of the Mortgage Loan. Instead, the Borrower/insured pays premium on a monthly basis, which consists of a risk element and a savings element (the "**Savings Premium**"). The Savings Premium is calculated in such a manner that, on an annuity basis, the proceeds of the Savings Insurance Policy with the Savings Alternative due by the Savings Insurance Company to the relevant Borrower is equal to the amount due by the Borrower to the Seller at maturity of the Savings Mortgage Loan. Under the Savings Insurance Policy, the Savings Premium is either (i) deposited by the Savings Insurance Company in a savings account held with SNS Bank (the "**Savings Alternative**") or (ii), in respect of a portion of the Savings Mortgage Loans only, at the option of the Borrower invested in certain investment funds of SNS Beleggingsfondsen N.V. (the "**Investment Alternative**"). See further *Special Considerations* and *Description of the Mortgage Loans*.

Repurchase of Mortgage Receivables:

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

- (i) on the Mortgage Payment Date immediately following the expiration of the relevant remedy period (as provided in the Mortgage Receivables Purchase Agreement), if any of the representations and warranties given by the Seller in respect of the Mortgage Loans and the Mortgage Receivables, including the representation and warranty that the Mortgage Loans or, as the case may be, the Mortgage Receivables meet certain mortgage loan criteria, are untrue or incorrect in any material respect;

- (ii) on the Mortgage Payment Date immediately following the date on which the Seller agrees with a Borrower to grant a further advance under a Mortgage Loan, which may include a new mortgage loan, which is only secured by the mortgage right which also secures the relevant Mortgage Receivable (the "**Mortgage Loan Further Advance**");
- (iii) on the Mortgage Payment Date immediately following the date on which the Seller agrees with a Borrower to amend the terms of the relevant Mortgage Loan, or part of such Mortgage Loan, which amendment is not a result of a deterioration of the Borrower's creditworthiness, as a result of which such Mortgage Loan no longer meets certain eligibility criteria set forth in the Mortgage Receivables Purchase Agreement;
- (iv) on the Mortgage Payment Date immediately following the date on which the Seller or the Savings Insurance Company complies with a request from the Borrower under the terms of a Savings Mortgage Loan with a Savings Alternative to switch whole or part of the premia accumulated in the relevant Savings Insurance Policy with the Savings Alternative into the Investment Alternative (the "**Savings Switch**").

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

Substitution:

The Mortgage Receivables Purchase Agreement will provide that the Issuer on each Payment Date will purchase from the Seller mortgage receivables ("**Substitute Mortgage Receivables**") subject to the fulfilment of certain conditions and to the extent offered by the Seller. The Issuer will apply towards the purchase of Substitute Mortgage Receivables (i) on each Payment Date up to (and including) the Payment Date falling in August 2007 the Redemption Available Amount and (ii) thereafter, up to and including the Payment Date immediately preceding the Final Maturity Date, certain amounts received as a result of the repurchase of Mortgage Receivables in connection with the granting of a Mortgage Loan Further Advance or the Savings Switch. See further *Mortgage Receivables Purchase Agreement*.

Clean-Up Call Option:

On each Payment Date the Seller has the option (but not the obligation) to repurchase the Mortgage Receivables if on the Calculation Date immediately preceding such Payment Date the aggregate outstanding principal amount of the Mortgage Receivables is not more than 10 per cent. of the aggregate outstanding principal amount of the Mortgage Receivables on the Closing Date (the "**Clean-Up Call Option**").

The Issuer has undertaken in the Mortgage Receivables Purchase Agreement to sell and assign the Mortgage Receivables to the Seller, or any third party appointed by the

Seller at its sole discretion, in case the Seller exercises the Clean-Up Call Option. The proceeds of such sale shall be applied by the Issuer towards redemption of the Notes subject to and in accordance with Conditions 6(b) and 9(b). The purchase price will be calculated as described in *Sale of Mortgage Receivables* in *Credit Structure* below.

Regulatory Call Option:

On each Payment Date, the Seller has the option to repurchase the Mortgage Receivables upon the occurrence of a Regulatory Change (the "**Regulatory Call Option**").

The Issuer has undertaken in the Mortgage Receivables Purchase Agreement to sell and assign the Mortgage Receivables to the Seller, or any third party appointed by the Seller at its sole discretion, in case the Seller exercises the Regulatory Call Option. The purchase price will be calculated as described in *Sale of Mortgage Receivables* in *Credit Structure* below. If the Seller exercises its Regulatory Call Option, then the Issuer has the option to redeem the Notes by applying the proceeds of the sale of the Mortgage Receivables towards redemption of the Notes subject to and in accordance with Conditions 6(i) and 9(b).

Sale of Mortgage Receivables on Optional Redemption Date:

The Issuer will have the right to sell and assign all, but not some, of the Mortgage Receivables on each Optional Redemption Date, provided that the Issuer shall apply the proceeds of such sale, to the extent relating to principal, to redeem the Notes, other than the Subordinated Class E Notes (see *Optional Redemption of the Notes*). The purchase price of each Mortgage Receivable in the event of such sale shall be equal to the outstanding principal amount, together with accrued interest due but unpaid, if any, of each Mortgage Receivable, except that with respect to Mortgage Receivables which are in arrears for a period exceeding 90 days or in respect of which an instruction has been given to the civil-law notary to publicly sell the Mortgaged Assets, the purchase price shall be at least the lesser of (i) an amount equal to the indexed foreclosure value of the Mortgaged Assets and (ii) the sum of the outstanding principal amount of the Mortgage Receivable, together with accrued interest due but unpaid, if any, and any other amounts due under the Mortgage Receivable.

Sub-Participation Agreement

On the Closing Date, the Issuer will enter into a sub-participation agreement (the "**Sub-Participation Agreement**") with the Savings Insurance Company under which the Savings Insurance Company will acquire participations in the relevant Savings Mortgage Receivables equal to amounts of Savings Premium paid by the relevant Borrower to the Savings Insurance Company in respect of a Savings Insurance Policy with the Savings Alternative. In the Sub-Participation Agreement the Savings Insurance Company will undertake to pay to the Issuer amounts equal to all amounts received as Savings Premium on the Savings Insurance Policies with the Savings Alternative. In return, the Savings Insurance Company is entitled to receive the Participation Redemption Available Amount from the Issuer. The amount of the Participation with respect to a Savings Mortgage Receivable with the Savings Alternative, consists of (a) the initial participation at the Closing Date or, in case of the purchase of a Substitute Mortgage Receivable to which a Savings Insurance Policy with the Savings

Alternative is connected, on the relevant Payment Date (which is equal to the sum of all amounts due up to such date to the Savings Insurance Company as Savings Premium and accrued interest), being, in case of the initial participation at the Closing Date, the amount of euro 11,281,792.72), (b) increased on a monthly basis with the sum of (i) amounts equal to the Savings Premium received by the Savings Insurance Company and paid to the Issuer and (ii) a *pro rata* part, corresponding to the Participation in the relevant Savings Mortgage Receivable with the Savings Alternative, of the interest paid by the Borrower in respect of such Savings Mortgage Receivable. See further *Sub-Participation Agreement* below.

Security for the Notes:

The Notes will be secured (a) by a first ranking right of pledge by the Seller to the Security Trustee and a second ranking pledge by the Seller to the Issuer over the Mortgage Receivables, including all rights ancillary thereto, and the Beneficiary Rights; and (b) by a first ranking right of pledge by the Issuer to the Security Trustee over the Issuer's rights under or in connection with the Mortgage Receivables Purchase Agreement, the Administration Agreement, the Liquidity Facility Agreement, the Sub-Participation Agreement, the Swap Agreement, the Floating Rate GIC and in respect of the Floating Rate GIC Account (each as referred to below). The amount payable to the Noteholders and the other Secured Parties will be limited to the amounts available for such purpose to the Security Trustee which, *inter alia*, will consist of amounts recovered by the Security Trustee on the Mortgage Receivables and the Beneficiary Rights and amounts received by the Security Trustee as creditor under the Mortgage Receivables Purchase Agreement and the Parallel Debt Agreement. Payment to the Secured Parties will be made in accordance with the Priority of Payments upon Enforcement. See further *Parallel Debt Agreement*, *Special Considerations* and *Description of Security* below.

Parallel Debt Agreement:

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

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 (i) to provide administration and management services in relation to the Mortgage Loans on a day-to-day basis, including, without limitation, the collection of payments of principal, interest and all other amounts in respect of the Mortgage Loans and the implementation of arrears procedures including, if applicable, the enforcement of mortgages (see further *SNS Residential Mortgage Business* below); (ii) to communicate with the Borrowers; (iii) to investigate payment

delinquencies; and (iv) to provide certain administration, calculation and cash management services for the Issuer on a day-to-day basis, including without limitation, all calculations to be made pursuant to the Conditions in connection with the Notes.

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**") under which the Issuer will be entitled to make drawings in order to meet certain shortfalls in its available revenue receipts. See further *Credit Structure* below.

Reserve Fund:

The Issuer will pay the proceeds of the Subordinated Class E Notes 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 (n) in the Interest Priority of Payments in the event of a shortfall in the Interest Available Amount on a Calculation Date (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 (n) of the Interest Priority of Payments, such excess amount will be used to replenish the Reserve Fund by crediting such amount to the Floating Rate GIC Account up to the maximum amount described in *Credit Structure* below.

Floating Rate GIC:

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

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.

Swap Agreement:

On or before the Closing Date, the Issuer will enter into an ISDA Master Agreement (which shall include the schedule attached thereto and the confirmation evidencing the transaction thereunder) with the Swap Counterparty (the "**Swap Agreement**") to hedge the basis risk between the interest to be received by the Issuer on the Mortgage Receivables and the floating rate of interest payable by the Issuer on the Notes (see *Credit Structure* below).

Management Agreements:

Each of the Issuer, the Security Trustee and the Shareholder have entered into a management agreement (together the "**Management Agreements**") with the relevant Director, under which the relevant Director will undertake to act as director of the Issuer, the Security Trustee or the Shareholder, respectively, and to perform certain services in

connection therewith.

OTHER:

Listing:

Application has been made for the Notes to be listed on Euronext Amsterdam.

Ratings:

It is a condition precedent to issuance that (i) the Senior Class A Notes, on issue, be assigned a rating of "AAA" by S&P, "Aaa" by Moody's and "AAA" by Fitch, (ii) the Mezzanine Class B Notes, on issue, be assigned a rating of at least "AA" by S&P, "Aa2" by Moody's and "AA" by Fitch, (iii) the Mezzanine Class C Notes, on issue, be assigned a rating of at least "A" by S&P, "A1" by Moody's and "A" by Fitch, (iv) the Junior Class D Notes, on issue, be assigned a rating of at least "BBB" by S&P, "A2" by Moody's and "BBB" by Fitch and (v) the Subordinated Class E Notes, on issue, be assigned a rating of at least "Baa3" by Moody's and "BBB-" by Fitch.

Settlement:

Euroclear and Clearstream, Luxembourg.

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 Seller, the Liquidity Facility Provider, the Savings Insurance Company, the Swap Counterparty, the Administrator, the Directors, the Paying Agent, the Reference Agent, the Managers, the Floating Rate GIC Provider and the Security Trustee, in whatever capacity acting. Furthermore, none of the Seller, the Liquidity Facility Provider, the Savings Insurance Company, the Swap Counterparty, the Administrator, the Directors, the Paying Agent, the Reference Agent, the Managers, the Floating Rate GIC Provider and the Security Trustee, nor any other person in whatever capacity acting, will accept any liability whatsoever to Noteholders in respect of any failure by the Issuer to pay any amounts due under the Notes. None of the Seller, the Liquidity Facility Provider, the Savings Insurance Company, the Swap Counterparty, the Administrator, the Directors, the Paying Agent, the Reference Agent, the Managers, the Floating Rate GIC Provider and the Security Trustee will be under any obligation whatsoever to provide additional funds to the Issuer (save in the limited circumstances described herein).

Ability to meet payment obligations

The ability of the Issuer to meet its obligations in full to pay principal of and interest on the Notes will be dependent on the receipt by it of funds under the Mortgage Receivables, the proceeds of the sale of any Mortgage Receivables, the receipt by it of payments under the Swap Agreement and the receipt by it of interest in respect of the balance standing to the credit of the Floating Rate GIC Account. See further *Credit Structure* below. In addition, the Issuer will have available to it the balances standing to the credit of the Reserve Fund and the amounts available to be drawn under the Liquidity Facility for certain of its payment obligations.

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

Parallel Debt

Under Netherlands law it is uncertain whether a security right can be validly created in favour of a party which is not the creditor of the claim which the security right purports to secure. Consequently, in order to secure the valid creation of the pledges in favour of the Security Trustee, the Issuer has in the Parallel Debt Agreement, as a separate and independent obligation, by way of parallel debt, undertaken to pay to the Security Trustee amounts equal to the amounts due by it to the Secured Parties. The Issuer has been advised that such a parallel debt creates a claim of the Security Trustee thereunder which can be validly secured by a right of pledge such as the rights of pledge created by the Security Trustee Pledge Agreement I and the Security Trustee Pledge Agreement II (see also *Description of Security* below).

Transfer of Legal Title to Mortgage Receivables

The Mortgage Receivables Purchase Agreement will provide that the assignment of the Mortgage Receivables by the Seller to the Issuer will not be notified by the Seller to the Borrowers except if certain events occur. For a description of these notification events reference is made to *Mortgage Receivables Purchase Agreement* below. Under Netherlands law the assignment of a receivable, in the manner envisaged in this transaction (see *Legislation on Requirement for Assignment* below), is 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 Seller. Notification of the assignment to a Borrower after the Seller has been declared bankrupt or has become subject to emergency regulations under the Netherlands Act on the Supervision of the Credit System 1992 ("*Wet toezicht kredietwezen*

1992") will not be effective and, consequently, in such event the legal ownership to the Mortgage Receivables will not pass to the Issuer. See also *Legislation on Requirements for Assignment* below.

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 the Seller, the Seller 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 rights of the Seller as beneficiary under any Life Insurance Policy with a Life Insurance Company (the "**Life Beneficiary Rights**") and a "disclosed" right of pledge over the rights of the Seller as beneficiary under any Savings Insurance Policy with the Savings Insurance Company (the "**Savings Beneficiary Rights**", and together with the Life Beneficiary Rights, the "**Beneficiary Rights**") 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 the Seller. Under Netherlands law the Issuer and the Security Trustee can, in the event of bankruptcy or emergency regulations in respect of the Seller, exercise the rights afforded by law to pledgees as if there were no bankruptcy or emergency regulations. However, bankruptcy or emergency regulations involving the Seller would affect the position of the Security Trustee and the Issuer as pledgees in some respects, the most important of which are: (i) payments made by the Borrowers to the Seller prior to notification but after bankruptcy or emergency regulations involving the Seller having been declared, will be part of the bankrupt estate of the Seller, although the relevant pledgee has the right to receive such amounts by preference (in certain events after deduction of certain costs), (ii) a mandatory "cool-off" period of up to four months may apply in case of bankruptcy or emergency regulations involving the Seller, 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 the Seller.

Set-off

Under Netherlands law each Borrower will, subject to the legal requirements for set-off being met, be entitled to set off amounts due by the Seller 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, such 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, such as counterclaims resulting from a current account relationship and, depending on the circumstances, counterclaims resulting from a deposit made by the Borrower.

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 Seller, under Netherlands law it is uncertain whether such waiver will be valid. Should such waiver be invalid, the foregoing applies *mutatis mutandis*.

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

For specific set-off issues relating to the Life Insurance Policies or, as the case may be, Savings Insurance Policies connected to the Mortgage Loans, reference is made to the paragraph *Insurance Policies* below.

The Seller will also have the right to set off any amounts owing to a Borrower against a Mortgage Receivable in respect of such Borrower. The Mortgage Receivables Purchase Agreement will provide that, prior to notification of the assignment and/or pledges, the Seller will pay to the Issuer any

amounts not received by the Issuer as a result of such right of set-off being invoked by the Seller. After notification of the assignment and/or pledges to the Borrowers, the Seller will no longer have any set-off right against the relevant Borrowers.

Bank Mortgages

The mortgage deeds relating to the Mortgage Receivables sold to the Issuer provide that the mortgage rights created pursuant to such mortgage deeds, not only secure the loan granted to the Borrower for the purpose of acquiring the Mortgaged Assets, but also other liabilities and moneys that the Borrower, now or in the future, may owe to the Seller ("**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, the prevailing view has been for a long time that a Bank Mortgage will only follow the receivable which it secures, if the relationship between the bank and the borrower has been terminated in such a manner that following the transfer, the bank cannot create or obtain new receivables against the borrower. However, in recent legal literature this view is generally disputed and it is defended that the Bank Mortgage will partially follow the receivable to the extent that it has been assigned, irrespective of whether the banking relationship between the bank and the borrower has terminated.

The Seller will undertake in the Mortgage Receivables Purchase Agreement to terminate partially the relevant mortgage rights securing Mortgage Receivables to the extent that the mortgage right secures debts other than the relevant Mortgage Receivables. Notice of such partial termination will be given to the relevant Borrowers immediately before the moment the Borrowers will be notified of the assignment of the Mortgage Receivables (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 the transfer of legal title to the Mortgage Receivables to the Issuer by way of notification of the assignment to the Borrowers.

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 Seller 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 1 September 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 the 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 uncertain, depending on the specific facts and circumstances involved, whether the Issuer and the Security Trustee will have the benefit of a mortgage right securing such Mortgage Receivables and, if a Borrower would fail to comply with its obligations under the Mortgage Loan, the Issuer or the Security Trustee (as the case may be) would not be in a position to foreclose the mortgage right as pledgee of the Mortgage Receivables. In that case the assistance of the Seller's administrator (in case of 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 (i.e. the Issuer and the Security Trustee). It is uncertain whether such assistance will be forthcoming. A similar situation could arise if the Seller 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 Seller's administrator or bankruptcy trustee to foreclose the mortgage right.

If notice of partial termination of the Bank Mortgages is not made prior to bankruptcy or emergency regulations of the Seller being declared, the mortgage rights may also (partially) follow the Mortgage Receivables in as far as they are pledged, as is argued in recent literature (see above). If this view is followed, the Bank Mortgages would probably be co-held by the Security Trustee and/or the Issuer as pledgees and the Seller as mortgagee and would secure both the Mortgage Receivables held by the Issuer (or the Security Trustee, as the case may be) and any claims held by the Seller. In case the mortgage rights are co-held by both the Issuer or the Security Trustee and the Seller, the rules applicable to co-ownership ("*gemeenschap*") apply. The Netherlands Civil Code provides for various mandatory rules applying to such co-owned rights. In the Mortgage Receivables Purchase Agreement the Seller, the Issuer and the Security Trustee will agree that the Issuer and/or the Security Trustee (as applicable) will manage and administer such co-held rights. It is uncertain whether the foreclosure of the mortgage rights will be considered as day-to-day management, and, consequently the consent of the Seller's bankruptcy trustee (in case of bankruptcy) or administrator (in case of emergency regulations) may be required for such foreclosure. The Seller, the Issuer and/or the Security Trustee (as applicable) will agree that in case of foreclosure the share ("*aandeel*") in each co-held mortgage right of the Security Trustee and/or the Issuer will be equal to the outstanding principal amount of the Mortgage Receivable, increased with interest and costs, if any, and the share of the Seller will be equal to the Net Proceeds less the outstanding principal amount of the Mortgage Receivable, increased with interest and costs, if any. It is uncertain whether this arrangement will be enforceable. In this respect it will be agreed that in case of a breach by the Seller of its obligations under these agreements or if any of such agreements are dissolved, void, nullified or ineffective for any reason in respect of the Seller, the Seller shall compensate the Issuer and/or the Security Trustee (as applicable) forthwith for any and all loss, cost, claim, damage and expense whatsoever which the Issuer and/or the Security Trustee (as applicable) incurs as a result thereof.

Legislation on Requirements for Assignment

Effective from 1 October 2004 the legal requirements for the assignment of receivables have been amended in such a manner that the assignment can also be effected by means of a notarial or registered deed of assignment, without notification of the assignment to the debtors being required. Pursuant to this amendment, the Seller can assign the Mortgage Receivables, and transfer legal ownership, to the Issuer by the mere registration of the deed of assignment and would not be restricted to completing the assignment by notification in case of the occurrence of Notification Events. However, prior to notification of this assignment by means of a notarial or registered deed of assignment, debtors can only make payments to the Seller in order to fully discharge their payment obligations ("*bevrijdend betalen*"). The partial termination structure set out under Bank Mortgages above is, however, only effective if the partial termination is effectuated prior to the assignment being completed, whether by means of notification or registration. Consequently, due to the partial termination structure in case of Bank Mortgages securing the Mortgage Receivables, registration of the deed of assignment prior to the occurrence of the Notification Events and the consequent partial termination of the Bank Mortgages may not be in the best interest of the Issuer. However, pursuant to the Mortgage Receivables Purchase Agreement the Issuer will have the right to register the deed of assignment at any time. The Issuer will undertake in the Trust Deed not to exercise such right except with the prior written approval of the Seller, which approval will not be unreasonably withheld and the Security Trustee and subject to the confirmation of S&P, Moody's and Fitch that it will not adversely affect the then current ratings assigned to the Notes.

Long leases

The mortgage rights securing the Mortgage Loans may be vested on a long lease ("*erfpacht*"), as further described in *Description of Mortgage Loans* below. A long lease will, *inter alia*, end as a result of expiration of the long lease term (in the case of a lease for a fixed period), or termination of the long lease by the leaseholder or the landowner. The landowner can terminate the long lease in the event the leaseholder has not paid the remuneration due for a period exceeding two consecutive years or seriously breaches ("*in ernstige mate tekortschiet*") other obligations under the long lease. If the long lease ends, the landowner will have the obligation to compensate the leaseholder. In such event the

mortgage right will, by operation of law, be replaced by a right of pledge on the claim of the (former) leaseholder on the landowner for such compensation. The amount of the compensation will, *inter alia*, be terminated by the conditions of the long lease and may be less than the market value of the long lease.

When underwriting a Mortgage Loan to be secured by a mortgage right on a long lease, the Seller will take into consideration certain conditions, in particular the term of the long lease. Therefore, the mortgage conditions used by the Seller provide that the principal sum of a Mortgage Receivable, including interest, will become immediately due and payable, *inter alia*, if the long lease terminates, if the lease holder materially breaches or ceases to perform his payment obligation under the long lease ("*canon*") or if the lease holder in any other manner breaches the conditions of the long lease.

Insurance Policies

Interest-only Mortgage Loans, to the extent that the part of the Mortgage Loan which is interest-only exceeds 75 per cent. of the Foreclosure Value of the Mortgaged Assets, have the benefit of Life Insurance Policies and the Savings Mortgage Loans have the benefit of Savings Insurance Policies (the Life Insurance Policies and the Savings Insurance Policies together the "**Insurance Policies**"). The Savings Insurance Policies are entered into by the relevant Borrower and the Savings Insurance Company. The Life Insurance Policies are entered into by the relevant Borrowers and any of the Life Insurance Companies (the Life Insurance Companies and the Savings Insurance Company together the "**Insurance Companies**"). This paragraph describes certain legal issues relating to the effects of the assignment and pledge of the Mortgage Loans on the Insurance Policies. Investors should be aware that it cannot be excluded that (i) the Issuer may not benefit from the Insurance Policies and/or (ii) the Issuer may not be able to collect the Mortgage Receivable, whether in part or in full, from the Borrower, in case the relevant Insurance Company defaults in its obligations under the Insurance Policy as further described in this paragraph. As a consequence thereof, the Issuer may not have a claim on the Borrower and the rights of the Security Trustee may be similarly affected. The legal issues described in this paragraph apply *mutatis mutandis* to Risk Insurance Policies.

Pledge

All rights of a Borrower under the Insurance Policies have been pledged to the Seller (the "**Borrower Insurance Pledge**"). However, the Issuer has been advised that it is probable that the right to receive payment, including the commutation payment ("*afkoopsom*"), under the Insurance Policies will be regarded by a Netherlands court as a future right. The pledge of a future right is, under Netherlands law, not effective if the pledgor is declared bankrupt, granted a suspension of payments or is subject to emergency regulations, prior to the moment such right comes into existence. This means that it is uncertain whether such pledge will be effective. Even if the pledge on the rights under the Insurance Policies would be effective, it is uncertain whether 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 therefore should be regarded as "bank pledges") and the uncertainty described above applies equally in respect of a pledge on the rights on the 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 deeds of pledge do not provide the power to the Seller to terminate the right of pledge. In the Mortgage Receivables Purchase Agreement the Seller will undertake, following a Notification Event, to (i) release the Borrower Insurance Pledge and (ii) use its reasonable efforts to ensure that a first-ranking pledge is created on the rights of Borrowers/insured under the Insurance Policies in favour of (x) the Issuer subject to the dissolving condition ("*ontbindende voorwaarde*") of the occurrence of a Notification Event relating to the Issuer and (y) the Security Trustee subject to the condition precedent ("*opschortende voorwaarde*") of the occurrence of a Notification Event relating to the Issuer.

Appointment of Beneficiary

Furthermore, the Seller has been appointed as beneficiary (i) under the relevant Life Insurance Policy up to the amount of its claim on the Borrower/policyholder and (ii) under the relevant Savings Insurance Policy up to the amount due by the Borrower to the Seller at the time the insurance proceeds are due and payable, except that in certain cases another beneficiary is appointed who will rank ahead of the Seller, provided that, *inter alia*, the relevant Insurance Company is irrevocably authorised by such beneficiary to pay the proceeds of the Insurance Policy to the Seller (the "**Borrower Insurance Proceeds Instruction**"). With respect to Life Insurance Policies used by the Seller before 25

September 2000, it is unlikely that the Beneficiary Rights will follow the Mortgage Receivables upon assignment or pledge thereof to the Issuer or the Security Trustee. However, in the form of the Borrower Insurance Pledge with respect to Life Insurance Policies used by the Seller as from 25 September 2000, any successor in title ("*rechtsopvolgers onder algemene en bijzondere titel*") is also appointed as beneficiary, which would, subject to the legal requirements for a valid assignment and subject to any requirements stipulated by the Life Insurance Policy, include the Issuer upon completion of notification of the assignment. The Beneficiary Rights will be pledged to the Security Trustee and the Issuer (see *Description of Security* below), but it is uncertain whether this pledge will be effective.

In the event that no Borrower Insurance Proceeds Instruction is given and the pledge of the Beneficiary Rights is not effective, the Issuer and the Security Trustee will enter into a beneficiary waiver agreement (the "**Beneficiary Waiver Agreement**") with the Seller and the Savings Insurance Company under which the Seller, subject to the condition precedent of the occurrence of a Notification Event, waives its rights as beneficiary under the Savings Insurance Policies and appoints as first beneficiary (i) the Issuer subject to the dissolving condition ("*ontbindende voorwaarde*") of a Notification Event relating to the Issuer and (ii) the Security Trustee under the condition precedent ("*opschortende voorwaarde*") of the occurrence of a Notification Event relating to the Issuer. It is, however, uncertain whether such waiver, and unlikely that such appointment, will be effective. In the event that such waiver and appointment are not effective in respect of the Savings Insurance Policies and, furthermore, in respect of the Life Insurance Policies, the Seller and, in respect of the Savings Insurance Policies, the Savings Insurance Company will undertake in the Beneficiary Waiver Agreement that upon the occurrence of a Notification Event, they will use their best efforts to terminate the appointment of the Seller as beneficiary under the Insurance Policies and to appoint the Issuer or the Security Trustee, as the case may be, as first beneficiary under the Insurance Policies.

In the event that a Borrower Insurance Proceeds Instruction has been given, the Seller and, in respect of the Savings Insurance Policies, the Savings Insurance Company, will in the Beneficiary Waiver Agreement undertake, following a Notification Event to use their best efforts to withdraw the Borrower Insurance Proceeds Instruction in favour of the Seller and to issue such instruction in favour of (i) the Issuer subject to the dissolving condition ("*ontbindende voorwaarde*") of a Notification Event relating to the Issuer and (ii) the Security Trustee under the condition precedent ("*opschortende voorwaarde*") of the occurrence of a Notification Event relating to the Issuer. The termination and appointment of a beneficiary under the Insurance Policies and the withdrawal and the issue of the Borrower Insurance Proceeds Instruction will require the co-operation of all relevant parties involved. It is uncertain whether such co-operation will be forthcoming.

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

Insolvency of Insurance Companies

If any of the Insurance Companies are no longer able to meet their obligations under the Insurance Policies, for example as a result of bankruptcy or having become subject to emergency regulations, this could result in the amounts payable under the Insurance Policies either not, or only partly, being available for application in reduction of the relevant Mortgage Receivables. This may lead to the Borrowers trying to invoke set-off rights and defences as further discussed under *Set-off or defences* below.

Set-off or defences

If the amounts payable under the Insurance Policy are not applied as a reduction of the Mortgage Receivable (see *Appointment of Beneficiary* and *Insolvency of Insurance Companies* above), the Borrower may try to invoke a right of set-off of the amount due under the Mortgage Receivable with amounts payable under or in connection with the Insurance Policy. The fact that the Mortgage Receivables are assigned or pledged to the Issuer or the Security Trustee (i) in respect of the Savings Mortgage Receivables is not likely to interfere with such a set-off, since it is likely that the Savings Mortgage Loans and the Savings Insurance Policies are to be regarded as one legal relationship (see *Set-off* above) and (ii) in respect of Life Mortgage Receivables is likely to obstruct such set-off, after notification of the assignment, since it is unlikely that one of the requirements for set-off following assignment or pledge is met (see *Set-off* above).

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 legal requirements for set-off. One of these requirements is that the Borrower should have a claim, which corresponds to his debt to the same counterparty. The Insurance Policies are contracts between the relevant Insurance Company and the Borrowers. Therefore, in order to invoke a right of set-off, the Borrowers would have to establish that the Seller and the relevant Insurance Company should be regarded as one legal entity or, possibly, based upon interpretation of case law, that set-off is allowed, even if the Seller and the relevant Insurance Company are not considered as one legal entity, since the Insurance Policies and the Mortgage Loans might be regarded as one inter-related legal relationship. Furthermore, the Borrowers should have a counterclaim. If the relevant Insurance Company is declared bankrupt or subject to emergency regulations, the Borrower will have the right unilaterally to terminate the Insurance Policy and to receive a commutation payment ("*afkoopsom*"). These rights are subject to the Borrower Insurance Pledge. However, despite this pledge, it could be argued that the Borrower will be entitled to invoke a right of set-off for the commutation payment, subject, however, to what is stated above on "bank pledges" under *Pledge* above. However, apart from the right to terminate the Insurance Policies, the Borrowers are also likely to have the right to dissolve the Insurance Policies and to claim restitution of 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 in respect of such claim by the Borrowers.

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

Life Mortgage Loans

In respect of the risk of such set-off or defences being successful, as described above, if, in case of bankruptcy or emergency regulations of any of the Life Insurance Companies, the Borrowers/insured will not be able to recover their claims under their Life Insurance Policies, the Issuer has been advised that, in view of the preceding paragraphs and the representation by the Seller that with respect to Mortgage Loans whereby it is a condition for the granting of the relevant Mortgage Loan that a Life Insurance Policy is entered into by the Borrower (i) a Borrower Insurance Pledge is granted on the rights under such policy in favour of the Seller (see Mortgage Loan Criteria sub (viii)), (ii) the Mortgage Loan and the Life Insurance Policy are in the Seller's or the Life Insurance Company's promotional materials not offered as one product under one name, and (iii) the Borrowers are not obliged to enter into the Life Insurance Policy with a Life Insurance Company which is a group company of the Seller, it is unlikely that a court would honour set-off or defences of the Borrowers, as

described above, if the Life Insurance Company is not a group company of the Seller. However, in the event that the Life Insurance Company is a group company of the Seller, the Issuer has been advised that the possibility cannot be disregarded ("*kan niet worden uitgesloten*") that the courts will honour set-off or defences to the Borrowers.

Savings Mortgage Loans

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

In respect of Savings Mortgage Loans to which a Savings Insurance Policy with the Savings Alternative is connected, the Sub-Participation Agreement will provide that should a Borrower invoke a defence, including but not limited to a right of set-off or counterclaim in respect of such Savings Mortgage Loan if, for whatever reason, the Savings Insurance Company does not pay the insurance proceeds when due and payable, whether in full or in part, under the relevant Savings Insurance Policy and, as a consequence thereof, the Issuer will not have received any amount outstanding prior to such event, the relevant Participation of the Savings Insurance Company will be reduced by an amount equal to the amount which the Issuer has failed to receive. The amount of the Participation is equal to the amounts of Savings Premium received by the Issuer plus the accrued yield on such amount (see *Sub-Participation Agreement* below), provided that the Savings Insurance Company will have paid all amounts equal to the amounts due under the Sub-Participation Agreement to the Issuer. Therefore, normally the Issuer would not suffer any damages if the Borrower invokes any such right of set-off or defence, if and to the extent that the amount for which the Borrower invokes set-off or defences does not exceed the amount of the Participation. However, the amount for which the Borrower can invoke set-off or defences may, depending on the circumstances, exceed the amount of the Participation.

The Sub-Participation Agreement does not apply to Savings Mortgage Loans to which a Savings Insurance Policy with the Investment Alternative is connected. In this respect it is noted that at the Closing Date only a small percentage of all Savings Mortgage Receivables have a Savings Insurance Policy with the Investment Alternative. Furthermore, the Issuer has been advised that the proportion of Savings Mortgage Receivables to which a Savings Insurance Policy with the Investment Alternative is connected, is not expected to increase substantially after the Closing Date, considering that from a tax perspective, the Savings Alternative is more attractive than the Investment Alternative for Borrowers who have opted for the certainty of a guaranteed payment sufficient to redeem the outstanding principal amount of such Savings Mortgage Loan at its maturity (see *SNS Residential Mortgage Business* below).

Investment-based Mortgage Loans

In the case of investment-based mortgage loans ("*rendementhypotheken*") ("**Investment-based Mortgage Loans**") the related securities have been pledged to the Seller by the relevant Borrower. The Issuer has been informed by the Seller that these pledges are "bank pledges" and, consequently, the uncertainty described above as to the pledge on the rights under the 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 Investment-based Mortgage Loans (see *Insurance Policies* above) and a similar undertaking will apply as set out in *Pledge* under *Insurance Policies* above.

Reduced value of investments

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

In addition, if the value of the investments under the Investment-based Mortgage Loans has reduced considerably, a Borrower may, or may try to, invoke set-off or defences against the Issuer arguing that he has not been properly informed of the risks involved in the investments. The merits of any such claim will, to a large extent, depend on the manner in which the Investment-based Mortgage Loans have been marketed and the promotional material provided to the Borrower. This may also apply following a reduction in value of investments made by any of the Life Insurance Companies in connection with the Life Insurance Policies or by the Savings Insurance Company in connection with

the Savings Mortgage Loan to which a Savings Insurance Policy with the Investment Alternative is connected.

Maturity of Mortgage Loans

The standard mortgage deed used by the Seller in case of an Interest-only Mortgage Loan originated prior to 1 October 2003 ("*SNS Aflossingsvrije Hypotheek*") states that such loan is entered into for an unlimited period of time and that, unless agreed otherwise at any time, the Borrower is not obliged to repay the principal sum borrowed (the "**Principal Sum**"). However, the mortgage deed and the Seller's general terms and conditions applicable to loans and mortgages (the "**General Conditions**") both contain clauses pursuant to which the Seller may demand repayment of the Principal Sum or pursuant to which the Principal Sum is declared immediately due and payable.

With respect to the General Conditions it is noted that these conditions provide that the Principal Sum, increased with interest, reimbursements, costs and amounts paid by the Seller on behalf of the Borrower and any other amounts due by the Borrower to the Seller for whatever reason at any time (the "**Debt**"), will become immediately due and payable in certain events, *inter alia*, if the Life Insurance Policy belonging to the Mortgage Loan is invalid and/or payment of premium under the Life Insurance Policy is suspended ("*premielvrij*") and/or the Life Insurance Company makes a payment under the Life Insurance Policy (see *Mortgage Receivables Purchase Agreement* below). In such event the Seller is thus entitled to terminate the Mortgage Loan (including an Interest-only Mortgage Loan). Furthermore, the Seller has represented that each of the Mortgage Loans with a tenor of more than thirty years or without a maturity date will have a Life Insurance Policy attached to it in the form of a combined risk and capital policy which, as far as the risk element is concerned, pays out upon death of the insured and, as far as the capital element is concerned, upon maturity of the policy and that each of the Life Insurance Policies has a term not exceeding thirty years from the date on which the Mortgage Loan was granted.

No specific termination event is provided in the General Conditions in case of death of a Borrower. Death of a Borrower would not necessarily lead to repayment of the Principal Sum. However, if a Life Insurance Policy is connected to the Mortgage Loan, the death of a Borrower who is also the insured under the policy will in principle result in a payment under the Life Insurance Policy and the Debt becoming due (as described above).

Under Netherlands law any contractual provision may not be enforceable if this would be unacceptable in the circumstances involved on the basis of applicable standards of reasonableness and fairness ("*redelijkheid en billijkheid*"). In respect of provisions contained in general conditions (such as the General Conditions) the relevant statutory provisions provide, more specifically, that a provision is voidable, if considering the nature and the further contents of the agreement, the manner in which the general conditions were agreed upon, the mutually apparent interests of the parties involved and the further circumstances, it is unreasonably onerous from the perspective of the party against whom the general conditions are applied. Borrowers may argue that, depending on the circumstances, the clause in the General Conditions relating to acceleration of the Debt in case the insurance proceeds are paid out (as described above) is voidable or otherwise unenforceable on the basis of these statutory provisions.

European Union Directive on the taxation of savings

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

According to the Directive, Member States would have been required to apply its provisions from 1 January 2005 provided that certain European third countries and certain dependent or associated territories applied the equivalent or, as the case may be, the same measures from that date. However, by a decision dated 19 July 2004 the Council, having decided that this condition would not be met, adopted a new date, 1 July 2005. This date is subject to the same conditions as the former date. The

transitional period will commence on the same date.

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

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

The Netherlands has adopted legislation provisionally implementing the substantive provisions of the Directive. These provisions are expected to come into force on 1 July 2005, provided the above-mentioned conditions under which Member States are required to apply the Directive are satisfied from that date. If and when the Directive is implemented as required by the Directive, an individual Holder of Notes who is resident in a Member State other than the Netherlands may become subject to the automatic supply of information to the Member State in which the individual is resident with regard to interest payments made by (or in certain cases, to) paying agents established in the Netherlands.

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 Swap Counterparty may (with the consent of the Issuer, S&P, Moody's and Fitch) transfer its rights and obligations to another of its offices, branches or affiliates to avoid the relevant Tax Event.

The Swap Agreement will be terminable by one party in certain circumstances, including if (i) an event of default (as defined therein) occurs in relation to the other party, (ii) it becomes unlawful for either party to perform its obligations under the Swap Agreement, (iii) an Enforcement Notice is served, or (iv) the Notes, except for the Subordinated Class E 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 and (ii) insolvency events.

Regulatory Call Option

Should the Seller exercise its Regulatory Call Option, the Issuer has the option to redeem the Notes by applying the proceeds of the sale of the Mortgage Receivables towards redemption of the Notes in accordance with Condition 6(i) and subject to Condition 9(b).

Optional Redemption

As a result of the increase in the margin payable on and from the Step-Up Date in respect of the floating rate of interest on the Senior Class A Notes, the Mezzanine Class B Notes, the Mezzanine Class C Notes and the Junior Class D Notes, the Issuer will have an incentive to exercise its right to redeem the Notes, other than the Subordinated Class E Notes, on the first Optional Redemption Date or on any Optional Redemption Date thereafter. No guarantee can be given that the Issuer will actually exercise such right. The exercise of such right will, *inter alia*, depend on the ability of the Issuer to have sufficient funds available to redeem the Notes, for example through a sale of Mortgage Receivables still outstanding at that time.

With regard to a sale of Mortgage Receivables to the Seller, it should be noted that according to the new solvency regulation (the "**Solvency Regulation**") issued by the Dutch Central Bank, which came into force on 1 April 2004, the Seller shall, for the purposes of calculation of its risk-weighted assets, have to set the effective maturity of the transaction envisaged in this Offering Circular at the first Optional Redemption Date. Pursuant to the Solvency Regulation an originator is required to build up capital as from the date which is five years prior to the effective maturity date of a securitisation. However, under the Solvency Regulation the Seller will have the option to set the effective maturity of this transaction at the Final Maturity Date, provided that it will not repurchase the Mortgage Receivables. For the avoidance of doubt, this option relates solely to the Seller's own regulatory position and does not necessarily relate to the effective maturity of the Notes.

Currently, the Seller is considering, from a regulatory perspective, whether it wishes to set the effective maturity of the transaction envisaged in this Offering Circular at the Final Maturity Date instead of at the first Optional Redemption Date. Consequently, it may be possible that the Seller is not allowed to repurchase the Mortgage Receivables, other than (i) as set forth in *Repurchase of Mortgage Receivables* in *Mortgage Receivables Purchase Agreement* below or (ii) in connection with the exercise by the Seller of the Clean-Up Call Option or the Regulatory Call Option or (iii) in connection with the exercise by the Issuer of its option to redeem the Notes for tax reasons (Condition 6(h)).

The Seller, should it decide not to repurchase the Mortgage Receivables, has undertaken to inform the Issuer ultimately on the first Optional Redemption Date of such fact. In such case the Issuer shall use its best efforts to sell the Mortgage Receivables or to obtain alternative funding in order to be able to redeem the Notes, other than the Subordinated Class E Notes, as soon as reasonably possible.

Prepayment Considerations

The maturity of the Notes of each Class will depend on, *inter alia*, the amount and timing of payment of principal (including full and partial prepayments, sale of the Mortgage Receivables by the Issuer, Net Proceeds upon enforcement of a Mortgage Loan and repurchase by the Seller of Mortgage Receivables) on the Mortgage Loans. The average maturity of the Notes may be adversely affected by a higher or lower than anticipated rate of prepayments on the Mortgage Loans. The rate of prepayment of Mortgage Loans is influenced by a wide variety of economic, social and other factors, including prevailing market interest rates, changes in tax laws (including, but not limited to, amendments to mortgage interest tax deductibility), local and regional economic conditions and changes in Borrowers' behaviour (including, but not limited to, home-owner mobility). No guarantee can be given as to the level of prepayment that the Mortgage Loans may experience, and variation in the rate of prepayments of principal on the Mortgage Loans may affect each Class of Notes differently.

In addition, it is noted that the Savings Mortgage Loans become immediately due and payable up to the amount of the savings deposit with the Seller, *inter alia*, if the Seller is declared bankrupt or subjected to emergency regulations. In such event the Borrower also has the right to fully repay the Savings Mortgage Loan without any penalty being due.

Subordination of the Mezzanine Class B Notes, the Mezzanine Class C Notes, the Junior Class D Notes and the Subordinated Class E Notes

To the extent set forth in Conditions 6 and 9, (a) the Mezzanine Class B Notes are subordinated in right of payment to the Senior Class A Notes, (b) the Mezzanine Class C Notes are subordinated in right of payment to the Senior Class A Notes and the Mezzanine Class B Notes, (c) the Junior Class D Notes are subordinated in right of payment to the Senior Class A Notes, the Mezzanine Class B Notes and the Mezzanine Class C Notes and (d) the Subordinated Class E Notes are subordinated in right of payment

to the Senior Class A Notes, the Mezzanine Class B Notes, the Mezzanine Class C Notes and the Junior Class D Notes. With respect to any Class of Notes, such subordination is designed to provide credit enhancement to any Class of Notes with a higher payment priority than such Class of Notes.

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

Limited Liquidity of the Notes

There can be no assurance that a secondary market for the Notes will develop or, if a secondary market does develop, that it will provide Noteholders with liquidity of investment or that it will continue for the life of the Notes. To date, no underwriter has indicated that they intend to establish and/or maintain a secondary market in the Notes.

Payments on the Mortgage Receivables

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

Risks of Losses Associated with Declining Values of Mortgaged Assets

The security for the Notes created under the Security Trustee Pledge Agreement I may be affected by, among other things, a decline in the value of the Mortgaged Assets. No assurance can be given that values of the Mortgaged Assets have remained or will remain at the level at which they were on the date of origination of the related Mortgage Loans. A decline in value may result in losses to the Noteholders if the relevant security rights on the Mortgaged Assets are required to be enforced. The Seller will not be liable for any losses incurred by the Issuer in connection with the Mortgage Loans.

Maturity Risk

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

Reliance on Third Parties

Counterparties to the Issuer may not perform their obligations under the Relevant Documents, which may result in the Issuer not being able to meet its obligations. It should be noted that there is a risk that (a) SNS Bank in its capacity as Seller, Administrator, Floating Rate GIC Provider, Swap Counterparty and Liquidity Facility Provider will not meet its obligations vis-à-vis the Issuer, (b) ABN AMRO Bank N.V. as Paying Agent and Reference Agent will not perform its obligations under the Paying Agency Agreement, (c) REAAL Levensverzekeringen N.V. as Savings Insurance Company will not perform its obligations under the Sub-Participation Agreement and (d) N.V. Algemeen Nederlands Trustkantoor ANT, ATC Management B.V. and ATC Corporate Services (Netherlands) B.V. will not perform their obligations under the relevant Management Agreements.

No Gross-up for Taxes

As provided in Condition 7, if withholding of, or deduction for, or on account of any present or future taxes, duties, assessments or changes of whatever nature are imposed by or on behalf of the Netherlands, any authority therein or thereof having power to tax, 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 be obliged to pay any additional amounts to the Noteholders.

Ratings of the Notes

The rating of each of the Notes addresses the assessment made by S&P, Moody's and Fitch of the likelihood of full and timely payment of interest and ultimate payment of principal on or before the Final Maturity Date.

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

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 Receivables sold and assigned to the Issuer on the Closing Date bear interest on the basis of any of the following alternatives: (i) fixed rate, whereby the rates can be fixed for a specific period between 1 to 30 years; (ii) floating rate; or (iii) slight deviations from any of the above (as further described in *Description of Mortgage Loans* below). The Mortgage Loan Criteria permit Mortgage Receivables bearing alternative types of interest offered by the Seller.

The actual amount of revenue received by the Issuer under the Mortgage Receivables Purchase Agreement will vary during the life of the Notes as a result of the level of delinquencies, defaults, substitutions, repayments and prepayments in respect of the Mortgage Receivables. Similarly, the actual amounts payable under the Interest Priority of Payments will vary during the life of the transaction as a result of fluctuations in Euribor and possible variations in certain other costs and expenses of the Issuer. The eventual effect of such variations could lead to drawings, and the replenishment of such drawings, 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, with interest being payable in arrear. All payments made by Borrowers will be paid into the collection account (the "**Seller Collection Account**") maintained with the Seller (in this capacity the "**Seller Collection Account Provider**"). The Seller Collection Account will also be used for the collection of moneys paid in respect of mortgage loans other than the Mortgage Loans and in respect of other moneys belonging to the Seller.

If the rating of the short-term, unsecured and unguaranteed debt obligations of the Seller Collection Account Provider falls below A-1 by S&P (the "**Short Term Requisite Rating in respect of the Seller Collection Account Provider**"), the Seller will, to maintain the then current rating assigned to the Notes, either: (i) ensure that payments to be made in respect of amounts received on the Seller Collection Account relating to the Mortgage Receivables will be guaranteed by a party having at least the Short Term Requisite Rating in respect of the Seller Collection Account Provider; or (ii) (a) open an escrow account in the name of the Issuer, for its own account, with a party having at least the Short Term Requisite Rating in respect of the Seller Collection Account Provider, and (b) transfer to the escrow account an amount equal to the highest single amount of principal, interest and pre-payment penalties received since the Closing on the Floating Rate GIC Account during one Mortgage Calculation Period; or (iii) implement any other actions agreed at that time with S&P, Moody's and Fitch.

If on any Payment Date the balance standing to the credit of the Seller Collection Account is higher than 20 per cent. of the aggregate Principal Amount Outstanding of the Notes on such Payment Date (the "**Seller Collection Account Excess Balance**"), the Seller will be required as soon as reasonably possible, but at least within 30 days to either (a) transfer the Seller Collection Account Excess Balance to an alternative bank with a minimum rating of A-1+ by S&P or (b) invest the Seller Collection Account Excess Balance in Eligible Investments. "**Eligible Investments**" are short-term unsecured euro-denominated debt obligations (including commercial paper) issued by an issuing entity of which the unsecured and unguaranteed debt obligations are assigned a rating of A-1+ by S&P (or, in case such debt obligations are guaranteed, the unsecured and unguaranteed debt obligations of the guarantor are assigned a rating of A-1+ by S&P), provided that such Eligible Investments may not have a maturity beyond the immediately succeeding Payment Date.

On each "**Mortgage Payment Date**" (being the 8th business day following each Mortgage Calculation Period End Date (defined below)) the Administrator shall transfer all amounts of principal, interest and prepayment penalties received by the Seller in respect of the Mortgage Receivables and paid to the Seller Collection Account during the immediately preceding Mortgage Calculation Period, 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 (i) in respect of the Mortgage Receivables and (ii) from the Savings Insurance Company under the Sub-Participation Agreement and (iii) from the other parties to the Relevant Documents 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).

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

If on any Payment Date the balance standing to the credit of the Floating Rate GIC Account is higher than 20 per cent. of the aggregate Principal Amount Outstanding of the Notes on such Payment Date (the "**Excess Balance**"), the Issuer will be required as soon as reasonably possible, but at least within 30 days to either (a) transfer the Excess Balance to an alternative bank with a minimum rating of A-1+ by S&P or (b) invest the Excess Balance in Eligible Investments.

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 A-1 by S&P and/or Prime-1 by Moody's and/or F1 by Fitch or any such rating is withdrawn by S&P, Moody's and/or Fitch, the Issuer will be required within 30 days of such reduction or withdrawal of such rating to (i) transfer the Floating Rate GIC Account to an alternative Floating Rate GIC Provider with the required minimum rating or (ii) find any other solution acceptable to S&P, Moody's and Fitch to maintain the then current ratings assigned to the Notes.

If any collateral in the form of cash is provided by the Swap Counterparty to the Issuer, the Issuer will be required to open a separate account in which such cash provided by the Swap Counterparty will be held. If any collateral in the form of securities is provided, the Issuer will be required to open a custody account in which such securities provided by the Swap Counterparty will be held. No payments or deliveries may be made in respect of such accounts other than in relation to the provision of collateral or the return of Excess Swap Collateral, unless pursuant to the termination of the Swap Agreement, an amount is owed by the Swap Counterparty to the Issuer, in which case, the collateral may be applied in accordance with the Trust Deed. See further *Interest Rate Hedging* below.

"**Excess Swap Collateral**" means an amount equal to the value of any collateral transferred to the Issuer by the Swap Counterparty under the Swap Agreement that is in excess of the Swap Counterparty's liability to the Issuer thereunder (i) as at the date such Swap Agreement is terminated or (ii) as at any other date of valuation in accordance with the terms of the Swap Agreement.

Any amounts remaining in such accounts upon termination of the Swap Agreement which are not owed to the Issuer by the Swap Counterparty shall be transferred directly to the Swap Counterparty on the termination date under the Swap Agreement.

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 second business day prior to each Payment Date) and which have been received during the Calculation Period immediately preceding such Calculation Date (items (i) up to and including (xi) being hereafter referred to as the "**Interest Available Amount**"):

- (i) as interest on the Mortgage Receivables less, with respect to each Savings Mortgage Receivable with the Savings Alternative, an amount equal to the amount received, multiplied by the relevant Participation divided by the outstanding principal amount of such Savings Mortgage Receivable with the Savings Alternative (the "**Participation Fraction**");
- (ii) as interest accrued on the Floating Rate GIC Account;
- (iii) as prepayment penalties under the Mortgage Receivables;
- (iv) as Net Proceeds on any Mortgage Receivables to the extent such proceeds do not relate to principal less, with respect to each Savings Mortgage Receivable with the Savings Alternative, an amount equal to the amount received multiplied by the Participation Fraction;
- (v) as amounts to be drawn under the Liquidity Facility (other than Liquidity Facility Stand-by Drawings) on the immediately succeeding Payment Date;
- (vi) as amounts to be drawn from the Reserve Fund on the immediately succeeding Payment Date;
- (vii) as amounts to be received from the Swap Counterparty under the Swap Agreement, to the extent relating to interest, 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 any other amounts received pursuant to the Mortgage Receivables Purchase Agreement to the extent such amounts do not relate to principal less, with respect to each Savings Mortgage Receivable with the Savings Alternative, an amount equal to the amount received multiplied by the Participation Fraction;
- (ix) as amounts received in connection with a sale of Mortgage Receivables pursuant to the Trust Deed to the extent such amounts do not relate to principal less, with respect to each Savings Mortgage Receivable with the Savings Alternative, an amount equal to the amount received multiplied by the Participation Fraction;
- (x) as amounts received as post-foreclosure proceeds on the Mortgage Receivables; and
- (xi) any amounts standing to the credit of the Floating Rate GIC Account after all amounts of interest and principal due in respect of the Notes have been paid in full,

will, pursuant to the 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 of, *pro rata*, according to the respective amounts thereof, (i) any amounts due and payable to third parties under obligations incurred in the Issuer's business (other than under the Relevant Documents), including, without limitation, in or towards satisfaction of sums due or provisions for any payment of the Issuer's liability, if any, to tax and the fees and expenses of S&P, Moody's and Fitch and any legal advisor, auditor and accountant, appointed by the Issuer or the Security Trustee, (ii) fees and expenses due to the Paying Agent and the Reference Agent under the Paying Agency Agreement and (iii) the Liquidity Facility Commitment Fee under the Liquidity Facility Agreement;
- (d) *fourth*, in or towards satisfaction of any amounts due and payable to the Liquidity Facility Provider under the Liquidity Facility Agreement or, following a Liquidity Facility Stand-by Drawing, in or towards satisfaction of sums to be credited to the Liquidity Facility Stand-by Ledger, but excluding any gross-up amounts or additional amounts due under the Liquidity Facility Agreement payable under sub-paragraph (s) below;

- (e) *fifth*, in or towards satisfaction of amounts, if any, due but unpaid under the Swap Agreement (except for any termination payment due or payable as a result of the occurrence of an Event of Default (as defined in the Swap Agreement) where the Swap Counterparty is the Defaulting Party or an Additional Termination Event (as defined in the Swap Agreement) relating to the credit rating of the Swap Counterparty (as such terms are defined in the Swap Agreement), including a Settlement Amount (as defined in the Swap Agreement) (a "**Swap Counterparty Default Payment**"));
- (f) *sixth*, in or towards satisfaction of all amounts of interest due but unpaid in respect of the Senior Class A Notes;
- (g) *seventh*, 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;
- (h) *eighth*, in or towards satisfaction of interest due or accrued due but unpaid on the Mezzanine Class B Notes;
- (i) *ninth*, in or towards satisfaction of sums to be credited to the Class B Principal Deficiency Ledger until the debit balance, if any, on the Class B Principal Deficiency Ledger is reduced to zero;
- (j) *tenth*, in or towards satisfaction of interest due or accrued due but unpaid on the Mezzanine Class C Notes;
- (k) *eleventh*, in or towards satisfaction of sums to be credited to the Class C Principal Deficiency Ledger until the debit balance, if any, on the Class C Principal Deficiency Ledger is reduced to zero;
- (l) *twelfth*, in or towards satisfaction of interest due or accrued due but unpaid on the Junior Class D Notes;
- (m) *thirteenth*, in or towards satisfaction of sums to be credited to the Class D Principal Deficiency Ledger until the debit balance, if any, on the Class D Principal Deficiency Ledger is reduced to zero;
- (n) *fourteenth*, in or towards satisfaction of interest due or accrued due but unpaid on the Subordinated Class E Notes;
- (o) *fifteenth*, in or towards satisfaction of any sums required to replenish the Reserve Fund up to the amount of the Reserve Fund Required Amount;
- (p) *sixteenth*, on the Payment Date falling in February 2009 and each Payment Date thereafter, in or towards satisfaction of principal due under the Subordinated Class E Notes;
- (q) *seventeenth*, after the Step-Up Date, in or towards satisfaction of principal amounts due on (i) the Senior Class A Notes until fully redeemed, and, thereafter, (ii) the Mezzanine Class B Notes until fully redeemed, and, thereafter, (iii) the Mezzanine Class C Notes until fully redeemed, and, thereafter, (iv) the Junior Class D Notes (see *Further Redemption Ledger* below);
- (r) *eighteenth*, in or towards satisfaction of the Swap Counterparty Default Payment payable to the Swap Counterparty under the terms of the Swap Agreement;
- (s) *nineteenth*, in or towards satisfaction of gross-up amounts or additional amounts due, if any, to the Liquidity Facility Provider pursuant to the Liquidity Facility Agreement; and
- (t) *twentieth*, in or towards satisfaction of a Deferred Purchase Price Instalment to the Seller.

Priority of Payments in respect of principal

Prior to the delivery of an Enforcement Notice by the Security Trustee, the sum of the following amounts, calculated as at any Calculation Date and which have been received during the immediately preceding Calculation Period (items (i) up to and including (vii) hereinafter referred to as the "**Redemption Available Amount**"):

- (i) as repayment and prepayment of principal under the Mortgage Receivables, excluding prepayment penalties, if any, less with respect to each Savings Mortgage Receivable with the Savings Alternative, the Participation in such Savings Mortgage Receivable;
- (ii) as Net Proceeds on any Mortgage Receivable to the extent such proceeds relate to principal, less with respect to each Savings Mortgage Receivable with the Savings Alternative, the Participation in such Savings Mortgage Receivable;
- (iii) as amounts received in connection with a repurchase of Mortgage Receivables pursuant to the Mortgage Receivables Purchase Agreement and any other amounts received pursuant to the Mortgage Receivables Purchase Agreement to the extent such amounts relate to principal, less with respect to each Savings Mortgage Receivable with the Savings Alternative, the Participation in such Savings Mortgage Receivable;
- (iv) as amounts received in connection with a sale of Mortgage Receivables pursuant to the Trust Deed to the extent such amounts relate to principal, less with respect to each Savings Mortgage Receivable with the Savings Alternative, the Participation in such Savings Mortgage Receivable;
- (v) as amounts to be credited to the Principal Deficiency Ledger on the immediately succeeding Payment Date in accordance with the Administration Agreement;
- (vi) as Participation Increase pursuant to the Sub-Participation Agreement; and
- (vii) 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,

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

- (a) *first*, in or towards satisfaction of the purchase price of any Substitute Mortgage Receivables (see *Substitution in Mortgage Receivables Purchase Agreement* below);
- (b) *second*, in or towards satisfaction of principal amounts due under the Senior Class A Notes;
- (c) *third*, in or towards satisfaction of principal amounts due under the Mezzanine Class B Notes;
- (d) *fourth*, in or towards satisfaction of principal amounts due under the Mezzanine Class C Notes;
- (e) *fifth*, in or towards satisfaction of principal amounts due under the Junior Class D Notes; and
- (f) *sixth*, in or towards satisfaction of a Deferred Purchase Price Instalment to the Seller.

Priority of Payments upon Enforcement

Following delivery of an Enforcement Notice any amounts payable by the Security Trustee under the Trust Deed, other than in respect of the Participations, will be paid to the Secured Parties (including the Noteholders, but excluding the Savings Insurance Company, which shall be entitled to receive an amount equal to the Participation in each of the Savings Mortgage Receivables with the Savings Alternative or if the amount recovered, which amount will not be part of this Priority of Payments upon Enforcement, is less than the Participation, then an amount equal to the amount actually recovered) in the following order of priority (after deduction of costs incurred by the Security Trustee, which will include, *inter alia*, fees and expenses of S&P, Moody's and Fitch and any legal advisor, auditor and accountant appointed by the Security Trustee) (and in each case only if and to the extent payments of a higher priority have been made in full) (the "**Priority of Payments upon Enforcement**"):

- (a) *first*, in or towards satisfaction, *pro rata*, according to the respective amounts thereof, of (i) the fees or other remuneration due to the Directors, (ii) the fees and expenses of the Paying Agent and the Reference Agent incurred under the provisions of the Paying Agency Agreement and (iii) the fees and expenses of the 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, but excluding any gross-up

amounts or additional amounts due under the Liquidity Facility Agreement payable under sub-paragraph (m) below;

- (c) *third*, in or towards satisfaction, of amounts, if any, due but unpaid to the Swap Counterparty under the Swap Agreement, including Settlement Amounts (as defined in the Swap Agreement) to be paid by the Issuer upon early termination of the Swap Agreement (as determined in accordance with its terms), but excluding any other costs to be paid by the Issuer on such early termination payable under subparagraph (l) below;
- (d) *fourth*, in or towards satisfaction of all amounts of interest due but unpaid in respect of the Senior Class A Notes;
- (e) *fifth*, in or towards satisfaction of all amounts of principal and any other amount due but unpaid in respect of the Senior Class A Notes;
- (f) *sixth*, in or towards satisfaction of all amounts of interest due or accrued due but unpaid in respect of the Mezzanine Class B Notes;
- (g) *seventh*, in or towards satisfaction of all amounts of principal and any other amount due but unpaid in respect of the Mezzanine Class B Notes;
- (h) *eighth*, in or towards satisfaction of all amounts of interest due or accrued due but unpaid in respect of the Mezzanine Class C Notes;
- (i) *ninth*, in or towards satisfaction of all amounts of principal and any other amount due but unpaid in respect of the Mezzanine Class C Notes;
- (j) *tenth*, in or towards satisfaction of all amounts of interest due or accrued due but unpaid in respect of the Junior Class D Notes;
- (k) *eleventh*, in or towards satisfaction of all amounts of principal and any other amount due but unpaid in respect of the Junior Class D Notes;
- (l) *twelfth*, to the Swap Counterparty in or towards payment of any amounts due under the Swap Agreement in connection with the Issuer's obligations in respect of the costs (other than Settlement Amounts) to be paid by the Issuer upon an early termination of the Swap Agreement, as determined in accordance with its terms;
- (m) *thirteenth*, in or towards satisfaction of gross-up amounts or additional amounts due, if any, to the Liquidity Facility Provider pursuant to the Liquidity Facility Agreement;
- (n) *fourteenth*, in or towards satisfaction of all amounts of interest due or accrued due but unpaid in respect of the Subordinated Class E Notes;
- (o) *fifteenth*, in or towards satisfaction of all amounts of principal due but unpaid in respect of the Subordinated Class E Notes; and
- (p) *sixteenth*, in or towards satisfaction of the Deferred Purchase Price to the Seller.

Liquidity Facility

On the Closing Date, the Issuer will enter into the Liquidity Facility Agreement with the Liquidity Facility Provider. The Issuer will be entitled on any Payment Date (other than (x) a Payment Date if and to the extent that on such date the Notes, other than the Subordinated Class E Notes, are redeemed in full, and (y) the Final Maturity Date) to make drawings under the Liquidity Facility up to the Liquidity Facility Maximum Amount. 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 without taking into account any drawing under the Liquidity Facility Agreement, there is a shortfall in the Interest Available Amount to meet items (a) to (l) (inclusive) (but not items (g), (i) or (k)) in the Interest Priority of Payments in full on that Payment Date, provided that no drawing may be made to meet items (h), (j) or (l) to the extent that, after the application of the Interest Available Amount, in respect of item (h) a debit balance would remain on the Class B Principal Deficiency Ledger and, in respect of item (j), a debit balance would remain on the Class C Principal Deficiency Ledger and, in respect of item (l), a debit balance would remain on the Class D Principal Deficiency Ledger. The Liquidity Facility Provider will rank in priority in respect 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 A-1 by S&P and/or Prime-1 by Moody's and/or F1 by Fitch or any such rating is withdrawn by S&P, Moody's or Fitch, (ii) the Liquidity Facility is not replaced by the Issuer with a suitable alternative Liquidity Facility Provider acceptable to S&P, Moody's or Fitch within 30 days of such downgrading or withdrawal 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 a drawing under the Liquidity Facility 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 15,000,000.

Reserve Fund

The net proceeds of the Subordinated Class E Notes, being euro 28,500,000, will be credited to the Reserve Fund on the Closing Date. The Reserve Fund consists of funds credited to the Floating Rate GIC Account and does not constitute an asset which is separated from the other assets of the Issuer.

Amounts credited to the Reserve Fund Ledger will be available on any Payment Date to meet items (a) to (n) (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 than item (o) in the Interest Priority of Payments, the excess amount will be used to replenish 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 maximum amount defined below (the "**Reserve Fund Required Amount**").

On the Closing Date, the Reserve Fund Required Amount shall be equal to euro 28,500,000. On any Calculation Date following the Closing Date the Reserve Fund Required Amount shall be equal to 1.90 per cent. of the aggregate Principal Amount Outstanding of the Notes, other than the Subordinated Class E Notes, provided that the Reserve Fund Required Amount shall only decrease on the Payment Date falling in February 2009 and any Payment Date thereafter, if and to the extent that each of the following conditions are met:

- (a) the outstanding principal amount of all Mortgage Receivables which are in arrears for a period exceeding 90 days is equal to or less than 2.0 per cent. of the aggregate outstanding principal amount of all Mortgage Receivables;
- (b) there is no debit balance on the Principal Deficiency Ledger;
- (c) after the first Optional Redemption Date, the outstanding principal amount of all Mortgage Receivables is equal to or greater than 10 per cent. of the outstanding principal amount of all Mortgage Receivables at the Closing Date;
- (d) the weighted average seasoning of all Mortgage Loans is greater than 65 months; and
- (e) the Reserve Fund Required Amount will not be lower than euro 7,500,000.

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 Interest Available Amount on that Payment Date.

At the Payment Date on which all amounts of interest and principal due in respect of the Notes, except for principal in respect of the Subordinated Class E Notes, have been or will be paid, the Reserve Fund Required Amount will be reduced to zero and any amount standing to the credit of the Reserve Fund Ledger will thereafter form part of the Interest Available Amount and will be available for all items in the Interest Priority of Payments ranking below item (o).

Further Redemption Ledger

The Issuer will apply the Further Redemption Available Amount, to partially redeem the Senior Class A Notes, the Mezzanine Class B Notes, the Mezzanine Class C Notes and the Junior Class D Notes on a *pro rata* basis on each Payment Date falling after the Step-Up Date in the following order, (a) firstly, the Senior Class A Notes until fully redeemed, and, thereafter, (b) the Mezzanine Class B Notes until fully redeemed, and, thereafter, (c) the Mezzanine Class C Notes until fully redeemed, and, thereafter, (d) the Junior Class D Notes. Any amounts so applied will be recorded on a ledger known as the "**Further Redemption Ledger**", comprising of four sub-ledgers for each of the Senior Class A Notes, the Mezzanine Class B Notes, the Mezzanine Class C Notes and the Junior Class D Notes and on each of which sub-ledgers any Further Redemption Available Amount applied in redemption of the Senior Class A Notes, the Mezzanine Class B Notes, the Mezzanine Class C Notes and/or the Junior Class D Notes will be recorded. After the Step-Up Date, any Realised Losses on the Mortgage Receivables will first be debited to the Further Redemption Ledger until the credit balance on such ledger will be zero and further losses on the Mortgage Receivables will be recorded on the Principal Deficiency Ledger.

Principal Deficiency Ledger

A Principal Deficiency Ledger comprising four sub-ledgers, known as the "**Class A Principal Deficiency Ledger**", the "**Class B Principal Deficiency Ledger**", the "**Class C Principal Deficiency Ledger**" and the "**Class D Principal Deficiency Ledger**" (together the "**Principal Deficiency Ledger**" respectively, will be established by or on behalf of the Issuer in order to record any Realised Losses on the Mortgage Receivables (each respectively the "**Class A Principal Deficiency**", the "**Class B Principal Deficiency**", the "**Class C Principal Deficiency**" and the "**Class D Principal Deficiency Ledger**", and together a "**Principal Deficiency**"). Any Principal Deficiency shall be debited to the Class D Principal Deficiency Ledger (such debit items being recredited at item (m) 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 Junior Class D Notes (the "**Class D Principal Deficiency Limit**") and thereafter such amounts shall be debited to the Class C Principal Deficiency Ledger (such debit items being recredited at item (k) 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 Mezzanine Class C 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 (i) 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 Mezzanine Class B 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 (g) of the Interest Priority of Payments).

Any Realised Losses on the Mortgage Receivables will after the Step-Up Date only be debited to the Principal Deficiency Ledger if and to the extent that such Realised Losses exceed the aggregate Further Redemption Available Amount, if any, applied to the Senior Class A Notes and/or the Mezzanine Class B Notes and/or the Mezzanine Class C Notes and/or the Junior Class D Notes, as recorded on the Further Redemption Ledger.

"**Realised Losses**" means, on any Calculation Date, the sum of (a) the difference, if any, between (i) the aggregate outstanding principal amount of all Mortgage Receivables, less, with respect to Savings Mortgage Receivables with the Savings Alternative, the Participations, in respect of which the Seller, the Administrator on behalf of the Issuer, the Issuer or the Security Trustee has foreclosed from the Closing Date up to and including such Calculation Date and (ii) the amount of Net Proceeds applied to reduce the outstanding principal amount of such Mortgage Receivables and (b), with respect to Mortgage Receivables sold by the Issuer, the difference, if any, between (i) the aggregate outstanding principal amount of such Mortgage Receivables, less, with respect to Savings Mortgage Receivables with the Savings Alternative, the Participations, and (ii) the purchase price of the Mortgage Receivables sold to the extent relating to principal.

Interest Rate Hedging

The Mortgage Loan Criteria require that all Mortgage Receivables sold and assigned to the Issuer at Closing either bear (i) a fixed rate of interest, (ii) a floating rate of interest or (iii) slight deviations from any of the above (as further described in *Description of the Mortgage Loans* below). The Mortgage Loan Criteria permit Mortgage Receivables bearing alternative types of interest offered by

the Seller. 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 on each Payment Date amounts equal to the scheduled interest on the Mortgage Receivables less, with respect to each Savings Mortgage Receivable with the Savings Alternative, an amount equal to the scheduled interest times the Participation Fraction, plus the interest accrued on the Floating Rate GIC Account and any prepayment penalties received less (i) an excess margin of 0.45 per cent. per annum applied to the outstanding principal amount under the Mortgage Receivables as of the first day of the immediately preceding Calculation Period and (ii) certain expenses as described under (a), (b) and (c) of the Interest Priority of Payments on the first day of the relevant Interest Period.

The Swap Counterparty will agree to pay on each Payment Date amounts equal to the aggregate scheduled interest due under the Notes on such Payment Date, and calculated by reference to the Floating Rate of Interest for each Class of Notes applied to an amount equal to: (i) the Principal Amount Outstanding of the relevant Class of Notes on the first day of the relevant Interest Period, less (ii) (a) for each of the Senior Class A Notes, Mezzanine Class B Notes, Mezzanine Class C Notes and Junior Class D Notes an amount equal to the balance standing on the relevant Principal Deficiency Ledger, if any, on the first day of the relevant Interest Period and, (b) with respect to the Subordinated Class E Notes, if there is a balance standing on the Class D Principal Deficiency Ledger on the first day of the relevant Interest Period, an amount equal to the Principal Amount Outstanding of the Subordinated Class E Notes.

Payments under the Swap Agreement will be netted.

Downgrade of Swap Counterparty

- (i) Pursuant to the Swap Agreement, if, at any time, (a) the short-term unsecured, unsubordinated and unguaranteed debt obligations of the Swap Counterparty are assigned a rating of less than A-1 by S&P (the "**S&P Required Rating**"), or (b) any such rating is withdrawn by S&P, then the Swap Counterparty will be obliged, immediately upon such reduction or withdrawal of any such rating, to use its best endeavours to and in any case within ten (10) business days of such reduction or withdrawal of any such rating (at the option of the Swap Counterparty) (i) at its own cost, transfer and assign its rights and obligations under the Swap Agreement to a third party having at least the S&P Required Rating; or (ii) find any other solution acceptable to S&P to maintain the then current rating of the Notes. The Swap Counterparty will actively pursue efforts to accomplish the solution mentioned above under either (i) or (ii) and will, prior thereto, continue to perform its obligations under the Swap Agreement. If within ten (10) business days after the occurrence of a downgrade or withdrawal, the Swap Counterparty has not transferred its rights and obligations to a third party having at least the S&P Required Rating, then the Swap Counterparty shall, and until such third party is found, at its own cost put in place a mark-to-market collateral agreement in a form and substance acceptable to S&P (which may be based on the credit support documentation published by ISDA, or otherwise, and relates to collateral in the form of cash or securities or both (the "**Collateral Amount**") in support of its obligations under the Swap Agreement, which complies with, in relation to the Collateral Amount, published criteria set by S&P, or any other amount which might be agreed with S&P.
- (ii) Pursuant to the Swap Agreement, if, at any time, (i) the long-term, unsecured and unsubordinated debt obligations of the Swap Counterparty (or its successor) cease to be rated at least as high as A2 (or its equivalent) by Moody's or (ii) the short-term, unsecured and unsubordinated debt obligations of the Swap Counterparty (or its successor) cease to be rated at least as high as Prime-1 (or its equivalent) by Moody's (and, at such time, the long-term, unsecured and unsubordinated debt obligations of any co-obligor to the Swap Counterparty are not rated as high as A2 (or its equivalent) by Moody's or the short-term, unsecured and unsubordinated debt obligations of such co-obligor are not rated as high as Prime-1 (or its equivalent) by Moody's (such ratings together the "**Moody's Required Ratings I**")), then the Swap Counterparty will, on a reasonable efforts basis and at its own cost attempt to:

- (a) transfer all of its rights and obligations with respect to the Swap Agreement to either (x) a replacement third party with the Moody's Required Ratings I domiciled in the same legal jurisdiction as the Swap Counterparty or the Issuer or (y) a replacement third party agreed by Moody's; or
- (b) procure another person to become co-obligor in respect of the obligations of the Swap Counterparty under the Swap Agreement. Such co-obligor may be either (x) a person with the Moody's Required Ratings I domiciled in the same legal jurisdiction as the Swap Counterparty or the Issuer, or (y) a person agreed by Moody's; or
- (c) take such other action as the Swap Counterparty may agree with Moody's; or
- (d) at its own cost within thirty (30) days of the occurrence of such downgrade, put in place a mark-to-market collateral agreement in a form and substance acceptable to Moody's (which may be based on the credit support documentation published by ISDA, or otherwise, and relates to collateral in the form of cash or securities or both) in support of its obligations under the Swap Agreement which complies with, in relation to the Collateral Amount, certain published criteria set by Moody's or any other amount which might be agreed with Moody's.

If any of (a), (b) or (c) of this item (ii) are satisfied at any time, all collateral (or the equivalent thereof, as appropriate) transferred by the Swap Counterparty pursuant to (d) of this item (ii) will be retransferred (outside of the Interest Priority of Payments) to the Swap Counterparty and the Swap Counterparty will not be required to transfer any additional collateral.

- (iii) Pursuant to the Swap Agreement, if, at any time, (i) the long-term, unsecured and unsubordinated debt obligations of the Swap Counterparty (or its successor) cease to be rated at least as high as A3 (or its equivalent) by Moody's or (ii) the short-term, unsecured and unsubordinated debt obligations of the Swap Counterparty (or its successor) cease to be rated at least as high as Prime-2 (or its equivalent) by Moody's (such ratings together the "**Moody's Required Ratings II**") (and, at such time, the long-term, unsecured and unsubordinated debt obligations or the short-term, unsecured and unsubordinated debt obligations of any co-obligor to the Swap Counterparty are not rated as high as the Moody's Required Ratings I, then the Swap Counterparty will, on a best efforts basis and at its own cost attempt to take the action described under (a), (b), (c) and (d) of item (ii) above, save that:

- (i) in the event that the Swap Counterparty is unable to comply with (a), (b) or (c) of item (ii) above within such thirty (30) day period it will continue, on a best efforts basis, to comply with the same; and
- (ii) the action described under (d) above will apply immediately after the Swap Counterparty ceases to be rated at least as high as the Moody's Required Ratings II.

In case of the Swap Counterparty ceases to be rated at least as high as the Moody's Required Ratings II the criteria for the Collateral Amount will be stricter if it ceases to be rated at least as high as the Moody's Required Ratings I.

- (iv) Pursuant to the Swap Agreement, if, at any time, (a) the long-term unsecured, unsubordinated and unguaranteed debt obligations of the Swap Counterparty cease to be rated at least as high as A+ by Fitch, or (b) the short-term unsecured, unsubordinated and unguaranteed debt obligations of the Swap Counterparty cease to be rated at least as high as F1 by Fitch (such ratings together the "**Fitch Required Ratings**" and events (a) or (b) a "**Fitch Downgrade**"), or (c) any such rating is withdrawn by Fitch and, in each case, as a result of such downgrading or withdrawal, the then current rating of the Notes is downgraded, then the Swap Counterparty will, within thirty (30) days of such reduction or withdrawal of any such rating, (i) obtain a third party having the Fitch Required Ratings, to guarantee the obligations of the Swap Counterparty under the Swap Agreement, or (ii) provide credit support sufficient to maintain the then current rating of the Notes which would have subsisted but for the Fitch Downgrade, or (iii) transfer and assign its rights and obligations under the Swap Agreement to a third party having the Fitch Required Ratings or (iv) find any other solution necessary to assist the Issuer or take such other action as the Swap Counterparty may agree with Fitch as will result in the

ratings of the Notes then outstanding being restored to or maintained at the level they were at immediately prior to the Fitch Downgrade, in each case in accordance with and subject to the provisions of the Swap Agreement and the Trust Deed.

The mark-to-market collateral agreement in relation to the credit support referred to in (ii) under this item (iv) must be in a form and substance acceptable to Fitch (which may be based on the credit support documentation published by ISDA, or otherwise, and relates to collateral in the form of cash or securities or both) in support of the Swap Counterparty's obligations under the Swap Agreement, which complies with, in relation to the Collateral Amount, certain published criteria set by Fitch or any other amount which might be agreed with Fitch.

If any of (i), (iii) or (iv) of this item (iv) are satisfied at any time, all collateral (or the equivalent thereof, as appropriate) transferred by the Swap Counterparty pursuant to (ii) under this item (iv) will be retransferred (outside of the Interest Priority of Payments) to the Swap Counterparty and the Swap Counterparty will not be required to transfer any additional collateral.

- (v) Pursuant to the Swap Agreement, if at any time, (a) the long-term unsecured, unsubordinated and unguaranteed debt obligations of the Swap Counterparty are assigned a rating of less than BBB+ by Fitch, or (b) the short-term unsecured, unsubordinated and unguaranteed debt obligations of the Swap Counterparty are assigned a rating of less than F2 by Fitch or (c) any such rating is withdrawn by Fitch and, in each case, as a result of such downgrading or withdrawal, the then current rating of the Notes is downgraded (a "**Fitch F2 Downgrade**"), then the Swap Counterparty will, at its own cost, within thirty (30) days of such reduction or withdrawal of any such rating, (a) obtain a third party having the Fitch Required Ratings, to guarantee the obligations of the Swap Counterparty under the Swap Agreement, or (b) transfer and assign its rights and obligations under the Swap Agreement to a third party having the Fitch Required Ratings, or (c) find any other solution necessary to assist the Issuer or take such other action as the Swap Counterparty may agree with Fitch as will result in the rating of the Notes then outstanding being restored to or maintained at the level they were at immediately prior to the Fitch F2 Downgrade, in each case in accordance with and subject to the provisions of the Swap Agreement and the Trust Deed.

Pending compliance with any one of (a), (b) or (c) of this item (v), following the occurrence of a Fitch F2 Downgrade, the Swap Counterparty shall put in place or (as the case may be) continue to post collateral to the Issuer pursuant to a mark-to-market collateral arrangement described in (ii) of item (iv) above in support of its obligations under the Swap Agreement.

If any of (a), (b) or (c) of this item (v) are satisfied at any time, all collateral (or the equivalent thereof, as appropriate) transferred by the Swap Counterparty will be retransferred (outside of the Interest Priority of Payments) to the Swap Counterparty and the Swap Counterparty will not be required to transfer any additional collateral.

- (vi) Pursuant to the Swap Agreement, if at any time, (a) the long-term unsecured, unsubordinated and unguaranteed debt obligations of the Swap Counterparty or (b) the short-term unsecured, unsubordinated and unguaranteed debt obligations of the Swap Counterparty are assigned a rating of less than investment grade by Fitch or (c) any such rating is withdrawn by Fitch and, in each case, as a result of such downgrading or withdrawal, the then current rating of the Notes is downgraded, then the Swap Counterparty will, at its own cost, within 30 days of such reduction or withdrawal of any such rating, (a) obtain a third party having the Fitch Required Ratings to guarantee the obligations of the Swap Counterparty under the Swap Agreement, or (b) transfer and assign its rights and obligations under the Swap Agreement to a third party having the Fitch Required Ratings.

Sale of Mortgage Receivables

Under the terms of the Trust Deed, the Issuer will have the right to sell and assign all but not some of the Mortgage Receivables on each Optional Redemption Date, provided that the Issuer shall apply the

proceeds of such sale to redeem the Notes, other than the Subordinated Class E Notes (see Condition 6(e)) (see also *Optional Redemption in Special Considerations* above). Furthermore, under the terms of the Mortgage Receivables Purchase Agreement, the Issuer shall be obliged to sell and assign the Mortgage Receivables to the Seller if the Seller exercises its Clean-Up Call Option or its Regulatory Call Option. The purchase price of each Mortgage Receivable in the event of such sale shall be equal to the outstanding principal amount, together with accrued interest due but unpaid up to the Mortgage Calculation Period End Date preceding the date of such sale, if any, in respect of each Mortgage Receivable, except that with respect to Mortgage Receivables which are in arrears for a period exceeding 90 days or in respect of which an instruction has been given to the civil-law notary to start foreclosure proceedings, the purchase price shall be at least the lesser of (i) an amount equal to the indexed foreclosure value of the Mortgaged Assets and (ii) the sum of the outstanding principal amount of the Mortgage Receivable, together with accrued interest due but unpaid, if any, and any other amounts due under the Mortgage Receivable.

OVERVIEW OF THE DUTCH RESIDENTIAL MORTGAGE MARKET

Market

One of the most important factors influencing the Dutch residential mortgage market is the fiscal policy. In the Netherlands, interest on mortgage loans is tax deductible if the mortgage loan proceeds are used for the purchase or improvement of the first home. The mortgage interest is deductible for a period of 30 years. As a result of this tax treatment many borrowers choose to fully benefit from the tax deductibility and take out the maximum possible mortgage loan. The results in a relative high outstanding mortgage debt per capita.

Lenders

Banks are the main mortgages lenders in the Netherlands, followed by insurers and other financial institutions such as pension funds and building funds. The top twelve lenders provide more than 90 per cent. of the mortgage loans. These mortgages are offered through branches, call centres, the internet and to an increasing extent via intermediaries.

Mortgage products

In the Netherlands, the typical term of a mortgage loan is 30 years. It is very common that the mortgage loan consists of several mortgage parts, each of which has its own characteristics. Because of the fiscal treatment, mortgage loans with no redemption on the principal such as investment-based mortgages, savings mortgages and interest-only mortgages are most popular. Under these mortgages no principal is repaid during the term of the contract. Instead, the Borrower makes payments in a saving account, endowment insurance or investment fund. Upon maturity the loan is repaid with the money in the savings account, the insurance contract or the investment fund respectively.

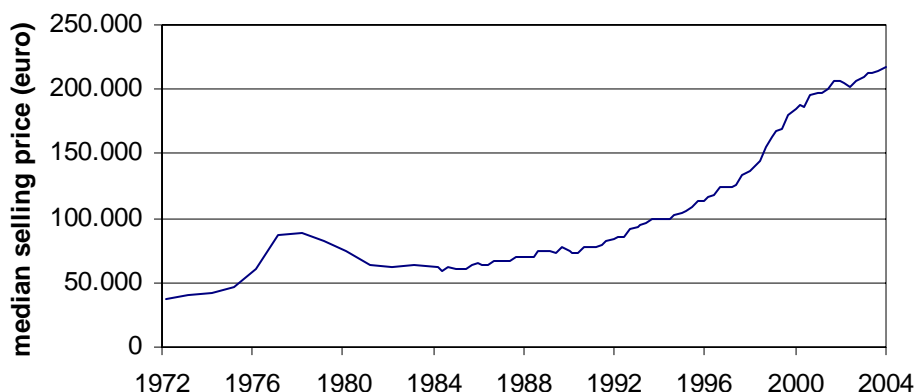
Interest type

Although the 5 and 10-year fixed interest rate have been most popular, there is an increasing appetite for other types, like short term fixed rates and variable rates. Some lenders also offer capped and collar type of interest rates.

House price developments

Fiscal benefits, economic growth and demographic factors (decreasing number of persons per household) have caused an increasing demand for Dutch houses. Along with the declining interest rates in the past decade, this has resulted in a strong upward trend for Dutch house prices as is illustrated in the graph below. Although the average house price has increased less rapidly in the past two to three years compared to the years before, there is still a positive trend.

House Price Developments



Source: Dutch Association of Real Estate Agencies ("Nederlandse Vereniging van Makelaars")

Relatively low prepayment

The prepayment level in the Netherlands has traditionally been low, mainly due to the fiscal policy and the high prepayment penalties. Prepayments have been in the area of 6 to 20 per cent. Borrowers are allowed to prepay between 10 to 20 per cent. free of penalty per year. In addition full prepayment without penalty can only be made at times of interest rate resetting, on sale of the property or in case of death of the borrower. Otherwise a penalty is calculated as the net present value of the difference between the contract rate and the applicable market rate. Interest rates have decreased over the past decade, which has made it attractive for borrowers to refinance their mortgage loans. The increasing role of intermediaries also had a stimulating effect on prepayments.

Default losses have been relatively low

Despite the relatively high loan-to-foreclosure value ("LtFV") ratios, default losses have always been relatively low. During the decrease in house prices (1978-1982) losses peaked up to 30 basis points on an annual basis. In the following years losses have been negligibly low. Currently default losses are showing an upward trend due to a weakening economy during recent years and a slowdown in house price increases.

In the Netherlands the value of the property is measured as the foreclosure value, which is the estimated forced sale value. The foreclosure value is about 85 to 90 per cent. of the market value. The typical maximum LtFV is 125-130 per cent.

Bureau for credit registration (BKR)

The Bureau for Credit Registration ("*Bureau Krediet Registratie*", or "**BKR**") was founded in 1965 by financial institutions to take care of central credit registration. At BKR almost all credit obligations of retail clients in the Netherlands are registered. Credits are registered as of origination until a period of five years after maturity. Before providing a mortgage loan, lenders are obligated to check the history of the borrower in order to prevent overborrowing from the client and to limit the risks for the lender.

National Mortgage Guarantee (NHG)

The National Mortgage Guarantee ("*Nationale Hypotheek Garantie*", or "**NHG**"), established in 1995 as a successor of the municipality mortgage guarantee, is an instrument of the Home Ownership Guarantee Fund Foundation ("*Stichting Waarborgfonds Eigen Woningen*") to encourage home ownership. When a mortgage loan meets certain conditions, the loan can be guaranteed by NHG for an upfront fee. In case of a default of a NHG mortgage loan, the lender will be compensated for incurred losses on principal and interest payments. None of the Mortgage Loans in the Provisional Pool is guaranteed by NHG.

SNS BANK N.V.

Incorporation

SNS Bank N.V. a public limited liability company ("*naamloze vennootschap*") ("**SNS Bank**") was incorporated under Dutch law on 18th December 1990 as a result of the merger of several regional savings banks. The corporate seat of SNS Bank is in Utrecht, the Netherlands. The registered office of SNS Bank is Croeselaan 1, 3521 BJ, Utrecht and SNS Bank is registered in the Commercial Register of the Utrecht Chamber of Commerce ("*handelsregister van de Kamer van Koophandel en Fabrieken in Utrecht*"), under number 16062338. The articles of association of SNS Bank were last amended by notarial deed on 13 January 2003 before a duly authorised substitute of Mr. P. Klemann, civil law notary in Amsterdam, the draft of these articles having received the approval of the Minister of Justice, number 394.723.

Company structure and profile

SNS Bank is a Dutch branch-based retail-banking organisation, concentrating on savings, mortgages, and services to small and medium sized enterprises. SNS Bank is a subsidiary of SNS Reaal Group. Besides a network of approximately 200 branches SNS Bank uses intermediaries, a call centre, and the internet to generate business. Its focus is on the domestic retail market plus small and medium size companies and institutions with a local or domestic scope. SNS Bank offers a full range of banking and insurance products and services to its clients. In terms of volume, residential mortgages form the major part of SNS Bank's assets. Due to innovative mortgage products SNS Bank has shown a good performance in terms of relative growth of the mortgage business during recent years. SNS Bank also shows a successful performance of its investment funds and increasing sales of insurance products through its banking network. BLG Hypotheken N.V., Algemene Spaarbank voor Nederland ASN Bank N.V. and CVB Bank N.V. are legal entities 100 per cent. owned by SNS Bank. These companies operate in niche markets or for specific distribution channels and use the centralised service centres of SNS Bank.

SNS REAAL Group

SNS REAAL Groep N.V. ("**SNS REAAL Group**") is an innovative Dutch financial services provider with total assets of Euro 55.0 billion and approximately 5,314 employees on 30 June 2004. The head office of SNS REAAL Group is in Utrecht. The strategy of SNS REAAL Group is focused on creating 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. Distribution of bank and insurance products is done through the physical branch network of SNS Bank and a network of independent intermediaries retained by REAAL. Both brands are well established. In addition the internet and call centres are increasingly important for distributing financial products. Strong social commitment is a traditional characteristic of SNS REAAL Group, as expressed in, among other things, its specialised research, sustainable products and donations and sponsoring activities.

REAAL Verzekeringen N.V.

REAAL Verzekeringen N.V. ("**REAAL**") is the insurance company and subsidiary of SNS REAAL Group. It sells insurance and investment products for the private and small and medium sized business markets through intermediaries for indirect distribution. In insurance, REAAL focuses on life and pension insurance with non-life insurance in a supporting or parallel role. Although the large business non-life portfolio has been run down almost completely, market shares in its core products has shown strong growth due to product innovation and increased distribution power. REAAL attaches great value to synergy-increasing and cross selling activities, which can be realised through intra-group cooperation. For example, REAAL together with SNS Beleggingsfondsen N.V. has introduced a large number of investment funds to the market. REAAL is well known for the quality of its product packages and its high level of service. In order to optimise efficiency, it has applied Document Imaging System / Workflow Management to its administration, whereby all files are scanned and processed electronically. Besides the REAAL label, REAAL uses other labels in niche markets or for specific distribution channels, such as the labels of its subsidiaries Proteq Levensverzekeringen N.V.

and Proteq Schadeverzekeringen N.V., REAAL Levensverzekeringen N.V. (the "**Savings Insurance Company**") is also a wholly-owned subsidiary of REAAL.

Key figures

SNS Bank N.V.

<i>Amounts in Eur millions</i>	30 June 2004 (unaudited)	2003	2002	2001
Total assets	40,398	38,515	34,946	32,416
Mortgage loans	30,934	29,901	26,424	22,691
Capital base	2,446	2,388	2,037	2,126
Interest margin	304	586	503	436
Income other than interest	63	109	125	139
Net profit	96	129	110	93
BIS total capital ratio	12.1%	11.9%	11.6%	11.6%
Tier 1 ratio	8.7%	8.3%	8.4%	7.4%
Efficiency ratio	60.2%	64.6%	64.7%	71.5%

SNS Bank is rated A2/P-1 by Moody's, A+/F1 by Fitch and A/A-1 by S&P.

SNS RESIDENTIAL MORTGAGE BUSINESS

A. Mortgage Origination

SNS Bank originates mortgage loans through two separate channels:

- directly; and
- 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 the Seller in the provision of advice to clients. Emphasis is placed on direct client contact and an advisory based approach.

Loan-to-Foreclosure Value Ratio

The loan-to-foreclosure value ratio of a mortgage loan (the "**LtFV 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 the Seller. The Foreclosure Value is typically in the region of 85 per cent. to 90 per cent. of the open market value of a property. Under SNS Bank's guidelines the maximum LtFV Ratio is 125 per cent.

Borrower Income Requirements

The maximum amount that can be borrowed depends on, *inter alia*, the Borrower's income. The Seller calculates 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 28 per cent. and 36 per cent. of the gross income of the relevant Borrower.

Other Conditions

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

- 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.

B. SNS Residential Mortgage Products

The Seller offers a full range of mortgage products with various interest rate and repayment mechanisms. The Issuer 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 Receivables purchased by the Issuer are "Bank Mortgages". A Bank Mortgage is a mortgage that secures not only the loan granted to finance a property, long lease or apartment right, but also any other liabilities owed at any time by the relevant Borrower to the Seller. Accordingly, the Mortgaged Asset 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.

Mortgaged Assets

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

Repayment Mechanism

Savings Mortgage Loans ("*spaarhypotheek*")

A Savings Mortgage Loan consists of a Mortgage Loan entered into by the Seller and the relevant Borrower, which has the benefit of a Savings Insurance Policy taken out by the Borrower with the Savings Insurance Company. A Savings Insurance Policy is a combined risk and capital insurance policy. Under the Savings Mortgage Loan no principal is paid by the Borrower prior to maturity of the Mortgage Loan. Instead, the Borrower/insured pays on a monthly basis premium, which consists of a risk element and the Savings Premium. The Savings Premium is deposited by the Savings Insurance Company in a savings account held with SNS Bank. The Savings Premium is calculated in such a manner that, on an annuity basis, the proceeds of the Savings Insurance Policy are equal to the amount due by the Borrower to the Seller at maturity of the Savings Mortgage Loan. The proceeds of the Savings Insurance Policy will be used to redeem the Savings Mortgage Loan. The insurance proceeds are due either at the end of the Savings Insurance Policy or, if earlier, upon death of the Borrower.

Most of the Saving Mortgage Loans in the portfolio are documented as Savings Plus Mortgage Loans ("*Spaar Plus hypotheek*"), whereby the Savings Premium under the Savings Insurance Policy is either (i) deposited by the Savings Insurance Company in a savings account held with SNS Bank (the "**Savings Alternative**") or (ii), at the option of the Borrower, invested in certain investment funds offered by SNS Beleggingsfondsen N.V. (the "**Investment Alternative**"). Furthermore, the terms and conditions of the Savings Insurance Policy in connection with the Savings Plus Mortgage Loans provide that on each interest rate reset date the Borrower can (i) switch whole or part of the premia accumulated in the relevant Savings Insurance Policy with the Savings Alternative into the Investment Alternative (the "**Savings Switch**") and (ii) switch whole or part of the value of the investments of the Investment Alternative into the Savings Alternative.

Interest-only Mortgage Loans ("*aflossingsvrije hypotheek*")

Principal is repaid at final maturity of the mortgage. The Interest-only Mortgage Loans of which the LtFV Ratio exceeds 75 per cent. have a compulsory Life Insurance Policy covering at least the excess over the 75 per cent. threshold.

Linear Mortgage Loans ("*lineaire hypotheek*")

Scheduled (usually monthly) repayments of principal are fixed over the term of the mortgage.

Annuity Mortgage Loans ("*annuïteitenhypotheek*")

Scheduled (usually monthly) repayments of principal plus interest are fixed (provided that the interest rates do not change).

Investment-based Mortgage Loans ("*rendementhypotheek*")

The Borrower repays the principal in full at maturity with funds which have been accumulated through investments. There are three alternatives of this type of mortgage loan. The Mortgage Loans sold and assigned to the Issuer will be in the form of the "first alternative", whereby the Borrower does not pay principal prior to maturity of the Mortgage Loan, but undertakes to invest, on an instalment basis, an agreed amount in certain investment funds selected by the Borrower out of a range of investment funds of SNS Beleggingsfondsen N.V..

Combined Mortgage Loans ("combinatiehypotheken")

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.

The Seller also offers several other product types. The Issuer will not purchase receivables relating to such mortgage loans.

Interest Rate

The mortgage loans bear interest on the basis of any of the following alternatives:

- fixed rate, whereby the interest rates can be fixed for a specific period between 1 to 30 years;
- floating rate; or
- any other type of interest alternatives offered by the Seller, including:
 - Stable Interest ("*Stabiel Rente*"). In such case, the interest payable by the Borrower is determined on an annual basis, whereby the Borrower chooses a bandwidth between 1.0 per cent. and 3.5 per cent., (increased by steps of 0.5 per cent.) at the beginning of the Mortgage Loan. At any time, the Borrower is entitled to choose another bandwidth, subject to payment of certain administrative costs. Each bandwidth has its own SNS Stable Interest rate. Every year the interest rate in the contract ("*contractrente*") will be compared with the actual SNS Stable Interest rate ("*toetsrente*") for the applicable bandwidth. When the difference falls within the bandwidth, the interest rate for that year will be fixed at the interest rate equal to the interest rate in the contract of the Borrower ("*contractrente*"). When the difference falls outside the bandwidth, the interest rate for that year will be fixed at the interest rate equal to the interest rate in the contract of the Borrower ("*contractrente*") adjusted for the percentage which did fall outside the bandwidth.
 - Ideal Interest ("*Ideaal Rente*"). The interest rate is the average interest rate over five years. The interest payable by the Borrower is determined using a fraction in which the numerator is the sum of five interest percentages determined by SNS as the Ideal Interest and in which the denominator is five. In the first year, the numerator equals the Ideal Interest percentage for that year multiplied by five. In the second year the numerator equals the Ideal Interest percentage for year one multiplied by four plus the Ideal Interest percentage for year two. In the years thereafter, the most recent Ideal Interest percentage is included and the oldest Ideal Interest percentage is excluded from the numerator.
 - Ceiling Interest ("*Plafond Rente*"). The interest payable by the Borrower is a floating interest rate with a cap. The Borrower can choose a Ceiling Interest for five or ten years. In this period the borrower pays the floating Ceiling Interest rate with an agreed maximum ("*plafond*") interest rate.
 - Interest Dampner ("*Rente Dempner*"). The interest payable by the Borrower equals the interest as described under Stable Interest with the difference that the bandwidth is not fixed for 30 years but, at the option of the Borrower, for 5, 10 or 15 years.

Prepayments

Annual prepayments of not more than 20 per cent. 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.

In other cases, except for Ceiling Interest mortgage loans, 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. For mortgage loans with a Ceiling Interest, the penalty is calculated by multiplying an agreed percentage with the remaining term of the Ceiling Interest and the loan balance.

C. Mortgage Administration

Collection Procedures

Once a mortgage offer has been accepted, the applicant, if not already a client of the Seller, is encouraged to open an account with the Seller, 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.

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.

Arrears Management

Approximately 78 per cent. of the payments in respect of the Mortgage Loans in the portfolio are made by direct debit from an account with the Seller. Payments in arrears will be collected automatically on a daily basis. The remaining Borrowers make payments into a designated account of the Seller by direct debit from an account at another bank. All payments made to the Seller are made into the Seller Collection Account.

The Seller has installed 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:

From the 1st day: credit administration department checks daily to see if payments have been made.

After 10 days: a reminder letter is generated automatically and sent to the Borrower.

After 20 days: a second reminder letter is generated automatically and sent to the Borrower. The front office contacts the client and invites the client to discuss the arrears at the branch. An advanced IT system helps the front office to schedule and document the appointments.

After 57 days: a further automated letter is sent to the Borrower advising that payments are overdue.

After 90 days: the delinquency will be brought to the attention of the local recovery department ("*Bijzonder Beheer*") which will start managing the delinquency.

After 150 days: the Borrower is advised to privately sell the house.

After 210 days: if all negotiations with the Borrower fail and forced sale is necessary, the local recovery department will start foreclosure procedures:

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

Rate re-setting procedures

35 days prior to the reset date, the loan administration system automatically generates a letter to the Borrower advising that a rate re-setting is imminent and, in addition, listing the rate(s) that would apply. The Borrower does not have to choose the same fixed rate period as the previous one. If there is no response from the Borrower before the rate re-setting date, the rate is automatically reset for a one-year term.

DESCRIPTION OF MORTGAGE LOANS

The Mortgage Receivables to be sold and assigned to the Issuer on the Closing Date represent the rights (whether actual or contingent) of the Seller against any Borrower under or in connection with the Mortgage Loans (the "**Final Portfolio**") selected by agreement between the Seller 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 the Seller and the relevant Borrowers. The Mortgage Loans are all in the form of Bank Mortgages. See *Bank Mortgages* in *Special Considerations* above.

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 Seller 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 December 2004. Therefore, the information set out below in relation to the Provisional Pool may not necessarily correspond to that of the Mortgage Receivables actually sold on the Closing Date. After the Closing Date, the portfolio will change from time to time as a result of repayment, prepayment, substitution, amendment and repurchase of Mortgage Receivables.

KEY CHARACTERISTICS OF THE POOL OF MORTGAGE LOANS

Outstanding principal balance	1,898,541,724.56
Outstanding savings balance	13,421,499.09
	<hr/>
	1,885,120,225.47
Number of mortgages	10,614
Number of mortgage parts	18,890
Average outstanding principal balance	177,607
Minimum outstanding principal balance	20,000
Maximum outstanding principal balance	400,000
Maximum current interest rate (%)	8.80
Minimum current interest rate (%)	2.80
Weighted average current interest rate (%)	4.25
Weighted average loan to foreclosure value (%)	107
Weighted average loan to market value (%)*	94
Weighted average seasoning	19

* assuming that the foreclosure value is equal to 87.5% of the market value

Table 1: Mortgage size

Size of outstanding loan balance (euro)	Principal balance (euro)	% of Total	Number of mortgages	% of Total
0-50000	5,592,813.25	0.30%	150	1.41%
50000-100000	87,148,268.23	4.62%	1,105	10.41%
100000-150000	329,825,026.98	17.50%	2,602	24.51%
150000-200000	552,514,433.27	29.31%	3,201	30.16%
200000-250000	431,688,627.49	22.90%	1,956	18.43%
250000-300000	248,139,972.40	13.16%	921	8.68%
300000-350000	137,032,492.49	7.27%	429	4.04%
350000-400000	93,178,591.36	4.94%	250	2.36%
Total	1,885,120,225.47	100.00%	10,614	100.00%

Table 2: Mortgage type

Repayment Type	Principal balance (euro)	% of Total	Number of parts	% of Total
Annuity	13,166,920.63	0.70%	266	1.41%
Interest only	1,230,087,943.74	65.25%	12,374	65.51%
Investment-based	425,713,557.85	22.58%	3,421	18.11%
Linear	2,695,509.05	0.14%	48	0.25%
Savings	213,456,294.20	11.32%	2,781	14.72%
Total	1,885,120,225.47	100.00%	18,890	100.00%

Table 3: Interest type

Interest Type	Principal balance		Number	
	(euro)	% of Total	of parts	% of Total
1 yr fixed	196,301,438.29	10.41%	1,839	9.74%
3 yr fixed	96,841,622.55	5.14%	916	4.85%
5 yr fixed	366,579,456.91	19.45%	3,689	19.53%
5 yr fixed + 2 yr refixing period	168,955,868.87	8.96%	1,707	9.04%
6 yr fixed	31,692,968.77	1.68%	335	1.77%
10 yr fixed	156,871,005.99	8.32%	1,891	10.01%
10 yr fixed + 2 yr refixing period	2,635,924.84	0.14%	44	0.23%
12 yr fixed	8,363,589.18	0.44%	163	0.86%
15 yr fixed	5,250,558.08	0.28%	70	0.37%
20 yr fixed	11,784,775.68	0.63%	148	0.78%
"Stabielrente" 1% band	23,023,859.89	1.22%	287	1.52%
"Stabielrente" 1.5% band	903,204.99	0.05%	15	0.08%
"Stabielrente" 2% band	2,730,287.59	0.14%	51	0.27%
"Stabielrente" 2.5% band	96,941.97	0.01%	1	0.01%
"Stabielrente" 3% band	421,961.08	0.02%	8	0.04%
12 months "instaprente"	7,628,178.23	0.40%	74	0.39%
5 yr "plafondrente"	303,519,402.86	16.10%	2,910	15.40%
10 yr "plafondrente"	152,372,099.18	8.08%	1,451	7.68%
Ideaal	31,082,253.31	1.65%	334	1.77%
Variable	284,190,953.59	15.08%	2,640	13.98%
"rentedemper" 5 year, 1% band	17,812,609.41	0.94%	162	0.86%
"rentedemper" 10 year, 2% band	14,165,255.46	0.75%	136	0.72%
"rentedemper" 15 year, 3% band	1,896,008.75	0.10%	19	0.10%
Total	1,885,120,225.47	100.00%	18,890	100.00%

Table 4: Interest rate

Interest Rate (%)	Principal balance		Number	
	(euro)	% of Total	of parts	% of Total
<3	47,111,527.29	2.50%	442	2.34%
3-3.5	347,783,960.19	18.45%	3,253	17.22%
3.5-4	361,831,994.32	19.19%	3,386	17.92%
4-4.5	376,518,893.33	19.97%	3,617	19.15%
4.5-5	358,079,755.70	19.00%	3,575	18.93%
5-5.5	236,687,054.04	12.56%	2,602	13.77%
5.5-6	98,862,017.67	5.24%	1,200	6.35%
6-6.5	38,350,055.49	2.03%	476	2.52%
6.5-7	14,205,831.52	0.75%	233	1.23%
7-7.5	4,186,836.00	0.22%	73	0.39%
7.5-8	1,043,052.14	0.06%	17	0.09%
8-8.5	337,838.36	0.02%	12	0.06%
8.5-9	121,409.42	0.01%	4	0.02%
Total	1,885,120,225.47	100.00%	18,890	100,00 %

Table 5: Seasoning

Year of origination	Principal balance		Number of	
	(euro)	% of Total	parts	% of Total
1995	10,707,786.33	0.57%	253	1.34%
1996	5,474,041.49	0.29%	122	0.65%
1997	11,494,400.31	0.61%	224	1.19%
1998	17,980,765.60	0.95%	286	1.51%
1999	25,931,519.97	1.38%	377	2.00%
2000	53,420,184.74	2.83%	608	3.22%
2001	60,082,502.77	3.19%	638	3.38%
2002	216,322,323.82	11.48%	2,148	11.37%
2003	818,712,662.56	43.43%	7,809	41.34%
2004	664,994,037.88	35.28%	6,425	34.01%
Total	1,885,120,225.47	100.00%	18,890	100.00%

Table 6: Types of property

Type of Property	Principal balance		Number of	
	(euro)	% of Total	mortgages	% of Total
Apartment	188,322,947.24	9.99%	1,211	11.41%
House	1,696,797,278.23	90.01%	9,403	88.59%
Total	1,885,120,225.47	100.00%	10,614	100.00%

Table 7: Geographical distribution

Region	Principal balance		Number of	
	(euro)	% of Total	mortgages	% of Total
Drenthe	63,619,861.44	3.37%	417	3.93%
Flevoland	163,102,042.63	8.65%	928	8.74%
Friesland	47,985,312.38	2.55%	300	2.83%
Gelderland	329,189,088.61	17.46%	1,796	16.92%
Groningen	66,584,885.82	3.53%	512	4.82%
Limburg	201,745,411.19	10.70%	1,290	12.15%
Noord-Brabant	203,787,220.07	10.81%	1,034	9.74%
Noord-Holland	215,031,794.62	11.41%	1,081	10.18%
Overijssel	170,405,913.08	9.04%	1,037	9.77%
Utrecht	137,657,267.22	7.30%	717	6.76%
Zeeland	20,653,469.63	1.10%	124	1.17%
Zuid-Holland	265,357,958.78	14.08%	1,378	12.98%
Total	1,885,120,225.47	100.00%	10,614	100.00%

Table 8: Original Loan-to-Foreclosure Value Ratio

Loan-to-Foreclosure Value ratio (%)	Principal balance		Number of	
	(euro)	% of Total	mortgages	% of Total
0-0.1	98,887.20	0.01%	2	0.02%
0.1-0.2	1,520,741.49	0.08%	37	0.35%
0.2-0.3	3,258,276.76	0.17%	57	0.54%
0.3-0.4	9,519,478.34	0.50%	111	1.05%
0.4-0.5	21,108,286.43	1.12%	214	2.02%
0.5-0.6	42,851,451.39	2.27%	352	3.32%
0.6-0.7	72,095,480.25	3.82%	521	4.91%
0.7-0.8	126,427,918.17	6.71%	816	7.69%
0.8-0.9	100,439,587.26	5.33%	594	5.60%
0.9-1	122,975,199.35	6.52%	686	6.46%
1-1.1	231,137,706.14	12.26%	1,222	11.51%
1.1-1.2	361,356,309.76	19.17%	1,886	17.77%
1.2-1.25	792,330,902.93	42.03%	4,116	38.78%
Total	1,885,120,225.47	100.00%	10,614	100.00%

MORTGAGE RECEIVABLES PURCHASE AGREEMENT

Under the Mortgage Receivables Purchase Agreement the Issuer will, on the Closing Date, purchase and accept from the Seller the assignment of the Mortgage Receivables. The assignment of the Mortgage Receivables from the Seller to the Issuer, which will take place by means of entering into a deed of assignment (the "**Deed of Assignment**"). 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 as of 1 February 2005.

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 Initial Purchase Price will be euro 1,511,281,793.65, which is equal to the aggregate outstanding principal amount of the Mortgage Receivables at the Closing Date. 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 (A) the positive difference, if any, between (i) on any Payment Date up to (but excluding) the first Optional Redemption Date, the Interest Available Amount 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 (s) on such date and (ii) on any Payment Date, subject to the Notes having been repaid in full, the Redemption Available Amount as calculated on such date and the sum of all amounts payable by the Issuer as set forth in the Principal Priority of Payments (a) up to and including (e) on such date, and (B), after an Enforcement Notice, the amount remaining after all payments as set forth in the Priority of Payments upon Enforcement under (a) up to and including (o) have been made (see *Credit Structure* above)

Representations and Warranties

The Seller represents and warrants with respect to the Mortgage Receivables and the Mortgage Loans that on the Closing Date, *inter alia*,:

- (a) each of the Mortgage Receivables is duly and validly existing;
- (b) the Seller has full right and title to the Mortgage Receivables and no restrictions on the sale and assignment of the Mortgage Receivables are in effect and the Mortgage Receivables are capable of being assigned, save that for assignment and pledge of the Savings Mortgage Receivables the consent of the Savings Insurance Company is required;
- (c) the Seller has power ("*is beschikkingsbevoegd*") to sell and assign the Mortgage Receivables;
- (d) the Mortgage Receivables are free and clear of any encumbrances and attachments and no option rights to acquire the Mortgage Receivables have been granted by the Seller in favour of any third party with regard to the Mortgage Receivables;
- (e) each Mortgage Receivable is secured by a mortgage right on a Mortgaged Asset used for a residential purpose in the Netherlands and is governed by Netherlands law;
- (f) upon creation ("*vestiging*") of each mortgage right securing the Mortgage Receivables (i) in mortgage deeds relating to Mortgage Loans executed prior to 1 September 1998 the Seller was granted the power to unilaterally terminate such mortgage right and such power has not been amended, revoked or terminated, and (ii) in mortgage deeds relating to Mortgage Loans executed after 1 September 1998 such power was also granted to unilaterally terminate the mortgage right partially and such power has not been amended, revoked or terminated;
- (g) each Mortgaged Asset concerned was valued (i) by an independent qualified valuer, or (ii) in the case of Mortgage Loans of which the principal sum outstanding did not at the time of application by the Borrower exceed 50 per cent. of the purchase price of the Mortgaged Asset, by a valuer employed by the Seller or on the basis of an assessment by the Netherlands tax authorities on the basis of the Act on Valuation of Real Property ("*Wet Waardering Onroerende Zaken*"). Valuations by an independent qualified valuer are not older than twelve months prior to the date of the mortgage application by the Borrower. In certain cases, newly built Mortgaged Assets are exempted from valuation requirements;

- (h) each Mortgage Receivable and the mortgage right and the right of pledge, if any, securing such receivable constitute legal, valid, binding and enforceable obligations of the relevant Borrower vis-à-vis the Seller, subject to any limitations arising from bankruptcy, insolvency and any other laws of general application relating to or affecting the rights of creditors. The binding effect and enforceability of the obligations of a Borrower may be affected by rules of Dutch law which generally apply to contractual arrangements, including (without limitation) the requirements of reasonableness and fairness ("*redelijkheid en billijkheid*") and rules relating to force majeure;
- (i) all mortgage rights and rights of pledge granted to secure the Mortgage Receivables (i) constitute valid mortgage rights ("*hypothekrechten*") and rights of pledge ("*pandrechten*") respectively on the Mortgaged Assets and the assets which are the subject of the rights of pledge respectively and, to the extent relating to the mortgage rights, entered into the appropriate public register ("*Dienst van het Kadaster en de Openbare Registers*"), (ii) have first priority and (iii) were vested for a principal sum which is at least equal to the outstanding principal amount of the Mortgage Loan when originated, increased with interest, penalties, costs and any insurance premium paid by the Seller on behalf of the Borrower, up to an amount equal to 50 per cent. of such outstanding principal amount, therefore in total up to a maximum amount equal to 150 per cent. of the outstanding principal amount of the relevant Mortgage Receivable;
- (j) each of the Mortgage Loans has been granted in accordance in all material respects with all applicable legal requirements prevailing at the time of origination, and the Code of Conduct on Mortgage Loans ("*Gedragscode Hypothecaire Financieringen*") and the Seller's standard underwriting criteria and procedures, including borrower income requirements, prevailing at that time and these underwriting criteria and procedures are in a form as may reasonably be expected from a lender of Netherlands residential mortgages;
- (k) each of the Mortgage Loans with a tenor of more than thirty years or without a maturity date will have a Life Insurance Policy or a Savings Insurance Policy attached to it in the form of a combined risk and capital policy which, as far as the risk element is concerned, pays out upon death of the insured and, as far as the capital element is concerned, upon maturity of the Life Insurance Policy and each of the Life Insurance Policies has a term not exceeding thirty years from the date the Mortgage Loan was granted;
- (l) the general conditions applicable to the Mortgage Loans provide that the principal sum, increased with interest, reimbursements, costs and amounts paid by the Seller on behalf of the Borrower and any other amounts due by the Borrowers to the Seller will become due and payable, *inter alia*, if the Life Insurance Policy belonging to the Mortgage Loan is invalid and/or payment of premium under the Life Insurance Policy is suspended ("*premielvrij*") and/or the Life Insurance Company makes a payment under the Life Insurance Policy;
- (m) as at the Closing Date or in case of substitution, the relevant Payment Date, no amounts due and payable under any of the Mortgage Receivables will be unpaid for a period exceeding one month;
- (n) with respect to Mortgage Loans, whereby it is a condition for the granting of the relevant Mortgage Loan that a Life Insurance Policy is entered into by the Borrower (i) a Borrower Insurance Pledge is granted on the rights under such policy in favour of the Seller (see Mortgage Loan Criteria (viii) below), (ii) the Mortgage Loan and the Life Insurance Policy are in the Seller's or the Life Insurance Company's promotional materials not offered as one product, under one name and (iii) the Borrowers are not obliged to enter into the Life Insurance Policy with a Life Insurance Company which is a group company of the Seller;
- (o) each receivable under a mortgage loan ("*hypothecaire lening*") which is secured by the same mortgage right is sold and assigned to the Issuer pursuant to the Mortgage Receivables Purchase Agreement;
- (p) each Mortgage Loan constitutes the entire mortgage loan granted to the relevant Borrower and not merely one or more loan parts ("*leningdelen*");
- (q) to the best knowledge of the Seller, the Borrowers are not in any material breach of any provision of their Mortgage Loans;
- (r) the mortgage conditions provide that all payments by the Borrowers should be made without any deduction or set-off;
- (s) each Mortgage Loan was originated by the Seller;

- (t) each Mortgage Loan was granted by the Seller to private individuals only; and
- (u) each Mortgage Loan meets the Mortgage Loan Criteria as set forth below.

Mortgage Loan Criteria

Each of the Mortgage Loans will meet the following criteria (the "**Mortgage Loan Criteria**") at Closing:

- (i) the Mortgage Loans are either:
 - a. Savings mortgage loans ("*spaarhypotheken*");
 - b. Interest-only mortgage loans ("*aflossingsvrije hypotheken*");
 - c. Linear mortgage loans ("*lineaire hypotheken*");
 - d. Annuity mortgage loans ("*annuïteitenhypotheken*");
 - e. Investment-based mortgage loans ("*rendementhypotheken*"); or
 - f. Mortgage loans which combine any of the above mentioned types of mortgage loans ("*combinatiehypotheken*");
- (ii) the Borrower is a resident of the Netherlands and not an employee of the Seller;
- (iii) the interest of each Mortgage Receivable is either (i) fixed rate whereby the interest rates can be fixed for a specific period between 1 to 30 years; (ii) floating rate, or (iii) any other type of interest alternatives offered by the Seller;
- (iv) each Mortgaged Asset is not the subject of residential letting and is occupied by the Borrower at the moment of (or shortly after) origination;
- (v) each mortgage right securing a Mortgage Receivable has been created after 1 January 1995;
- (vi) interest payments are scheduled to be made monthly;
- (vii) the maximum outstanding principal amount of each Mortgage Receivable, or all Mortgage Receivables secured on the same Mortgaged Assets together, did not exceed 125 per cent. of the Foreclosure Value of the Mortgaged Assets upon origination of the Mortgage Receivable or Mortgage Receivables;
- (viii) Mortgage Receivables, or all Mortgage Receivables secured on the same Mortgaged Assets together of which the maximum outstanding principal amount exceeded (a) 75 per cent. of the Foreclosure Value of the Mortgaged Assets upon origination, if such Mortgage Loans have been originated before 1 April 2002 or (b) 90 per cent. of the Foreclosure Value of the Mortgaged Assets upon origination, if such Mortgage Loans have been originated after 1 April 2002, have the benefit of a Risk Insurance Policy and, in respect only of Interest-only Mortgage Loans, have the benefit of a compulsory Life Insurance Policy, i.e. a combined risk and capital insurance policy, for at least that part of the Interest-only Mortgage Loan which is in excess of the 75 per cent. threshold;
- (ix) each Interest-only Mortgage Loan, originated after 1 October 2003 has a legal maturity of not more than thirty (30) years;
- (x) each Mortgage Loan has an original principal balance of not more than euro 400,000;
- (xi) each Mortgage Receivable is secured by a first ranking mortgage right;
- (xii) each Mortgaged Asset is located in the Netherlands;
- (xiii) all Mortgage Loans are fully disbursed (no "*bouwhypotheken*");
- (xiv) each Investment-based Mortgage Loan will be in the form of the "first alternative", whereby the Borrower does not pay principal prior to maturity of the Mortgage Loan, but undertakes to invest, on an instalment basis, an agreed amount in certain investment funds selected by the Borrower out of a range of investment funds of SNS Beleggingsfondsen N.V.; and
- (xv) the securities pledged to the Seller in connection with the Investment-based Mortgage Loans will be in the form of "*Wge-effecten*" (securities regulated under the Dutch Securities Giro Transfer Act, "*Wet giraal effectenverkeer*").

The Mortgage Loan Criteria apply also to the selection of Substitute Mortgage Receivables.

Repurchase

If at any time any of the representations and warranties relating to the Mortgage Loans and the Mortgage Receivables given by the Seller proves to have been untrue or incorrect in any material respect, the Seller shall within 14 days of receipt of written notice thereof from the Issuer remedy the matter giving rise thereto, or if such matter is not capable of being remedied or is not remedied within the said period of 14 days, the Seller shall repurchase and accept re-assignment of the relevant Mortgage Receivable at the immediately succeeding Mortgage Payment Date.

If the Seller agrees with a Borrower to make a Mortgage Loan Further Advance prior to the occurrence of a Notification Event and partial termination of the relevant mortgage right (see *Notification Events* below), the Seller shall repurchase and accept re-assignment of the relevant Mortgage Receivable at the immediately succeeding Mortgage Payment Date. No repurchase and re-assignment of the Mortgage Receivable is required if the Seller agrees with a Borrower to grant (i) a new mortgage loan secured by a new mortgage right which is lower-ranking than the mortgage right which secures the Mortgage Receivable or (ii) a loan or credit to a Borrower other than a mortgage loan, including, without limitation, by means of a personal loan, a home improvement loan or a current account facility (see also *Substitution* below).

If the Seller agrees with a Borrower to amend the terms of the relevant Mortgage Loan, or part of such Mortgage Loan (which amendment is not a result of a deterioration of the Borrower's creditworthiness), as a result of which the relevant Mortgage Loan no longer meets the Mortgage Loans Criteria (as set out above) and the representations and warranties of the Mortgage Receivables Purchase Agreement (as set out above), the Seller shall also repurchase and accept re-assignment of such Mortgage Receivable on the immediately succeeding Mortgage Payment Date.

If on the Mortgage Payment Date immediately following the date on which the Seller or the Savings Insurance Company complies with a request from the Borrower under the terms of a Savings Mortgage Loan with a Savings Alternative to switch whole or part of the premia accumulated in the relevant Savings Insurance Policy with the Savings Alternative into the Investment Alternative (the "**Savings Switch**"), the Seller shall also repurchase and accept re-assignment of such Mortgage Receivable on the immediately succeeding Mortgage Payment Date (see also *Substitution* below).

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

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

Regulatory Call Option

On each Payment Date the Seller has the option (the "**Regulatory Call Option**") to repurchase the Mortgage Receivables upon the occurrence of a change in the Basle Capital Accord promulgated by the Basle Committee on Banking Supervision (the "**Basle Accord**") or in the international, European or Dutch regulations, rules and instructions (which includes the solvency regulation on securitization of the Dutch Central Bank) (the "**Bank Regulations**") applicable to the Seller (including any change in the Bank Regulations enacted for purposes of implementing a change to the Basle Accord) or a change in the manner in which the Basle Accord or such Bank Regulations are interpreted or applied by the Basle Committee on Banking Supervision or by any relevant competent international, European or national body (including any relevant international, European or Dutch Central Bank or other competent regulatory or supervisory authority) which, in the opinion of the Seller, has the effect of adversely affecting the rate of return on capital of the Seller or increasing the cost or reducing the benefit to the Seller with respect to the transaction contemplated by the Notes (a "**Regulatory Change**").

The Issuer has undertaken in the Mortgage Receivables Purchase Agreement to sell and assign the Mortgage Receivables to the Seller, or any third party appointed by the Seller at its sole discretion, in case the Seller exercises its Regulatory Call Option. See also *Sale of Mortgage Receivables* above.

Clean-Up Call Option

On each Payment Date the Seller has the option (but not the obligation) to repurchase the Mortgage Receivables if on the Calculation Date immediately preceding such Payment Date the aggregate outstanding principal amount of the Mortgage Receivables is not more than 10 per cent. of the aggregate outstanding principal amount of the Mortgage Receivables on the Closing Date (the "**Clean-Up Call Option**").

The Issuer has undertaken in the Mortgage Receivables Purchase Agreement to sell and assign the Mortgage Receivables to the Seller, or any third party appointed by the Seller at its sole discretion, in case the Seller exercises the Clean-Up Call Option. See also *Sale of Mortgage Receivables* above.

Notification Events

The Mortgage Receivables Purchase Agreement provides that if, *inter alia*:

- (a) a default is made by the Seller in the payment on the due date of any amount due and payable by it under the Mortgage Receivables Purchase Agreement or under any Relevant Document to which it is a party and such failure is not remedied within 10 business days after notice thereof has been given by the Issuer or the Security Trustee to the Seller; or
- (b) the Seller fails duly to perform or comply with any of its obligations under the Mortgage Receivables Purchase Agreement or under any Relevant Document to which it is a party and, if such failure is capable of being remedied, such failure is not remedied within 10 business days after notice thereof has been given by the Issuer or the Security Trustee to the Seller; or
- (c) the Seller takes any corporate action or other steps are taken or legal proceedings are started or threatened against it for its dissolution ("*ontbinding*") and liquidation ("*vereffening*") or legal demerger ("*juridische splitsing*") involving the Seller or its assets are placed under administration ("*onder bewind gesteld*"); or
- (d) the Seller has taken any corporate action or any steps have been taken or legal proceedings have been instituted or threatened against it for its entering into emergency regulations ("*noodregeling*") as referred to in Chapter X of the Netherlands Act on the Supervision of the Credit System 1992 ("*Wet toezicht kredietwezen 1992*", or "*Wtk 1992*") or for bankruptcy or for any analogous insolvency proceedings under any applicable law or for the appointment of a receiver or a similar officer of it or of any or all of its assets; or
- (e) the credit rating of the Seller's long term unsecured, unsubordinated and unguaranteed debt obligations falls below A- by S&P or such rating is withdrawn and/or falls below A3 by Moody's or such rating is withdrawn and/or falls below A- by Fitch or such rating is withdrawn,

then the Seller shall, unless the Security Trustee, after having received confirmation from S&P, Moody's and Fitch that no downgrading of the Notes will occur as a result of not giving notice as described below, instructs it otherwise, forthwith:

- (x) notify the Borrowers and any other relevant parties indicated by the Issuer and/or the Security Trustee of (i) the termination of the mortgage rights and rights of pledge securing the Mortgage Receivables in as far as they secure debts other than the Mortgage Receivables assigned to the Issuer and, (ii) the assignment of the Mortgage Receivables to the Issuer or, at its option, the Issuer shall be entitled to make such notifications itself;
- (y) release the Borrower Insurance Pledge in respect of the Insurance Policies and undertake its reasonable efforts to the effect that a first-ranking right of pledge is created on the rights of the Borrowers/insured under the Insurance Policies in favour of (i) the Issuer subject to the dissolving condition of the occurrence of a Notification Event relating to the Issuer and (ii) the Security Trustee subject to the condition precedent of the occurrence of a Notification Event relating to the Issuer; and

- (z) with regard to the Investment-based Mortgage Loans, release the right of pledge in favour of the Seller on the relevant securities, if any, and undertake to use its best efforts to create a first-ranking pledge on the relevant securities in favour of (x) the Issuer subject to the dissolving condition of the occurrence of a Notification Event relating to the Issuer and (y) the Security Trustee subject to the condition precedent of the occurrence of a Notification Event relating to the Issuer.

In addition, pursuant to the Beneficiary Waiver Agreement the Seller, subject to the condition precedent of the occurrence of a Notification Event, waives its right as beneficiary under the Savings Insurance Policies and appoints as first beneficiary (x) the Issuer subject to the dissolving condition of the occurrence of a Notification Event relating to the Issuer and (y) the Security Trustee under the condition precedent of the occurrence of a Notification Event relating to the Issuer.

Furthermore, pursuant to the Beneficiary Waiver Agreement, upon the occurrence of a Notification Event and to the extent that the waiver and appointment referred to above are not effective in respect of the Savings Insurance Policies and furthermore in respect of the Life Insurance Policies, the Seller and in respect of Savings Insurance Policies, the Savings Insurance Company shall (a) use their best efforts to terminate the appointment of the Seller as beneficiary under the Insurance Policies and to appoint as first beneficiary under the Insurance Policies (x) the Issuer under the dissolving condition of the occurrence of a Notification Event relating to the Issuer and (y) the Security Trustee under the condition precedent of the occurrence of a Notification Event relating to the Issuer and (b) with respect to Insurance Policies where a Borrower Insurance Instruction has been given, use their best efforts to withdraw the Borrower Insurance Proceeds Instruction in favour of the Seller and to issue such instruction in favour of (x) the Issuer under the dissolving condition of the occurrence of a Notification Event relating to the Issuer and (y) the Security Trustee under the condition precedent of the occurrence of a Notification Event relating to the Issuer.

Legislation on the requirements for assignment

With effect from 1 October 2004 the legal requirements for the assignment of receivables have been amended in such a manner that assignment can also be effected by means of a notarial or registered deed of assignment, without notification of the assignment to the debtors being required. Pursuant to this amendment, the Seller can assign the Mortgage Receivables, and transfer legal ownership, to the Issuer by the mere registration of the deed of assignment and would not be restricted to completing the assignment by notification in case of the occurrence of any Notification Event. However, prior to notification of this assignment by means of a notarial or registered deed of assignment, debtors can only make payments to the Seller in order to fully discharge their payment obligations ("*bevrijdend betalen*").

Pursuant to the Mortgage Receivables Purchase Agreement the Issuer will have the right at all times to register the deed of assignment regarding the Mortgage Receivables and, therefore, not only upon the occurrence of any Notification Event. The Issuer will undertake in the Trust Deed not to exercise such right except with the written prior approval of the Seller, which will not be unreasonably withheld, and the Security Trustee and subject to the confirmation of S&P, Moody's and Fitch that it will not adversely affect the then current ratings assigned to the Notes.

Substitution

The Mortgage Receivables Purchase Agreement provides that the Issuer shall (i) on each Payment Date up to (and including) the Payment Date falling in August 2007 use the Redemption Available Amount, and (ii) thereafter, on each Payment Date immediately up to and including the Payment Date preceding the Final Maturity Date use any amounts received as a result of the repurchase by the Seller of Mortgage Receivables in connection with (x) the granting of a Mortgage Loan Further Advance or (y) the Savings Switch, to the extent such amounts relate to principal, less, with respect to each Savings Mortgage Receivable with the Savings Alternative, the Participation (the "**Substitution Available Amount**") to purchase Substitute Mortgage Receivables from the Seller if and to the extent offered by the Seller. The initial purchase price payable by the Issuer as consideration for any Substitute Mortgage Receivables shall be equal to the aggregate outstanding principal amount in respect of such Substitute Mortgage Receivables at the date of completion of the sale and purchase thereof.

The purchase by the Issuer of Substitute Mortgage Receivables will be subject to a number of conditions, which include, *inter alia*, the conditions that on the relevant date of completion of the sale and purchase of the Substitute Mortgage Receivables:

- (a) the Seller will represent and warrant to the Issuer and the Security Trustee the matters set out in the clauses providing for the representations and warranties relating to the Mortgage Loans, the Mortgage Receivables and the Seller in the Mortgage Receivables Purchase Agreement with respect to the Substitute Mortgage Receivables sold and relating to the Seller (with certain exceptions to reflect that the Substitute Mortgage Receivables are sold and may have been originated after the Closing Date);
- (b) no Notification Event has occurred and is continuing on the date of such completion;
- (c) not more than 2.25 per cent. of the aggregate outstanding principal amount of the Mortgage Receivables is in arrears for a period exceeding 60 days;
- (d) there has been no failure by the Seller to repurchase any Mortgage Receivable which it is required to repurchase pursuant to the Mortgage Receivables Purchase Agreement;
- (e) the Substitution Available Amount is sufficient to pay the initial purchase price for the relevant Substitute Mortgage Receivables;
- (f) the then current ratings assigned to the Notes by S&P, Moody's and Fitch is not adversely affected as a result of such substitution;
- (g) the weighted average LtFV Ratio of all Mortgage Loans, including the Substitute Mortgage Receivables does not exceed 108 per cent.. The Issuer and the Seller may agree to a higher LtFV ratio, subject to the confirmation of S&P, Moody's and Fitch that no downgrading of the Notes will occur as a result thereof;
- (h) there is no debit balance on the Principal Deficiency Ledger;
- (i) no drawing is made under the Liquidity Facility that has not been repaid and no drawing is made under the Liquidity Facility on the relevant date of completion;
- (j) the aggregate outstanding principal amount of the Substitute Mortgage Receivables does not, on an annual basis, exceed 20 per cent. of the aggregate outstanding principal amount of all Mortgage Loans on each Payment Date;
- (k) no drawing is made under the Reserve Fund on the relevant date of completion;
- (l) the aggregate outstanding principal amount of all Interest-only Mortgage Loans does not exceed 66 per cent. of the aggregate outstanding principal amount of all Mortgage Loans;
- (m) the weighted average loss severity ("**WALS**") multiplied by the weighted average foreclosure frequency ("**WAFF**") for the Mortgage Receivables, according to S&P, as constituted following the proposed purchase and sale of the relevant Substitute Mortgage Receivables, does not exceed the product of the WALS and WAFF for the Mortgage Receivables, according to S&P, as constituted at the Closing Date by more than 0.25 per cent.; and
- (n) the cumulative Realised Losses on the Mortgage Receivables do not exceed 0.9 per cent. of the aggregate outstanding principal amount of the Mortgage Receivables on 31 January 2005.

Consent of the Savings Insurance Company

The Savings Insurance Company has, pursuant to each mortgage deed relating to a Savings Mortgage Loan, granted its consent ("*goedkeuring*") to (i) the sale and assignment of the Savings Mortgage Receivables and any Substitute Savings Mortgage Receivables by the Seller to the Issuer in accordance with the Mortgage Receivables Purchase Agreement and (ii) the pledge of the Savings Mortgage Receivables and any Substitute Savings Mortgage Receivables by the Seller to the Security Trustee and the Issuer in accordance with the Security Trustee Pledge Agreement I and the Issuer Pledge Agreement, respectively.

SUB-PARTICIPATION AGREEMENT

Under the Sub-Participation Agreement the Issuer will grant to the Savings Insurance Company a sub-participation in the Savings Mortgage Receivables with the Savings Alternative.

Savings Premium

The conditions applicable to the Savings Mortgage Loans to which a Savings Insurance Policy with the Savings Alternative is connected, stipulate that the Savings Premia paid by the Borrowers/insured will be deposited by the Savings Insurance Company on a savings account held with the Seller.

The Seller has agreed with the Savings Insurance Company that it shall on-lend to the Savings Insurance Company amounts equal to the Savings Premia deposited on the savings account in order to facilitate the Savings Insurance Company in meeting its obligations under the Sub-Participation Agreement. However, the obligations of the Savings Insurance Company under the Sub-Participation Agreement are not conditional upon the receipt of such amounts from the Seller.

Participation

In the Sub-Participation Agreement the Savings Insurance Company will undertake to pay to the Issuer:

- (i) at the Closing Date or, thereafter in each case of the purchase and assignment of substitute savings mortgage receivables by the Issuer (the "**Substitute Savings Mortgage Receivables**") or in respect of a switch from any type of Mortgage Loan into a Savings Mortgage Loan to which a Savings Insurance Policy with the Savings Alternative is connected, the relevant Mortgage Payment Date, an amount equal to the sum of the Savings Premia received by the Savings Insurance Company with accrued interest up to the first day of the month of the Closing Date and the relevant Mortgage Payment Date (the "**Initial Participation**") in relation to each of the Savings Mortgage Receivables with the Savings Alternative;
- (ii) on each Mortgage Payment Date an amount equal to the amount received by the Savings Insurance Company as Savings Premium during the Mortgage Calculation Period then ended in respect of the relevant Savings Insurance Policies with the Savings Alternative, provided that in respect of each relevant Savings Mortgage Receivable with the Savings Alternative no amounts will be paid to the extent that, as a result, thereof the Participation in such relevant Savings Mortgage Receivable would exceed the outstanding principal amount of the relevant Savings Mortgage Receivable with the Savings Alternative.

As a consequence of such payments the Savings Insurance Company will acquire a participation (the "**Participation**") in each of the relevant Savings Mortgage Receivables with the Savings Alternative, which is equal to the Initial Participation in respect of the relevant Savings Mortgage Receivables with the Savings Alternative increased during each Mortgage Calculation Period on the basis of the following formula (the "**Participation Increase**"):

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

P = the Participation on the first day of the relevant Mortgage Calculation Period in the Savings Mortgage Receivable with the Savings Alternative;

S = the amount received by the Issuer from the Savings Insurance Company in such Mortgage Calculation Period in respect of the relevant Savings Mortgage Receivable with the Savings Alternative pursuant to the Sub-Participation Agreement;

H = the principal sum outstanding on the Savings Mortgage Receivable with the Savings Alternative on the first day of the relevant Mortgage Calculation Period;

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

In consideration for the undertakings of the Savings Insurance Company described above, the Issuer will undertake to pay to the Savings Insurance Company on each Mortgage Payment Date an amount equal to the Participation in each of the Savings Mortgage Receivables with the Savings Alternative in

respect of which amounts have been received during the relevant Mortgage Calculation Period or, in the case of the first Mortgage Payment Date, during the period which commences on the Closing Date and ends on the last day of the Mortgage Calculation Period immediately preceding such first Mortgage Payment Date (i) by means of repayment and prepayment under the relevant Savings Mortgage Receivables with the Savings Alternative, but excluding any prepayment penalties and interest penalties, if any, and, furthermore, excluding amounts paid as partial prepayments on the Savings Mortgage Receivable with the Savings Alternative, (ii) in connection with a repurchase of Savings Mortgage Receivables with the Savings Alternative pursuant to the Mortgage Receivables Purchase Agreement to the extent such amounts relate to principal, (iii) in connection with a sale of Savings Mortgage Receivables with the Savings Alternative pursuant to the Trust Deed and to the extent such amounts relate to principal and (iv) as Net Proceeds on any Savings Mortgage Receivables with the Savings Alternative to the extent such amounts relate to principal (the "**Participation Redemption Available Amount**").

Reduction of Participation

If a Borrower invokes a defence, including but not limited to a right of set-off or counterclaim against any person in respect of the relevant Savings Mortgage Receivables with the Savings Alternative if, for whatever reason, the Savings Insurance Company does not pay the insurance proceeds when due and payable, whether in full or in part, under the relevant Savings Insurance Policy with the Savings Alternative and, as a consequence thereof, the Issuer will not have received any amount outstanding prior to such event in respect of such Savings Mortgage Receivable with the Savings Alternative, the Participation of the Savings Insurance Company in respect of such Savings Mortgage Receivable with the Savings Alternative, will be reduced by an amount equal to the amount which the Issuer has failed to so receive and the calculation of the Participation Redemption Available Amount shall be adjusted accordingly.

Enforcement Notice

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

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

Termination

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

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 and recording 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* in *SNS Residential Mortgage Business* above); (ii) to communicate with the Borrowers; (iii) to investigate payment delinquencies; (iv) to provide certain administration, calculation and cash management services to the Issuer, including (a) the direction of amounts received by the Seller 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; and (v) to perform any other task incidental to the above.

The Administrator will be obliged to administer the Mortgage Loans and the Mortgage Receivables with the same level of skill, care and diligence as mortgage loans in its own portfolio.

THE ISSUER

The Issuer was incorporated with limited liability under the laws of the Netherlands on 26 January 2005 under number B.V. 1.304.385. The corporate seat ("*statutaire zetel*") of the Issuer is in Amsterdam, the Netherlands and its registered office is at Frederik Roeskestraat 123, 1076 EE Amsterdam. The Issuer is registered with the Commercial Register of the Chamber of Commerce of Amsterdam under number 34220931.

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

The Issuer has an authorised share capital of euro 90,000, of which euro 18,000 has been issued and is fully paid. All shares of the Issuer are held by Stichting Holland Euro-Denominated Mortgage-Backed Series (Hermes) Holding.

Stichting Holland Euro-Denominated Mortgage-Backed Series (Hermes) Holding is a foundation ("*stichting*") incorporated under the laws of the Netherlands on 19 June 2001. The objects of Stichting Holland Euro-Denominated Mortgage-Backed Series (Hermes) Holding are, *inter alia*, to incorporate, acquire and to hold shares in the share capital of the Issuer and comparable companies and to exercise all rights attached to such shares and to dispose of and encumber such shares. The sole managing director of Stichting Holland Euro-Denominated Mortgage-Backed Series (Hermes) Holding is ATC Corporate Services (Netherlands) B.V.

Statement by managing director of the Issuer

Since its incorporation, the Issuer 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 22 February 2005.

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

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

The financial year of the Issuer coincides with the calendar year. The first financial year will end on 31 December 2005.

Capitalisation

The following table shows the capitalisation of the Issuer as of 26 January 2005 as adjusted to give effect to the issue of the Notes:

Share Capital

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

Borrowings

Senior Class A Notes	euro 1,417,500,000
Mezzanine Class B Notes	euro 30,000,000
Mezzanine Class C Notes	euro 37,500,000
Junior Class D Notes	euro 15,000,000
Subordinated Class E Notes	euro 28,500,000
Initial Participation	euro 11,281,792.72

Auditors' Report

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

“To the Directors of Holland Mortgage Backed Series (Hermes) IX B.V.

Dear Sirs,

Holland Mortgage Backed Series (Hermes) IX B.V. (the "**Issuer**") was incorporated on 26 January 2005 under number B.V 1.304.385 with an issued share capital of euro 18,000. The Issuer has not yet filed any financial statements.

Amstelveen, 22 February 2005

KPMG Accountants N.V."

USE OF PROCEEDS

The net proceeds of the Notes, to be issued on the Closing Date amount to euro 1,527,430,050 The net proceeds of the issue of the Senior Class A Notes, the Mezzanine Class B, the Mezzanine Class C Notes and the Junior Class D Notes, being euro 1,498,950,000, will be applied on the Closing Date to pay (part of) the Initial Purchase Price for the Mortgage Receivables purchased under the Mortgage Receivables Purchase Agreement.

The net proceeds of the issue of the Subordinated Class E Notes, being 28,500,000, will be credited to the Reserve Fund on the Closing Date.

An amount of euro 11,281,792.72 will be received by the Issuer as consideration for the Initial Participation granted to the Savings Insurance Company in the Savings Mortgage Receivables with the Savings Alternative. The Issuer will apply this amount towards payment of part of the Initial Purchase Price for the Mortgage Receivables.

DESCRIPTION OF SECURITY

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

To the extent that the Security Trustee irrevocably and unconditionally receives any amount in payment of the Parallel Debt, the Security Trustee shall distribute such amount among the Secured Parties in accordance with the Priority of Payments upon Enforcement, save for amounts due to the Savings Insurance Company in connection with the Participations. The amounts due to the Secured Parties, other than the Savings Insurance Company, will, broadly, be equal to amounts recovered ("*verhaald*") by the Security Trustee on (i) the Mortgage Receivables (other than Savings Mortgage Receivables with the Savings Alternative) and other assets pledged to the Security Trustee under the Security Trustee Pledge Agreement I and the Security Trustee Pledge Agreement II and (ii) on each of the Savings Mortgage Receivables with the Savings Alternative to the extent the amount exceeds the Participation in the relevant Savings Mortgage Receivables with the Savings Alternative.

The amounts due to the Savings Insurance Company will be equal to the Participation in each of the Savings Mortgage Receivables with the Savings Alternative or if the amount recovered is less than the Participation in such Savings Mortgage Receivable with the Savings Alternative the amount equal to the amount actually recovered.

The Seller shall grant a first ranking right of pledge ("*pandrecht*") (the "**Security Trustee Pledge Agreement I**") over the Mortgage Receivables and the Beneficiary Rights (see further *Special Considerations* above) to the Security Trustee on the Closing Date and in respect of any Substitute Mortgage Receivables undertakes to grant a first ranking right of pledge on the relevant Substitute Mortgage Receivables and, if applicable, the Beneficiary Rights on the Payment Date on which they are acquired which will secure the payment obligations of the Issuer to the Security Trustee under the Parallel Debt Agreement and any other Relevant Documents. Security in respect of the Mortgage Receivables will be given by the Seller since it will have the legal title to the relevant Mortgage Receivables, until notification to the Borrowers of the assignment has been made. After such notification to the Borrowers (which will only be made upon the occurrence of a Notification Event, 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.

In addition, the Security Trustee Pledge Agreement I will also secure all liabilities of the Seller 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 due to the Issuer or, if certain events (which include the Notification Events and similar events relating to the Issuer (the "**Security Trustee I Notification Events**") has occurred, to the Security Trustee (the "**Trustee Penalty**"). The Trustee Penalty is a separate and independent obligation in an amount equal to the penalty due to the Issuer. 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 as Trustee Penalty 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 as Trustee Penalty. The Trustee Penalty shall rank in priority to the claim of the Issuer for the penalty.

The pledge on the Mortgage Receivables and the Life Beneficiary Rights provided in the Security Trustee Pledge Agreement I will not be notified to the Borrowers except upon the occurrence of certain Security Trustee Pledge I Notification Events. These Security Trustee Pledge I 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 or the Life Insurance Companies, the pledge will be a "silent" right of pledge ("*stil pandrecht*") within the meaning of section 3:239 of the Netherlands Civil Code. The right of pledge on the Savings Beneficiary Rights will be notified to the Savings Insurance Company and will, therefore, be a disclosed right of pledge ("*openbaar pandrecht*").

In order to secure the obligation of the Seller to transfer legal title to the Mortgage Receivables to the Issuer, the Seller will grant a second ranking right of pledge (the "**Issuer Pledge Agreement**") over the Mortgage Receivables and the 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 Seller, provided in the Mortgage Receivables Purchase Agreement, as described above. This right of pledge on the Mortgage Receivables and the Life Beneficiary Rights will be a "silent" right of pledge ("*stil pandrecht*") within the meaning of section 3:239 of the Netherlands Civil Code. The right of pledge on the Savings Beneficiary Rights will be notified to the Savings Insurance Company and will, therefore, be a disclosed right of pledge ("*openbaar pandrecht*").

The Issuer will also vest a right of pledge (the "**Security Trustee Pledge Agreement II**") in favour of the Security Trustee on the Closing Date. This right of pledge secures any and all liabilities (including, without limitation, recourse claims) of the Issuer to the Security Trustee resulting from or in connection with the Parallel Debt Agreement and any other Relevant Documents 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 Swap Agreement, and (vi) the Sub-Participation Agreement. This right of pledge will be notified to the relevant obligors and will, therefore be a "disclosed" right of pledge ("*openbaar pandrecht*").

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

THE SECURITY TRUSTEE

Stichting Security Trustee Holland Mortgage Backed Series (Hermes) IX (the "**Security Trustee**") is a foundation ("*stichting*") incorporated under the laws of the Netherlands on 26 January 2005. It has its registered office in Amsterdam, the Netherlands.

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

The sole director of the Security Trustee is N.V. Algemeen Nederlands Trustkantoor ANT, having its registered office at Herengracht 420, 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 Note in definitive form if they are issued. While the Notes remain in global form, the same terms and conditions govern the Notes, except to the extent that they are not appropriate for Notes in global form. See The Global Notes below.*

The issue of the euro 1,417,500,000 Senior Class A Mortgage-Backed Notes 2005 due 2039 (the "**Senior Class A Notes**"), the euro 30,000,000 Mezzanine Class B Mortgage-Backed Notes 2005 due 2039 (the "**Mezzanine Class B Notes**"), the euro 37,500,000 Mezzanine Class C Mortgage-Backed Notes 2005 due 2039 (the "**Mezzanine Class C Notes**"), the euro 15,000,000 Junior Class D Mortgage-Backed Notes 2005 due 2039 (the "**Junior Class D Notes**") and the euro 28,500,000 Subordinated Class E Notes 2005 due 2039 (the "**Subordinated Class E Notes**", and together with the Senior Class A Notes, the Mezzanine Class B Notes, the Mezzanine Class C Notes and the Junior Class D Notes, the "**Notes**") was authorised by a resolution of the managing director of Holland Mortgage Backed Series (Hermes) IX B.V. (the "**Issuer**") passed on 14 February 2005. The Notes are issued under a trust deed to be dated 24 February 2005 (the "**Trust Deed**") between the Issuer, Stichting Security Trustee Holland Mortgage Backed Series (Hermes) IX (the "**Security Trustee**") and Stichting Holland Euro-Denominated Mortgage-Backed Series (Hermes) Holding.

The statements in these terms and conditions of the Notes (the "**Conditions**") include summaries of, and are subject to, the detailed provisions of (i) the Trust Deed, which will include the form of the Notes and the interest coupons appertaining to the Notes (the "**Coupons**"), the forms of the Temporary Global Notes and the Permanent Global Notes, (ii) a paying agency agreement (the "**Paying Agency Agreement**") to be dated 24 February 2005 between the Issuer, the Security Trustee and ABN AMRO Bank N.V. as paying agent (the "**Paying Agent**") and reference agent (the "**Reference Agent**"), (iii) an administration agreement (the "**Administration Agreement**") to be dated 24 February 2005 between the Issuer, SNS Bank N.V. as Administrator and the Security Trustee, (iv) a parallel debt agreement (the "**Parallel Debt Agreement**") to be dated 24 February 2005 between the Issuer, the Security Trustee and the Secured Parties, (v) a pledge agreement to be dated 24 February 2005 (the "**Security Trustee Pledge Agreement I**") between the Seller, the Security Trustee and the Issuer, (vi) a pledge agreement to be dated 24 February 2005 (the "**Issuer Pledge Agreement**") between the Seller and the Issuer and (vii) a pledge agreement to be dated 24 February 2005 (the "**Security Trustee Pledge Agreement II**") 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 agreement (the "**Master Definitions Agreement**") dated 22 February 2005 and signed by the Issuer, the Security Trustee, the Seller and certain other parties. Such words and expressions shall, except where the context requires otherwise, have the same meanings in these Conditions. As used herein, "**Class**" means either the Senior Class A Notes, the Mezzanine Class B Notes, the Mezzanine Class C Notes, the Junior Class D Notes or the Subordinated Class E Notes, as the case may be.

Copies of the Trust Deed, the Paying Agency Agreement, the Parallel Debt Agreement, the Pledge Agreements and the Master Definitions Agreement are available for inspection, free of charge, by holders of the Notes (the "**Noteholders**") at the specified office of the Paying Agent and the present office of the Security Trustee, being at the date hereof Herengracht 420, 1017 BZ Amsterdam, the Netherlands. The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed, the Paying Agency Agreement, the Parallel Debt Agreement, the Pledge Agreements and the Master Definitions Agreement.

1. Form, Denomination and Title

The Notes will be in bearer form serially numbered with Coupons attached on issue in denomination of euro 100,000 each. Under Netherlands law, the valid transfer of Notes or Coupons requires, *inter alia*, delivery ("**levering**") thereof. The Issuer, the Security Trustee and the Paying Agent may, to the fullest extent permitted by law, treat 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 Notes and Security

- (a) The Notes of each Class are direct and unconditional obligations of the Issuer and rank *pari passu* and rateably without any preference or priority among Notes of the same Class.
- (b) In accordance with the provisions of Conditions 4, 6 and 9 and the Trust Deed (i) payments of principal and interest on the Mezzanine Class B Notes are subordinated to, *inter alia*, payments of principal and interest on the Senior Class A Notes and (ii) payments of principal and interest on the Mezzanine Class C Notes are subordinated to, *inter alia*, payments of principal and interest on the Senior Class A Notes and the Mezzanine Class B Notes and (iii) payments of principal and interest on the Junior Class D Notes are subordinated to, *inter alia*, payments of principal and interest on the Senior Class A Notes, the Mezzanine Class B Notes and the Mezzanine Class C Notes and (iv) payments of principal and interest on the Subordinated Class E Notes are subordinated to, *inter alia*, payments of principal and interest on the Senior Class A Notes, the Mezzanine Class B Notes, the Mezzanine Class C Notes and the Junior Class D Notes.
- (c) The security for the obligations of the Issuer towards the Noteholders (the "**Security**") will be created pursuant to, and on the terms set out in, the Trust Deed, the Parallel Debt Agreement and the Pledge Agreements, which will create the following security rights:
 - (i) a first ranking pledge by the Seller to the Security Trustee over the Mortgage Receivables and the Beneficiary Rights;
 - (ii) a second ranking pledge by the Seller to the Issuer over the Mortgage Receivables and the Beneficiary Rights;
 - (iii) a first ranking pledge by the Issuer to the Security Trustee of the Issuer's rights (a) against the Seller 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 Liquidity Facility Provider under or in connection with the Liquidity Facility Agreement and (f) against the Savings Insurance Company under the Sub-Participation Agreement.
- (d) The Senior Class A Notes, the Mezzanine Class B Notes, the Mezzanine Class C Notes, the Junior Class D Notes and the Subordinated Class E Notes will be secured (directly and/or indirectly) by the Security. The Senior Class A Notes will rank in priority to the Mezzanine Class B Notes, the Mezzanine Class C Notes, the Junior Class D Notes and the Subordinated Class E Notes, the Mezzanine Class B Notes will rank in priority to the Mezzanine Class C Notes, the Junior Class D Notes and the Subordinated Class E Notes, the Mezzanine Class C Notes will rank in priority to the Junior Class D Notes and the Subordinated Class E Notes and the Junior Class D Notes will rank in priority to the Subordinated Class E Notes in the event of the Security being enforced. The "**Most Senior Class of Notes**" means the Senior Class A Notes or if there are no Senior Class A Notes outstanding, the Mezzanine Class B Notes, or if there are no Mezzanine Class B Notes outstanding, the Mezzanine Class C Notes, or if there are no Mezzanine Class C Notes outstanding, the Junior Class D Notes, or if there are no Junior Class D Notes outstanding, the Subordinated Class E Notes. The Trust Deed contains provisions requiring the Security Trustee to have regard to the interests of the holders of the Senior Class A Notes (the "**Senior Class A Noteholders**"), the holders of the Mezzanine Class B Notes (the "**Mezzanine Class B Noteholders**"), the holders of the Mezzanine Class C Notes (the "**Mezzanine Class C Noteholders**"), the holders of the Junior Class D Notes (the "**Junior Class D Noteholders**") and the holders of the Subordinated Class E Notes (the "**Subordinated Class E Noteholders**"), as regards all powers, trust, authorities, duties and discretions of the Security Trustee (except where expressly provided otherwise) but requiring the Security Trustee in any such case to have regard only to the interests of the holders of the Most Senior Class of Notes, if, in the Security Trustee's opinion, there is a conflict between the interests of the holders of the Most Senior Class of Notes on the one hand and the holders of junior ranking Notes on the other hand.

In addition, the Security Trustee shall have regard to the interests of the other Secured Parties, provided that, in case of a conflict of interest between the Secured Parties, the Priority of

Payments upon Enforcement set forth in the Trust Deed, determines which interest of which Secured Party prevails.

3. Covenants of the Issuer

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

- (a) carry out any business other than as described in the Offering Circular dated 22 February 2005 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;
- (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;
- (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;
- (f) have any employees or premises or have any subsidiary or subsidiary undertaking; or
- (g) have an interest in any bank account other than the Floating Rate GIC Account, unless all rights in relation to such account have been pledged to the Security Trustee as provided in Condition 2(c)(iii).

4. Interest

(a) *Period of Accrual*

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

(b) *Interest Periods and Payment Dates*

Interest on the Notes is payable by reference to successive interest periods. Each successive interest period will commence on (and include) a Payment Date and end on (but exclude) the next succeeding Payment Date (each an "**Interest Period**"), except for the first Interest Period which will commence on (and include) the Closing Date and end on (but exclude) the Payment Date falling in May 2005.

Interest on each of the Notes shall be payable quarterly in arrear in euros, in each case in respect of the Principal Amount Outstanding of each Class of Notes on the 18th day of February, May, August and November (or, if such day is not a Business Day, the next succeeding Business Day, unless such Business Day falls in the next succeeding calendar month in which event the Business Day immediately preceding such day) in each year (each such day being a "**Payment Date**").

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

(c) *Interest prior to the Step-Up Date*

Up to (but excluding) the Payment Date falling in August 2014 (the "**Step-Up Date**") and in respect of the Subordinated Class E Notes up to the Final Maturity Date (as defined in Condition 6(a)), interest on the Notes for each Interest Period will accrue from the Closing Date at an annual rate of interest equal to the sum of the Euro Interbank Offered Rate ("**Euribor**") for three months deposits in euros (determined in accordance with paragraph (e) below) (or, in respect of the first Interest Period, the rate which represents the linear interpolation of Euribor for two and three months deposits in euro), plus:

- (i) for the Senior Class A Notes, a margin of 0.10 per cent. per annum;
- (ii) for the Mezzanine Class B Notes, a margin of 0.16 per cent. per annum;
- (iii) for the Mezzanine Class C Notes, a margin of 0.26 per cent. per annum;
- (iv) for the Junior Class D Notes, a margin of 0.50 per cent. per annum; and
- (v) for the Subordinated Class E Notes, a margin of 0.80 per annum.

(d) *Interest following the Step-Up Date*

If on the Step-Up Date any Class of Notes, other than the Subordinated Class E Notes, have not been redeemed in full, the rate of interest applicable to the Notes will accrue in the Interest Period commencing on the Step-Up Date and each Interest Period thereafter at an annual rate equal to the sum of Euribor for three months deposits in euros, plus:

- (i) for the Senior Class A Notes, a margin of 1.00 per cent. per annum;
- (ii) for the Mezzanine Class B Notes, a margin of 1.25 per cent. per annum;
- (iii) for the Mezzanine Class C Notes, a margin of 1.50 per cent. per annum; and
- (iv) for the Junior Class D Notes, a margin of 2.00 per cent. per annum.

The rates of interest set forth in Conditions 4(c) and 4(d) are hereinafter referred to as the "**Rates of Interest**")

(e) *Euribor*

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

- (i) The Reference Agent will, subject to Condition 4(c) obtain for each Interest Period the rate equal to 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 Moneyline 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 "**Euribor Interest Determination Date**").
- (ii) If, on the relevant Euribor Interest Determination Date, such Euribor rate is not determined and published jointly by the European Banking Association and ACI —

The Financial Market Association, or if it is not otherwise reasonably practicable to calculate the rate under (i) above, the Reference Agent will:

- (A) request the principal Euro-zone office of each of four major banks in the Euro-zone interbank market (the "**Euribor Reference Banks**") to provide a quotation for the rate at which three months euro deposits are offered by it in the Euro-zone interbank market at approximately 11.00 am (Brussels time) on the relevant Euribor Interest Determination Date to prime banks in the Euro-zone interbank market in an amount that is representative for a single transaction at that time; and
 - (B) if at least two quotations are provided, determine the arithmetic mean (rounded, if necessary, to the fifth decimal place with 0.000005 being rounded upwards) of such quotations as 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 Euribor 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 Euribor for such Interest Period shall be the rate per annum equal to the Euro Interbank Offered Rate for three months euro deposits as determined in accordance with this paragraph (e), provided that if the Reference Agent is unable to determine Euribor in accordance with the above provisions in relation to any Interest Period, Euribor applicable to the Senior Class A Notes, the Mezzanine Class B Notes, the Mezzanine Class C Notes, the Junior Class D Notes and the Subordinated Class E Notes during such Interest Period will be Euribor last determined in relation thereto.

(f) *Determination of the Rates of Interest and Calculation of Interest Amounts*

The Reference Agent will, as soon as practicable after 11.00 am (Brussels time) on each Euribor Interest Determination Date, determine the Rates of Interest referred to in paragraph (c), (d) and (e) above for each Class of Notes and calculate the amount of interest payable on each of the Notes for the following Interest Period (the "**Interest Amount**") by applying, as provided in Condition 4(a), the relevant Rates of Interest to the Principal Amount Outstanding of each Class of Notes respectively. The determination of the relevant Rates of Interest and each Interest Amount by the Reference Agent shall (in the absence of manifest error) be final and binding on all parties.

(g) *Notification of Rates of Interest and Interest Amounts*

The Reference Agent will cause the relevant Rates of Interest and the relevant Interest Amount and the Payment Date applicable to each relevant Class of the Notes to be notified to the Issuer, the Security Trustee, the Paying Agent, the Administrator, Euronext Amsterdam N.V. and to the holders of such Class of Notes by an advertisement in the English language in the Euronext Daily Official List ("*Officiële Prijscourant*") of Euronext Amsterdam N.V., for as long as the Notes are listed on Euronext Amsterdam N.V., as soon as possible after the determination. The Rates of Interest, Interest Amount and 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.

(h) *Determination or Calculation by Security Trustee*

If the Reference Agent at any time for any reason does not determine the relevant Rate of Interest or fails to calculate the relevant Interest Amounts in accordance with Condition 4(f) above, the Security Trustee shall determine the relevant Rate of Interest, at such rate as, in its absolute discretion (having such regard as it shall think fit to the procedure described in Condition 4(f) 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(f) above, and each such determination or calculation shall (in the absence of manifest error) be final and binding on all parties.

(i) *Reference Banks and Reference Agent*

The Issuer will procure that, as long as any of Notes remains outstanding, there will at all times be four Reference Banks and a Reference Agent. The Issuer has, subject to prior written consent of the Security Trustee, the right to terminate the appointment of the Reference Agent or of any Reference Bank by giving at least 90 days' notice in writing to that effect. Notice of any such termination will be given to the holders of the 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 Notes will be made upon presentation of the Note and against surrender of the relevant Coupon appertaining thereto at any specified office of the Paying Agent in cash or by transfer to an euro account, 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, or such earlier date the Notes become due and payable, the Notes should be presented for payment together with all unmatured Coupons appertaining thereto, failing which the full amount of any such missing unmatured Coupons (or, in the case of payment not being made in full, that proportion of the full amount of such missing unmatured Coupons which the sum of principal so paid bears to the total amount of principal due) will be deducted from the sum due for payment. Each amount so deducted will be paid in the manner mentioned above against surrender of the relevant missing Coupon at any time before the expiry of five years following the due date for payment of such principal (whether or not such Coupons would have become void pursuant to Condition 8).
- (c) If the relevant Payment Date is not a day on which banks are open for business in the place of presentation of the relevant Note or Coupon, the holder thereof shall not be entitled to payment until the next following day on which banks are open for business in the place of presentation, or to any interest or other payment in respect of such delay, provided that in the case of payment by transfer to an euro account as referred to above, the Paying Agent shall not be obliged to credit such account until the 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.
- (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 Notes are listed on Euronext Amsterdam N.V., shall be located in Amsterdam, the Netherlands. 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) *Final redemption*

If and to the extent not otherwise redeemed, the Issuer will, subject to Condition 9(b), redeem the Notes at their respective Principal Amount Outstanding on the Payment Date falling in May 2039 (the "**Final Maturity Date**").

(b) *Mandatory redemption*

Provided that no Enforcement Notice has been served in accordance with Condition 10, without prejudice to the obligations in Condition 6(g)), the Issuer shall be obliged to apply the Redemption Available Amount, if and to the extent such amount has not been applied to purchase

Substitute Mortgage Receivables, to redeem in whole at their respective Principal Amount Outstanding (or partially redeem) the Notes, other than the Subordinated Class E Notes, on each Payment Date on a *pro rata* basis in the following order, (i) firstly, the Senior Class A Notes until fully redeemed, and, thereafter, (ii) the Mezzanine Class B Notes until fully redeemed, and, thereafter, (iii) the Mezzanine Class C Notes until fully redeemed and , thereafter, (iv) the Junior Class D Notes until fully redeemed.

The principal amount so redeemable in respect of each relevant Note, (each a "**Principal Redemption Amount**") on the relevant Payment Date shall be the Redemption Available Amount (as applicable to each Class of Notes, other than the Subordinated Class E Notes) 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), provided always that the Principal Redemption Amount may never exceed the Principal Amount Outstanding 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.

(c) *Definitions*

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

"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, Further Redemption Amounts and Class E Redemption Amounts that have become due and payable prior to such Calculation Date or will become due on the immediately succeeding Payment Date, provided that for the purpose of Conditions 4, 6 and 10 all Principal Redemption Amounts, Further Redemption Amounts and Class E Redemption Amounts that have become due and not been paid shall not be so deducted.

"Redemption Available Amount" shall mean on any Calculation Date the aggregate amount received by the Issuer during the immediately preceding Calculation Period:

- (a) as repayment and prepayment of principal under the Mortgage Receivables, but excluding prepayment penalties less, with respect to each Savings Mortgage Receivable with the Savings Alternative, the Participation in such Savings Mortgage Receivable;
- (b) as Net Proceeds on any Mortgage Receivable to the extent such proceeds relate to principal less, with respect to each Savings Mortgage Receivable with the Savings Alternative, the Participation in such Savings Mortgage Receivable;
- (c) as amounts received in connection with a repurchase of Mortgage Receivables pursuant to the Mortgage Receivables Purchase Agreement and any other amounts received pursuant to the Mortgage Receivables Purchase Agreement to the extent such amounts relate to principal less, with respect to each Savings Mortgage Receivable with the Savings Alternative, the Participation in such Savings Mortgage Receivable;
- (d) as amounts received in connection with a sale of Mortgage Receivables pursuant to the Trust Deed to the extent such amounts relate to principal less, with respect to each Savings Mortgage Receivable with the Savings Alternative, the Participation in such Savings Mortgage Receivable;
- (e) as amounts to be credited to the Principal Deficiency Ledger on the immediately succeeding Payment Date in accordance with the Administration Agreement;
- (f) as Participation Increase pursuant to the Sub-Participation Agreement; and
- (g) as amounts equal to 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.

"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.

"Calculation Date" means, in relation to a Calculation Period, the second Business day prior to each Payment Date.

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

"Mortgage Calculation Period" means the period commencing on (and including) the first day of each calendar month and ending on (and including) the last day of such calendar month.

(d) *Determination of the Principal Redemption Amount, the Redemption Available Amount, the Further Redemption Available Amount, the Class E Redemption Available Amount and Principal Amount Outstanding*

(i) On each Calculation Date, the Issuer shall determine (or cause the Administrator to determine) (x) the Redemption Available Amount and, as the case may be, the Further Redemption Available Amount and, as the case may be, the Class E Redemption Available Amount, (y) the Principal Redemption Amount due for the relevant Class of Notes on the Payment Date and, as the case may be, the Further Redemption Amount and, as the case may be, the Class E 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 such determination by or on behalf of the Issuer shall in each case (in the absence of manifest error) be final and binding on all persons.

(ii) The Issuer will on each Calculation Date cause each determination of (x) the Redemption Available Amount and, as the case may be, the Further Redemption Available Amount and, as the case may be, the Class E Redemption Available Amount, (y) the Principal Redemption Amount due for the relevant Class of Notes on the Payment Date and, as the case may be, the Further Redemption Amount and, as the case may be, the Class E Redemption Amount due for the relevant Class of Notes on the Payment Date, and (z) the Principal Amount Outstanding of the Notes to be notified forthwith to the Security Trustee, the Paying Agent, the Reference Agent, Euroclear and Clearstream, Luxembourg, Euronext Amsterdam N.V. and to the holders of Notes by an advertisement in the English language in the Euronext Daily Official List ("*Officiële Prijscourant*") of Euronext Amsterdam N.V., for as long as the Notes are listed on Euronext Amsterdam N.V. If no Principal Redemption Amount is due to be made on the Notes on any applicable Payment Date, a notice to this effect will be given to the Noteholders in accordance with Condition 13.

(iii) If the Issuer or the Administrator on its behalf does not at any time for any reason determine (x) the Redemption Available Amount and, as the case may be, the Further Redemption Available Amount and, as the case may be, the Class E Redemption Available Amount, (y) the Principal Redemption Amount due for the relevant Class of Notes on the Payment Date and, as the case may be, the Further Redemption Amount and, as the case may be, the Class E Redemption Amount due for the relevant Class of Notes on the Payment Date, and (z) the Principal Amount Outstanding of the Notes, such (x) Redemption Available Amount and, as the case may be, Further Redemption Available Amount and, as the case may be, Class E Redemption Available Amount, (y) Principal Redemption Amount due for the relevant Class of Notes on the Payment Date and, as the case may be, Further Redemption Amount and, as the case may be, Class E Redemption Amount due for the relevant Class of Notes on the Payment Date, and (z) Principal Amount Outstanding of the Notes 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 due for the relevant Class of Notes on the Payment Date and, as the case may be, the Further Redemption Amount and, as the case may be, the Class E Redemption Amount due for the relevant Class of Notes on the Payment Date) 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.

(e) *Optional Redemption*

Unless previously redeemed in full, the Issuer may, at its option, on giving not more than 60 nor less than 30 days written notice to the Security Trustee and the Noteholders in accordance with Condition 13, on the Payment Date falling in February 2014 and on any Payment Date thereafter (each an "**Optional Redemption Date**") redeem all (but not some only) Notes, other than the Subordinated Class E Notes, at their Principal Amount Outstanding, subject to Condition 9(b), on such date if the Issuer has sufficient funds available to it for this purpose.

(f) *Mandatory Redemption of Subordinated Class E Notes*

Provided that no Enforcement Notice has been served in accordance with Condition 10, the Issuer shall be obliged to apply the Class E Redemption Available Amount to redeem (or partially redeem) on a *pro rata* basis the Subordinated Class E Notes on the Payment Date falling in February 2009 and each Payment Date thereafter, until fully redeemed. For the purpose of this Condition, "**Class E Redemption Available Amount**" shall mean on the Calculation Date immediately preceding the Payment Date falling in February 2009 and any Calculation Date thereafter until the Subordinated Class E Notes are redeemed in full, the Interest Available Amount, if and to the extent that all payments ranking above item (p) in the Interest Priority of Payments have been made in full.

The principal amount so redeemable in respect of each Subordinated Class E Note (the "**Class E Redemption Amount**"), on the relevant Payment Date shall be the Class E Redemption Available Amount on the Calculation Date relating to the Payment Date divided by the number of Notes (rounded down to the nearest euro), provided always that the amount so redeemable, may never exceed the Principal Amount Outstanding of the Subordinated Class E Notes. Following application of the relevant amount redeemable in respect of the Notes, the Principal Amount Outstanding of such Subordinated Class E Notes shall be reduced accordingly.

(g) *Further Mandatory Redemption*

Provided that no Enforcement Notice has been served in accordance with Condition 10 and, without prejudice to the obligations in Condition 6(b), the Issuer will be obliged to apply the Further Redemption Available Amount to redeem (or partially redeem) the Senior Class A Notes, the Mezzanine Class B Notes and/or the Mezzanine Class C Notes and/or the Junior Class D Notes on each Payment Date after the Step-Up Date on a *pro rata* basis in the following order (a) firstly, the Senior Class A Notes until fully redeemed, and, thereafter, (b) the Mezzanine Class B Notes until fully redeemed, and, thereafter, (c) the Mezzanine Class C Notes until fully redeemed, and, thereafter, (d) the Junior Class D Notes. For the purpose of this Condition "**Further Redemption Available Amount**" shall mean an amount 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 (p). The principal amount so redeemable in respect of each Note (the "**Further Redemption Amount**"), on the relevant Payment Date shall be the Further Redemption Available Amount on the Calculation Date relating to the Payment Date divided by the number of Notes of the relevant Class subject to such redemption (rounded down to the nearest euro), provided always that the amount so redeemable, taking into account any Principal Redemption Amount due in accordance with Condition 6(b), may never exceed the Principal Amount Outstanding of the relevant Note of the relevant Class. Following application of the relevant amount redeemable in respect of the Note, the Principal Amount Outstanding of such Note shall be reduced accordingly.

(h) *Redemption for tax reasons*

The Notes may be redeemed at the option of the Issuer, in whole, but not in part, at their Principal Amount Outstanding, subject to Condition 9(b), on any Payment Date, on giving not less than 30 nor more than 60 days' notice to the Noteholders and the Security Trustee at their Principal Amount Outstanding, if, immediately prior to giving such notice, the Issuer has satisfied the Security Trustee that:

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

No Class of Notes may be redeemed under such circumstances unless all Classes of Notes (or such of them as are then outstanding) are also redeemed in full at the same time.

(i) *Redemption for regulatory reasons*

The Notes may be redeemed at the option of the Issuer, in whole, but not in part, at their Principal Amount Outstanding, subject to Condition 9(b), on any Payment Date, by giving not less than 30 nor more than 60 days' notice to the Noteholders and the Security Trustee at their Principal Amount Outstanding if the Seller exercises its option to repurchase the Mortgage Receivables upon the occurrence of:

- (a) a change in the Basle Capital Accord promulgated by the Basle Committee on Banking Supervision (the "**Basle Accord**") or in the international, European or Dutch regulations, rules and instructions (which includes the solvency regulation on securitization of the Dutch Central Bank) (the "**Bank Regulations**") applicable to the Seller (including any change in the Bank Regulations enacted for purposes of implementing a change to the Basle Accord) or a change in the manner in which the Basle Accord or such Bank Regulations are interpreted or applied by the Basle Committee on Banking Supervision or by any relevant competent international, European or national body (including any relevant international, European or Dutch Central Bank or other competent regulatory or supervisory authority) which, in the opinion of the Seller, has the effect of adversely affecting the rate of return on capital of the Seller or increasing the cost or reducing the benefit to the Seller with respect to the transaction contemplated by the Notes (a "**Regulatory Change**"); and
- (b) the Issuer will have sufficient funds available on the Calculation Date immediately preceding such Payment Date to discharge all amounts of principal and interest due in respect of the Notes and any amounts required to be paid in priority or pari passu with each Class of Notes in accordance with the Trust Deed.

No Class of Notes may be redeemed under such circumstances unless all Classes of Notes (or such of them as are then outstanding) are also redeemed in full at the same time.

7. Taxation

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

8. Prescription

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

9. Subordination

(a) Interest

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

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

(b) *Principal*

Until the date on which the Principal Amount Outstanding of all Senior Class A Notes is reduced to zero, the Mezzanine Class B Noteholders will not be entitled to any repayment of principal in respect of the Mezzanine Class B Notes, other than the Further Redemption Available Amount, if any. If, on any Payment Date, there is a balance on the Class B Principal Deficiency Ledger, then notwithstanding any other provisions of these Conditions, the principal amount payable on redemption of each Mezzanine Class B Note on such Payment Date shall not exceed its Principal Amount Outstanding less the Mezzanine Class B Principal Shortfall on such Payment Date. The "**Mezzanine Class B Principal Shortfall**" shall mean an amount equal to the quotient of the balance on the Class B Principal Deficiency Ledger divided by the number of Mezzanine Class B Notes outstanding on such Payment Date. The Mezzanine Class B Noteholders shall have no further claim against the Issuer for the Principal Amount Outstanding on the Mezzanine Class B Notes after the earlier of (i) the Final Maturity Date or (ii) the date on which the Issuer no longer holds any Mortgage Receivables and there are no balances standing to the credit of the Floating Rate GIC Account.

Until the date on which the Principal Amount Outstanding of all Senior Class A Notes and Mezzanine Class B Notes are reduced to zero, the Mezzanine Class C Noteholders will not be entitled to any repayment of principal in respect of the Mezzanine Class C Notes, other than the Further Redemption Available Amount, if any. If, on any Payment Date, there is a balance on the Class C Principal Deficiency Ledger, then notwithstanding any other provisions of these Conditions the principal amount payable on redemption of each Mezzanine Class C Note on such Payment Date shall not exceed its Principal Amount Outstanding less the Mezzanine Class C Principal Shortfall on such Payment Date. The "**Mezzanine Class C Principal Shortfall**" shall mean an amount equal to the quotient of the balance on the Class C Principal Deficiency Ledger, divided by the number of Mezzanine Class C Notes outstanding on such Payment Date. The Mezzanine Class C Noteholders shall have no further claim against the Issuer for the Principal Amount Outstanding on the Mezzanine Class C Notes after the earlier of (i) the Final Maturity Date or (ii) the date on which the Issuer no longer holds any Mortgage Receivables and there are no balances standing to the credit of the Floating Rate GIC Account.

Until the date on which the Principal Amount Outstanding of all Senior Class A Notes, Mezzanine Class B Notes and Mezzanine Class C Notes are reduced to zero, the Junior Class D Noteholders will not be entitled to any repayment of principal in respect of the Junior Class D Notes, other than the Further Redemption Available Amount, if any. If, on any Payment Date, there is a balance on the Class D Principal Deficiency Ledger, then notwithstanding any other provisions of these Conditions the principal amount payable on redemption of each Junior Class D Note on such Payment Date shall not exceed its Principal Amount Outstanding less the Junior Class D Principal Shortfall on such Payment Date. The "**Junior Class D Principal Shortfall**" shall mean an amount equal to the quotient of the balance on the Class D Principal Deficiency Ledger, divided by the number of Junior Class D Notes outstanding on such Payment Date. The Junior Class D Noteholders shall have no further claim against the Issuer for the Principal Amount Outstanding on the Junior Class D Notes after the earlier of (i) the Final Maturity Date or (ii) the date on which the Issuer no longer holds any Mortgage Receivables and there are no balances standing to the credit of the Floating Rate GIC Account.

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

(c) *General*

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

10. Events of Default

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

- (a) default is made for a period of 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 Notes of the Relevant Class when and as the same ought to be paid in accordance with these Conditions; or
- (b) the Issuer fails to perform any of its other obligations binding on it under the Notes of the Relevant Class, the Trust Deed, the Paying Agency Agreement or the Pledge Agreements and, except where such failure, in the reasonable opinion of the Security Trustee, is incapable of remedy, such default continues for a period of 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 more than one Class of Notes is outstanding, no Enforcement Notice may or shall be given by the Security Trustee to the Issuer in respect of any Class of Notes ranking junior to the Most Senior Class of Notes irrespective of whether an Extraordinary Resolution is passed by the holders of such Class or Classes of Notes ranking junior to the Most Senior Class of Notes, unless an Enforcement Notice in respect of the Most Senior Class of 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 Most Senior Class of Notes, the Security

Trustee shall not be required to have regard to the interests of the holders of any Class of Notes ranking junior to the Most Senior Class of Notes.

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 Parallel Debt Agreement, including the making of a demand for payment thereunder, the Trust Deed, the Pledge Agreements and the Notes and Coupons, but it need not take any such proceedings unless (i) it shall have been directed by an Extraordinary Resolution of the Senior Class A Noteholders or, if all amounts due in respect of the Senior Class A Notes have been fully paid, the Mezzanine Class B Noteholders or, if all amounts due in respect of the Senior Class A Notes and the Mezzanine Class B Notes have been fully paid, the Mezzanine Class C Noteholders or, if all amounts due in respect of the Senior Class A Notes, the Mezzanine Class B Notes and the Mezzanine Class C Notes have been fully paid, the Junior Class D Noteholders or, if all amounts due in respect of the Senior Class A Notes, the Mezzanine Class B Notes, the Mezzanine Class C Notes and the Junior Class D Notes have been fully paid, the Subordinated Class E 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 the only remedy of the Security Trustee against the Issuer after any of the Notes have become due and payable pursuant to Condition 10 above is to enforce the Security.

12. Indemnification of the Security Trustee

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

13. Notices

With the exception of the publications from the Reference Agent in Condition 4 and from the Issuer in Condition 6, all notices to the Noteholders will only be valid if published in the English language in at least one daily newspaper of wide circulation in the Netherlands, or, if such newspaper shall cease to be published or timely publication therein shall not be practicable, in such newspaper as the Security Trustee shall approve having a general circulation in Europe and, as long as the Notes are listed on the Official Segment of the Stock Market of Euronext Amsterdam N.V., in the English language in the Euronext Daily Official List ("*Officiële Prijscourant*") of Euronext Amsterdam N.V. 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 separate meetings of the Senior Class A Noteholders, the Mezzanine Class B Noteholders, the Mezzanine Class C Noteholders, the Junior Class D Noteholders and the Subordinated Class E Noteholders to consider matters affecting the interests, including the sanctioning by Extraordinary Resolution, of such Noteholders of the relevant Class of a change of any of these Conditions or any provisions of the Relevant Documents, provided that no change of certain terms by the Noteholders of any Class including the date of maturity of the Notes of the relevant Class, or a change which would have the effect of postponing any day for payment of interest in respect of such Notes, reducing or cancelling the amount of principal payable in respect of such Notes or altering the majority required to pass an Extraordinary Resolution or any alteration of the date or priority of redemption of such Notes (any such change in respect of any such Class of Notes referred to below as a "**Basic Terms Change**") shall be effective unless such Basic Terms

Change is sanctioned by Extraordinary Resolution of the Noteholders of the relevant Class of Notes, except that, if the Security Trustee is of the opinion that such a Basic Terms Change is being proposed by the Issuer as a result of, or in order to avoid, an Event of Default, no such Extraordinary Resolution of the Noteholders of the relevant Class of Notes is required.

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

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

An Extraordinary Resolution of the Mezzanine Class B Noteholders and/or the Mezzanine Class C Noteholders and/or the Junior Class D Noteholders and/or the Subordinated Class E Noteholders shall only be effective when the Security Trustee is of the opinion that it will not be materially prejudicial to the interests of the Senior Class A Noteholders and/or, as the case may be, the Mezzanine Class B Noteholders and/or, as the case may be, the Mezzanine Class C Noteholders and/or the Junior Class D Noteholders or it is sanctioned by an Extraordinary Resolution of the Senior Class A Noteholders or, as the case may be, the Class B Noteholders and/or, as the case may be, the Mezzanine Class C Noteholders or, as the case may be, the Junior Class D Noteholders. The Trust Deed imposes no such limitations on the powers of the Senior Class A Noteholders, the exercise of which will be binding on the Mezzanine Class B Noteholders, the Mezzanine Class C Noteholders, the Junior Class D Noteholders, and on the Subordinated Class E 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 S&P, Moody's and Fitch and (ii) S&P, 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 Senior Class A Noteholders and the Mezzanine Class B Noteholders and the Mezzanine Class C Noteholders and the Junior Class D Noteholders and the Subordinated Class E 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. Any legal action or proceedings arising out of or in connection with the Notes and Coupons, shall be irrevocably submitted by the Issuer to the jurisdiction of the District Court in Amsterdam, the Netherlands. This submission is made for the exclusive benefit of the holders of the Notes and the Security Trustee and shall not affect their right to take such action or bring such proceedings in any other courts of competent jurisdiction.

17. Additional obligations

For as long as the Notes are listed on the Official Segment of the Stock Market of Euronext Amsterdam N.V., the Issuer will comply with the provisions set forth in Article 2.1.20 Section a-g of Schedule B of the Listing and Issuing Rules ("*Fondsenreglement*") of Euronext Amsterdam 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 Class of Notes shall be initially represented by (i) in the case of the Senior Class A Notes a temporary global note (the "**Temporary Global Note**") in bearer form, without coupons, in the principal amount of euro 1,417,500,000, (ii) in the case of the Mezzanine Class B Notes a Temporary Global Note in bearer form, without coupons, in the principal amount of euro 30,000,000, (iii) in the case of the Mezzanine Class C Notes a Temporary Global Note in bearer form, without coupons, in the principal amount of euro 37,500,000, (iv) in the case of the Junior Class D Notes a Temporary Global Note in bearer form, without coupons, in the principal amount of euro 15,000,000 and (v) in the case of the Subordinated Class E Notes a Temporary Global Note in bearer form, without coupons, in the principal amount of euro 28,500,000. Each Temporary Global Note will be deposited with a common depositary for Euroclear Bank S.A./N.V., as operator of the Euroclear System ("**Euroclear**"), and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**") on or about 24 February 2005. Upon deposit of each such Temporary Global Note, Euroclear and Clearstream, Luxembourg, as the case may be, will credit each purchaser of Notes represented by such Temporary Global Note with the principal amount of the relevant Class of Notes equal to the principal amount thereof for which it has purchased and paid. Interests in each Temporary Global Note will be exchangeable (provided certification of non-US beneficial ownership by the Noteholders has been received) not earlier than 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. Such Definitive Notes shall be issued in denominations of euro 100,000 or, as the case may be, in the then Principal Amount Outstanding of the Notes on such issue date. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a Note will be entitled to receive any payment made in respect of that Note in accordance with the respective rules and procedures of Euroclear or, as the case may be, Clearstream, Luxembourg. Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes, which must be made by the holder of a Global Note, for so long as such Global Note is outstanding. Each person must give a certificate as to non-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 all of the Notes are represented by the Global Notes and such Global Notes are held on behalf of Euroclear and/or Clearstream, Luxembourg, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg (as the case may be) for communication to the relevant accountholders rather than by publication as required by Condition 13 (provided that, in the case any publication required by a stock exchange, that stock exchange agrees or, as the case may be, any other publication requirement of such stock exchange will be met). Any such notice shall be deemed to have been given to the Noteholders on the seventh day after the day on which such notice is delivered to Euroclear and/or Clearstream, Luxembourg (as the case may be) as aforesaid.

For so long as 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 24 February 2005, 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) Senior Class A Notes in definitive form in exchange for the whole outstanding interest in the Permanent Global Note in respect of the Senior Class A Notes; and
- (ii) Mezzanine Class B Notes in definitive form in exchange for the whole outstanding interest in the Permanent Global Note in respect of the Mezzanine Class B Notes; and
- (iii) Mezzanine Class C Notes in definitive form in exchange for the whole outstanding interest in the Permanent Global Note in respect of the Mezzanine Class C Notes; and
- (iv) Junior Class D Notes in definitive form in exchange for the whole outstanding interest in the Permanent Global Note in respect of the Junior Class D Notes; and
- (v) Subordinated Class E Notes in definitive form in exchange for the whole outstanding interest in the Permanent Global Note in respect of the Subordinated Class E 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 IN THE NETHERLANDS

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

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

Subject to the foregoing:

1. No registration, stamp, transfer or turnover taxes or other similar duties or taxes will be payable in the Netherlands in respect of the offering and the Issue of the Notes by the Issuer or in respect of the signing and delivery of the Documents.
2. No Netherlands withholding tax will be due on payments of principal and/or interest.
3. A holder of Notes (a "**Holder**") will not be subject to Netherlands taxes on income or capital gains in respect of the acquisition or holding of Notes or any payment under the Notes or in respect of any gain realised on the disposal or redemption of the Notes, provided that:
 - (i) such Holder is neither a resident nor deemed to be a resident nor has opted to be treated as a resident in the Netherlands; and
 - (ii) such Holder does not have an enterprise or an interest in an enterprise that, in whole or in part, is carried on through a permanent establishment or a permanent representative in the Netherlands and to which permanent establishment or permanent representative the Notes are attributable;
and, if the Holder is a legal person,
 - (iii) such Holder does not have a substantial interest* in the share capital of the Issuer and/or the Seller or in the event that such Holder does have such an interest, such interest forms part of the assets of an enterprise; and
 - (iv) such Holder does not have a deemed Netherlands enterprise to which enterprise the Notes are attributable;
and, if the Holder is a natural person,
 - (v) such Holder does not derive benefits from miscellaneous activities carried out in the Netherlands in respect of the Notes, including, without limitation, activities which are beyond the scope of active portfolio investment activities; and
 - (vi) such Holder or a person related to the Holder by law, contract, consanguinity or affinity to the degree specified in the tax laws of the Netherlands does not have, or is not deemed to have, a substantial interest* in the share capital of the Issuer and/or Seller.

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

of the total issued and outstanding capital, or the issued and outstanding capital of any class of shares, of the Issuer and/or Seller.

4. There will be no Dutch gift, estate or inheritance tax levied on the acquisition of a Note by way of gift by, or on the death of a Holder, if the Holder at the time of the gift or the death is neither a resident nor a deemed resident of the Netherlands, unless:
 - (i) at the time of the gift or death, the Notes are attributable to an enterprise or part thereof, which is carried on through a permanent establishment or a permanent representative in the Netherlands; or
 - (ii) the Holder dies within 180 days of making the gift, and at the time of death is a resident or deemed resident of the Netherlands.

PURCHASE AND SALE

The Royal Bank of Scotland plc, UBS Limited, Deutsche Bank AG, London, Dresdner Kleinwort Wasserstein, DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main and SNS Bank N.V. (together the "**Class A Managers**") have pursuant to a notes purchase agreement dated 22 February 2005, among the Class A Managers, the Issuer and the Seller (the "**Class A Notes Purchase Agreement**"), jointly and severally agreed with the Issuer, subject to certain conditions, to purchase the Senior Class A Notes at their issue price. The Royal Bank of Scotland plc and UBS Limited (the "**Class B, C, D and E Managers**") have, pursuant to a notes purchase agreement dated 22 February 2005, among the Class B, C, D and E Managers, the Seller and the Issuer (the "**Class B, C, D and E Notes Purchase Agreement**") agreed with the Issuer, subject to certain conditions, to purchase the Mezzanine Class B Notes, the Mezzanine Class C Notes, the Junior Class D Notes and the Subordinated Class E Notes at their issue price. The Class A Managers and the Class B, C, D and E Managers 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.

United Kingdom

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 (as amended) or the Financial Services and Markets Act 2000 ("**FSMA**"), (ii) it has complied and will comply with all applicable provisions of FSMA 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 communicated or caused to be communicated and it will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of FSMA) received by it in connection with the issue or sale of such Notes in circumstances in which Section 21(1) of FSMA does not apply to the Issuer.

United States

The Notes have not been and will not be registered under the Securities Act and are subject to United State tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or to US persons. Each Manager has agreed that it will not offer, sell or deliver the Notes within the United States or to US persons except as permitted by the relevant Notes Purchase Agreement. In addition, until 40 days after the commencement of the offering, an offer or sale of the Notes within the United States by any dealer (whether or not participating in the purchase) may violate the registration requirements of the Securities Act. Terms used in these paragraphs have the meanings given to them by Regulation S under the Securities Act and the US Internal Revenue Code and regulations thereunder.

France

Each of the Managers has agreed that it has not offered or sold and will not offer or sell, directly or indirectly, any Notes to the public in the Republic of France and that it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in the Republic of France this Offering Circular or any amendment or supplement to it or any other offering material relating to the Notes, and that such offers, sales and distributions have been and shall only be made in the Republic of France to (i) qualified investors (*investisseurs qualifiés*) and/or (ii) a restricted group of investors (*cercle restreint d'investisseurs*), all as defined in and in accordance with Article L.411.2 of the French *Code Monétaire et Financier* and Decree no. 98-880 dated 1 October 1998.

In addition, each of the Managers has agreed that it has not distributed or caused to be distributed and will not distribute or cause to be distributed in the Republic of France, the Offering Circular or any other offering material relating to the Notes other than to investors to whom offers and sales of Notes in the Republic of France may be made as described above.

This document has not been submitted to the "Autorité des Marchés Financiers" for approval and does not constitute an offer for sale or subscription of securities.

Germany

Each Manager has acknowledged that the Notes are issued under the "Euro 40,000 Exemption" pursuant to Section 2 No. 4 of the Securities Selling Prospectus Act of the Federal Republic of Germany ("*Wertpapier- Verkaufsprospektgesetz*") of December 13, 1990, as amended (the "**Securities Selling Prospectus Act**") and that no Securities Sales Prospectus ("*Verkaufsprospekt*") has been published; in particular, the Notes may not be offered in Germany by way of public promotions. Each Manager represents and agrees that it has offered and sold and will offer and sell the Notes only (i) in denominations of at least Euro 40,000, or (ii) for an aggregate purchase price per purchaser of at least Euro 40,000 (or the foreign currency equivalent), or (iii) if the selling price for all Notes offered does not exceed Euro 40,000 or such other amount as may be stipulated from time to time by applicable German law. In particular, each Manager undertakes not to engage in public offerings in the Federal Republic of Germany with respect to the Notes otherwise than in accordance with the Securities Selling Prospectus Act and any other act replacing for supplementing such Act, and all other applicable laws and regulations.

Italy

Each Manager will acknowledge that the offering of the Notes has not been cleared by CONSOB (the Italian Securities Exchange Commission) and the Bank of Italy pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of this Offering Circular or of any other document relating to the Notes be distributed in the Republic of Italy, except:

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

Any offer, sale or delivery of the Notes or distribution of copies of this Offering Circular or any other document relating to the Senior Class A Notes in the Republic of Italy under (i) or (ii) above must be:

- (i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act and Legislative Decree No. 385 of 1 September 1993 (the "**Banking Act**"), as amended;
- (ii) in compliance with Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy pursuant to which the issue or the offer of securities in the Republic of Italy may need to be preceded and followed by an appropriate notice to be filed with the Bank of Italy depending, *inter alia*, on the aggregate value of the securities issued or offered in the Republic of Italy and their characteristics; and
- (iii) in accordance with any other applicable laws and regulations.

Spain

Each Manager will acknowledge that the Notes may not be offered or sold in Spain by means of a public offer as defined and construed by Spanish law unless such public offer is made in compliance with the requirements of Law 24/1988 of 28th July (as amended by Law 37/1998 of 16th November), on the Spanish Securities Market and the Royal Decree 291/1992 of 27th March (as amended by Royal Decree 2590/1998 of 7th December and Royal Decree 705/2002 of 19th July), on issues and public offers for the sale of securities.

General

The distribution of this Offering Circular and the offering and sale 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 or any part thereof does not constitute an offer, or an invitation to sell or a solicitation of an offer to buy the Notes in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction.

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

GENERAL INFORMATION

1. The issue of the Notes has been duly authorised by a resolution of the board of directors of the Issuer passed on 14 February 2005.
2. Application has been made to list the Senior Class A Notes, the Mezzanine Class B Notes, the Mezzanine Class C Notes, the Junior Class D Notes and the Subordinated Class E Notes on the Official Segment of the Stock Market of Euronext Amsterdam N.V.
3. The Senior Class A Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg and through the Securities Clearing Corporation of Euronext Amsterdam N.V. and will bear common code 021218383, ISIN code XS0212183833, Fondscore 15129 and WKN code AODYJC.
4. The Mezzanine Class B Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg and through the Securities Clearing Corporation of Euronext Amsterdam N.V. and will bear common code 021218456, ISIN code XS0212184567, Fondscore 15130 and WKN code AODYJD.
5. The Mezzanine Class C Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg and through the Securities Clearing Corporation of Euronext Amsterdam N.V. and will bear common code 021218529, ISIN code XS0212185291, Fondscore 15131 and WKN code AODYJE.
6. The Junior Class D Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg and through the Securities Clearing Corporation of Euronext Amsterdam N.V. and will bear common code 021218553, ISIN code XS0212185531, Fondscore 15132 and WKN code AODYJF.
7. The Subordinated Class E Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg and through the Securities Clearing Corporation of Euronext Amsterdam N.V. and will bear common code 021218600, ISIN code XS0212186000, Fondscore 15133 and WKN code AODYJG.
8. KPMG Accountants N.V. 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.
9. There has been no material adverse change in the financial position or prospects of the Issuer since 26 January 2005.
10. Since its incorporation, the Issuer has not been involved in any legal, arbitration or administrative 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.
11. Copies of the following documents may be inspected at the specified offices of the Security Trustee and the Paying Agent during normal business hours:
 - (i) the Deed of Incorporation of the Issuer;
 - (ii) the Mortgage Receivables Purchase Agreement;
 - (iii) the Deed of Assignment
 - (iv) the Class A Notes Purchase Agreement;
 - (v) the Class B, C, D and E Notes Purchase Agreement;
 - (vi) the Paying Agency Agreement;
 - (vii) the Trust Deed;
 - (viii) the Parallel Debt Agreement;
 - (ix) the Security Trustee Pledge Agreement I;
 - (x) the Security Trustee Pledge Agreement II;
 - (xi) the Issuer Pledge Agreement;
 - (xii) the Administration Agreement;

- (xiii) the Liquidity Facility Agreement;
- (xiv) the Floating Rate GIC;
- (xv) the Swap Agreement;
- (xvi) the Sub-Participation Agreement;
- (xvii) the Beneficiary Waiver Agreement; and
- (xviii) the Master Definitions Agreement.

11. The audited annual financial statements of the Issuer will be made available, free of charge, from the specified office of the Security Trustee.

12. The articles of association of the Issuer are incorporated herein by reference. A free copy thereof will be available at the registered office of the Issuer.

13. US Taxes:

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

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

14. A quarterly report on the performance of the transaction, can be obtained at:
www.securitisation.nl

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ISSUER

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SELLER

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