

OFFERING CIRCULAR DATED 9 JUNE 2004

## Dutch Mortgage Portfolio Loans IV B.V.

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

euro 1,202,500,000 floating rate Senior Class A Mortgage-Backed Notes 2004 due 2052, issue price 100 per cent.

euro 21,500,000 floating rate Mezzanine Class B Mortgage-Backed Notes 2004 due 2052, issue price 100 per cent.

euro 26,000,000 floating rate Junior Class C Mortgage-Backed Notes 2004 due 2052, issue price 100 per cent.

euro 6,250,000 floating rate Subordinated Class D Notes 2004 due 2052, issue price 100 per cent.

Application has been made to list the euro 1,202,500,000 floating rate Senior Class A Mortgage-Backed Notes 2004 due 2052 (the 'Senior Class A Notes'), the euro 21,500,000 floating rate Mezzanine Class B Mortgage-Backed Notes 2004 due 2052 (the 'Mezzanine Class B Notes'), the euro 26,000,000 floating rate Junior Class C Mortgage-Backed Notes 2004 due 2052 (the 'Junior Class C Notes') and the euro 6,250,000 floating rate Subordinated Class D Notes 2004 due 2052 (the 'Subordinated Class D Notes'), and together with the Senior Class A Notes, the Mezzanine Class B Notes and the Junior Class C Notes, the 'Notes' 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 10 June 2004.

The Notes will carry floating rates of interest, payable quarterly in arrear on each Quarterly Payment Date (as defined herein), based upon three months Euribor plus, up to the Quarterly Payment Date falling in May 2011, a margin of 0.15 per cent. per annum for the Senior Class A Notes, 0.37 per cent. per annum for the Mezzanine Class B Notes, 0.78 per cent. per annum for the Junior Class C Notes and 3.25 per cent. per annum for the Subordinated Class D Notes. If on the Quarterly Payment Date falling in May 2011, the Notes have not been redeemed in full, subject to and in accordance with the terms and conditions of the Notes (the 'Conditions'), then the margin applicable to the Notes will be reset to be for the Senior Class A Notes 0.45 per cent. per annum, for the Mezzanine Class B Notes 0.74 per cent. per annum, for the Junior Class C Notes 1.17 per cent. per annum and for the Subordinated Class D Notes 3.25 per cent. per annum.

The Notes are scheduled to mature on the Quarterly Payment Date falling in November 2052 (the 'Final Maturity Date'). On the Quarterly Payment Date falling in August 2004 and each Quarterly Payment Date thereafter the Notes, other than the Subordinated Class D Notes, will be subject to mandatory partial redemption in the circumstances set out in, and subject to and in accordance with the Conditions through the application of the Principal Redemption Amounts (as defined in Condition 6). On the Quarterly Payment Date falling in May 2008 and each Quarterly Payment Date thereafter (or earlier if all other Notes have been redeemed in full) the Subordinated Class D Notes will be subject to mandatory partial redemption in the circumstances set out in, subject to and in accordance with the Conditions through the application of the amounts remaining of the Notes Interest Available Amounts after all payments ranking higher have been made. On the Quarterly Payment Date falling in May 2011 and each Quarterly Payment Date thereafter (each an 'Optional Redemption Date') the Issuer will have the option to redeem all (but not some only) of the Notes at their Principal Amount Outstanding, in the circumstances set out in, subject to and in accordance with the Conditions. Furthermore, the Notes may be subject to redemption in full subject to Condition 9(b) if the Issuer exercises any of its call options as provided for in Condition 6(e), Condition 6(h) or Condition 6(i). In case the withholding or deduction of taxes, duties, assessments or charges are required by law in respect of payments of principal and/or interest of the Notes, such withholding or deduction will be made without an obligation of the Issuer to pay any additional amount to the Noteholders (as defined below).

It is a condition precedent to issuance that the Senior Class A Notes, on issue, be assigned an "Aaa" rating by Moody's Investors Service Limited ('Moody's') and an "AAA" rating by Standard & Poor's Ratings Group, a division of the McGraw Hill Group of Companies ('S&P') and together with Moody's, the 'Rating Agencies'), the Mezzanine Class B Notes, on issue, be assigned at least an "A2" rating by Moody's and an "A" rating by S&P, the Junior Class C Notes, on issue, be assigned at least a "Baa2" rating by Moody's and a "BBB" rating by S&P and the Subordinated Class D Notes, on issue, be assigned at least a "Baa2" rating by Moody's and a "BB" rating by S&P. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. For a discussion of some of the risks associated with an investment in the Notes, see *Special Considerations herein*.

The Notes will be secured by a pledge over the Mortgage Receivables and the Beneficiary Rights and a pledge over all the assets of the Issuer. The right to payment of interest and principal on the Mezzanine Class B Notes, the Junior Class C Notes and the Subordinated Class D Notes will be subordinated and may be limited as more fully described herein.

The Notes of each Class will be initially represented by a temporary global note in bearer form (each a 'Temporary Global Note'), without coupons, which is expected to be deposited with a common depository for Euroclear Bank S.A./N.V., as operator of the Euroclear System ('Euroclear') and Clearstream Banking, société anonyme ('Clearstream, Luxembourg'), on or about the Closing Date. Interests in each Temporary Global Note will be exchangeable for interests in a permanent global note of the relevant Class (each a 'Permanent Global Note'), without coupons (the expression 'Global Notes' means the Temporary Global Note of each Class and the Permanent Global Note of each Class and the expression 'Global Note' means each Temporary Global Note or each Permanent Global Note, as the context may require) not earlier than forty (40) days after the Closing Date upon certification as to non-U.S. beneficial ownership. Interests in each Permanent Global Note will, in certain limited circumstances, be exchangeable for Notes in definitive bearer form as described in the Conditions.

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

Capitalised terms used in this Offering Circular, unless otherwise indicated, have the meanings as set out in this Offering Circular.

### Joint Lead Managers

ABN AMRO

Deutsche Bank

JPMorgan

### Senior Co-lead Manager

Millennium bcp investmentto

### Co-lead Managers

Dexia Capital Markets  
Fortis Bank

WestLB AG

Danske Bank  
CDC IXIS Capital Markets

## IMPORTANT INFORMATION

The Issuer is responsible for the information contained in this Offering Circular except for the information referred to in the following two 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 either the Seller or the Swap Counterparty is responsible, contained in this Offering Circular is in accordance with the facts and there are no other facts, the omission of which would, in the context of the issue of the Notes, make any statements herein, whether of fact or opinion, misleading in any material respect. The Issuer accepts responsibility accordingly.

The Seller is responsible solely for the information contained in the following sections of this Offering Circular: "the Dutch Residential Mortgage Market", "Eureko B.V.", "Achmea Hypotheekbank N.V.", "Description of the Mortgage Loans" and "Mortgage Loan Underwriting and Servicing". To the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case) the information for which the Seller is responsible, is in accordance with the facts and there are no other facts, the omission of which would, in the context of the issue of the Notes, make any statements herein, whether of fact or opinion, misleading in any material respect.

The Swap Counterparty is responsible solely for the information contained in the section "The Swap Counterparty".

This Offering Circular is to be read in conjunction with the articles of association of the Issuer which are deemed to be incorporated herein by reference (see General Information below). This Offering Circular shall be read and construed on the basis that such document is incorporated in and forms part of this Offering Circular. Neither this Offering Circular nor any part thereof constitutes an offer or an invitation to sell or a solicitation of an offer to buy Notes in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction. The distribution of this document and the offering of the Notes in certain jurisdictions may be restricted by law.

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 or any of the Managers.

Persons into whose possession this document (or any part thereof) comes are required to inform themselves about, and to observe, any such restrictions. A fuller description of the restrictions on offers, sales and deliveries of the Notes and on the distribution of this Offering Circular is set out in Purchase and Sale below. No one is authorised to give any information or to make any representation concerning the issue of the Notes other than those contained in this 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. Neither the Issuer nor any party have any obligation to update this Offering Circular, except when required by the listing and issuing rules of Euronext Amsterdam.

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

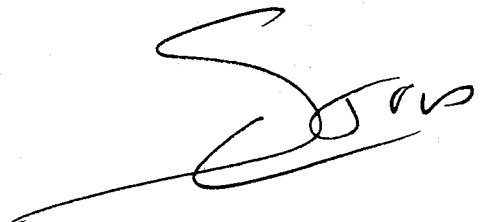
The Notes have not been approved or disapproved by the US Securities and Exchange Commission, any state securities commission or any other regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of this offering or the accuracy or adequacy of this Offering Circular.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

The Notes have not been and will not be registered under the US Securities Act of 1933, as amended (the 'Securities Act') and may not be offered, sold or delivered in or into the United States or to or for the account or benefit of US persons (as defined in Regulation S under the Securities Act) except

pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. The Notes are subject to US tax law requirements.

In connection with the issue of the Notes, Deutsche Bank AG London (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 may be no obligation on the Stabilising Manager (or any agent of the Stabilising Manager) to do this. Such stabilising, if commenced, may be discontinued at any time. 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 thirty (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 Regelling Gedragstoezicht Effectenverkeer 2002"), as amended.

All references 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).

A handwritten signature in black ink, consisting of a large, stylized 'S' followed by several loops and a horizontal line at the bottom.

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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.

### THE PARTIES:

Issuer:	Dutch Mortgage Portfolio Loans IV B.V., incorporated under the laws of the Netherlands as a private company with limited liability (" <i>besloten vennootschap met beperkte aansprakelijkheid</i> ").
Seller:	Achmea Hypotheekbank N.V. ( <b>Achmea Hypotheekbank</b> ), incorporated under the laws of the Netherlands as a public company (" <i>naamloze vennootschap</i> ").
Originators:	Avéro Hypotheken B.V., Centraal Beheer Hypotheken B.V., FBTO Hypotheken B.V. and Woonfonds Nederland B.V., all incorporated under the laws of the Netherlands as a private company with limited liability (" <i>besloten vennootschap met beperkte aansprakelijkheid</i> ") and as of 1st September 2000 merged into the Seller.
Issuer Administrator:	Achmea Hypotheekbank.
Pool Servicer:	Achmea Hypotheekbank.
Security Trustee:	Stichting Security Trustee DMPL IV, established under the laws of the Netherlands as a foundation (" <i>stichting</i> ").
Shareholder:	Stichting DMPL IV Holding, established under the laws of the Netherlands as a foundation (" <i>stichting</i> "). The entire issued share capital of the Issuer is owned by the Shareholder.
Directors:	ATC Management B.V., the sole director of the Issuer and the Shareholder and Amsterdamsch Trustee's Kantoor B.V., the sole director of the Security Trustee. The Directors belong to the same group of companies.
Swap Counterparty:	CDC IXIS Capital Markets, London Branch (" <b>CDC ICM</b> ").
Liquidity Facility Provider:	ABN AMRO Bank N.V. (" <b>ABN AMRO</b> ")
Floating Rate GIC Provider:	ABN AMRO
Principal Paying Agent:	Deutsche Bank AG London (" <b>Deutsche Bank</b> ").
Paying Agent:	Deutsche Bank AG Amsterdam Branch (and together with Deutsche Bank in its capacity as Principal Paying Agent, the " <b>Paying Agents</b> ").
Reference Agent:	Deutsche Bank.
Participant:	Achmea Pensioen- en Levensverzekeringen N.V., incorporated under the laws of the Netherlands as a public company (" <i>naamloze vennootschap</i> ").

### THE NOTES:

Notes:	The euro 1,202,500,000 floating rate Senior Class A Mortgage-Backed Notes 2004 due 2052 (the ' <b>Senior Class A Notes</b> '), the euro 21,500,000 floating rate Mezzanine Class B Mortgage-Backed Notes 2004 due 2052 (the ' <b>Mezzanine Class B Notes</b> '), the euro 26,000,000 floating rate Junior Class C Mortgage-Backed Notes 2004 due 2052 (the ' <b>Junior Class C Notes</b> ') and the euro 6,250,000 floating rate Subordinated Class D Notes 2004 due 2052 (the ' <b>Subordinated Class D Notes</b> ', and together with the Senior Class A Notes, the Mezzanine Class B Notes and the Junior Class C Notes, the ' <b>Notes</b> ') will be issued by the Issuer on 10 June 2004 (or such later date as may be agreed between the Issuer and the Joint Lead Managers) (the ' <b>Closing Date</b> ').
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- 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 Junior Class C Notes: 100 per cent.; and
  - (iv) the Subordinated Class D Notes: 100 per cent..
- Denomination: The Notes will be issued in denominations of euro 500,000, except for the Subordinated Class D Notes, which will be issued in denominations of euro 625,000.
- Status and Ranking: The Notes of each Class rank *pari passu* and rateably without any preference or priority among Notes of the same Class. In accordance with the Conditions and the Trust Deed (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 Junior 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 Subordinated 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 Junior Class C Notes. See further *Terms and Conditions of the Notes* below.
- Interest: Interest on the Notes is payable by reference to successive interest periods (each a 'Floating Rate Interest Period') and will be payable quarterly in arrear in euro in respect of the Principal Amount Outstanding (as defined in the Conditions) on the 20th day of August, November, February and May (or, if such day is not a Business Day (as defined below), the next succeeding Business Day, unless such Business Day falls in the next succeeding calendar month in which event the Business Day immediately preceding such 20th day) in each year (each such day being a 'Quarterly Payment Date'). Each successive Floating Rate Interest Period will commence on (and include) a Quarterly Payment Date and end on (but exclude) the next succeeding Quarterly Payment Date, except for the first Floating Rate Interest Period which will commence on (and include) the Closing Date and end on (but exclude) the Quarterly Payment Date falling in August 2004. The interest will be calculated on the basis of the actual days elapsed in the Floating Rate Interest Period divided by a year of 360 days. A 'Business Day' means a day on which banks are open for business in Amsterdam and London, provided that such day is also a day on which the Trans-European Automated Real-Time Gross Settlement European Transfer System ('TARGET System') or any successor thereto is operating credit or transfer instructions in respect of payments in euro.
- Interest on the Notes for each Floating Rate Interest Period will accrue at an annual rate equal to the sum of the euro Interbank Offered Rate ('Euribor') for three months deposits in euro (determined in accordance with Condition 4(f) (or, in respect of the first Floating Rate Interest Period, the rate which represents the linear interpolation of Euribor for 2 and 3 months deposits in euro, rounded, if necessary, to the 5th decimal place with 0.000005, being rounded upwards), plus up to the first Optional Redemption Date (as defined below), a margin of:
- (i) 0.15 per cent. per annum for the Senior Class A Notes;
  - (ii) 0.37 per cent. per annum for the Mezzanine Class B Notes;
  - (iii) 0.78 per cent. per annum for the Junior Class C Notes; and
  - (iv) 3.25 per cent. per annum for the Subordinated Class D Notes.

Interest Step up:	<p>If on the first Optional Redemption Date the relevant Class of Notes have not been redeemed in full, the margin of the Notes will be reset to be:</p> <ul style="list-style-type: none"> <li>(i) 0.45 per cent. per annum for the Senior Class A Notes;</li> <li>(ii) 0.74 per cent. per annum for the Mezzanine Class B Notes;</li> <li>(iii) 1.17 per cent. per annum for the Junior Class C Notes; and</li> <li>(iv) 3.25 per cent. per annum for the Subordinated Class D Notes,</li> </ul> <p>payable by reference to Floating Rate Interest Periods on each Quarterly Payment Date.</p>
Payment of Principal to Noteholders:	<p>The Issuer will be obliged to use all amounts received as principal on the Mortgage Receivables – subject to the Conditions – to (partially) redeem the Notes, excluding the Subordinated Class D Notes. Such amounts will be passed through on each Quarterly Payment Date (the first falling in August 2004) in the following order:</p> <ul style="list-style-type: none"> <li>(i) <i>firstly</i> to the holders of the Senior Class A Notes, until the Senior Class A Notes are fully redeemed,</li> <li>(ii) <i>secondly</i>, to the holders of the Mezzanine Class B Notes, until the Mezzanine Class B Notes are fully redeemed; and</li> <li>(iii) <i>thereafter</i>, to the holders of the Junior Class C Notes, until the Junior Class C Notes are fully redeemed.</li> </ul> <p>Provided that no Enforcement Notice has been served in accordance with Condition 10, the Issuer will be obliged to apply the Notes Interest Available Amount, if and to the extent that all payments ranking above item (n) in the Interest Priority of Payments have been made in full, to redeem (or partially redeem) on a <i>pro rata</i> basis the Subordinated Class D Notes (i) on the Quarterly Payment Date falling in May 2008 and each Quarterly Payment Date thereafter until fully redeemed as long as the Senior Class A Notes, the Mezzanine Class B Notes and Junior Class C Notes are not fully redeemed or (ii) if earlier, on each Quarterly Payment Date, provided that on such Quarterly Payment Date, the Classes of Notes ranking higher in priority to the Subordinated Class D Notes have been redeemed in full.</p>
Optional Redemption of the Notes:	<p>On the Quarterly Payment Date falling in May 2011 and each Quarterly Payment Date thereafter (each an ‘Optional Redemption Date’) the Issuer has the option (but not the obligation to do so) to redeem all (in whole but not in part) of the Notes, as follows:</p> <ul style="list-style-type: none"> <li>(i) each of the Senior Class A Notes, at its Principal Amount Outstanding;</li> <li>(ii) each of the Mezzanine Class B Notes at its Principal Amount Outstanding less the Mezzanine Class B Principal Shortfall (as defined in Condition 6(e)), if any; and</li> <li>(iii) each the Junior Class C Notes at its Principal Amount Outstanding, less the Junior Class C Principal Shortfall (as defined in Condition 6(e)), if any.</li> </ul> <p>The Subordinated Class D Notes will be redeemed in accordance with Condition 6(f).</p>
Final Maturity Date:	<p>Unless previously redeemed as provided above, the Issuer will, subject to the Conditions, redeem the Notes, at their respective Principal Amount Outstanding on the Quarterly Payment Date falling in November 2052.</p>
Regulatory Call Option:	<p>In the event of the occurrence of a Regulatory Change (as defined in Condition 6(g)), the Issuer shall, if so directed by Achmea Hypotheekbank, redeem the Notes excluding the Subordinated Class D Notes, in whole but not in part, on any Quarterly Payment Date at their Principal Amount Outstanding together with interest accrued up to and</p>

including the date of redemption and subject to and in accordance with Condition 9(b) (the "Regulatory Call Option"). The Subordinated Class D Notes will be redeemed in accordance with Condition 6(f).

**Clean-Up Call Option:**

The Issuer may at its option (but has no obligation to do so) redeem all, in whole but not in part, of the Notes, excluding the Subordinated Class D Notes, at their Principal Amount Outstanding, together with accrued interest, on the Quarterly Payment Date on which the aggregate Principal Amount Outstanding of the Notes, other than the Subordinated Class D Notes, is less than 10 per cent. of the aggregate Principal Amount Outstanding of the Notes, excluding the Subordinated Class D Notes on the Closing Date and subject to and in accordance with Condition 9(b) (the 'Clean-Up Call Option'). The Subordinated Class D Notes will be redeemed in accordance with Condition 6(f).

**Redemption for tax reasons:**

If the Issuer is or will become obliged to make any withholding or deduction for, or on account of, any taxes, duties or charges of whatsoever nature from payments in respect of any Class of Notes as a result of any change in, or amendment to, the laws or regulations of the Netherlands or any other jurisdiction or any political sub-division or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which becomes effective on or after the Closing Date and such obligation cannot be avoided by the Issuer taking reasonable measures available to it, the Issuer has the option to redeem the Notes, excluding the Subordinated Class D Notes, in whole but not in part, on any Quarterly Payment Date at their Principal Amount Outstanding and subject to and in accordance with Condition 9(b), together with interest accrued up to and including the date of redemption. The Subordinated Class D Notes will be redeemed in accordance with Condition 6(f).

**Withholding tax:**

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

**Method of Payment:**

For so long as the Notes are represented by a Global Note, payments of a principal and interest will be made in euro to a common depository 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 of the issue of the Notes, other than the Subordinated Class D Notes, to pay to the Seller part of the Initial Purchase Price for the Mortgage Receivables (as described below), pursuant to the provisions of an agreement dated 9 June 2004 (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 of the issue of the Subordinated Class D Notes will be credited to the Reserve Account.

#### THE MORTGAGE RECEIVABLES:

##### Mortgage Receivables:

Under the Mortgage Receivables Purchase Agreement, the Issuer will purchase and on the Closing Date accept the assignment of any and all rights (the 'Mortgage Receivables') of the Seller against certain borrowers (the 'Borrowers') under or in connection with certain selected Mortgage Loans (as defined below). The Issuer will be entitled to all interest amounts (including penalty interest) becoming due in respect of the Mortgage Receivables as of 1 June 2004 as well as principal amounts and prepayment penalties becoming due in respect of the Mortgage Receivables as of 31 May 2004.

##### Repurchase of Mortgage Receivables:

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

- (i) on the Mortgage Payment Date (as defined in *Credit Structure* below) immediately following the expiration of the relevant remedy period, if any, if any of the representations and warranties given by the Seller in respect of such Mortgage Receivable or its related Mortgage Loan, including the representation and warranty that such Mortgage Receivable or its related Mortgage Loan meets certain criteria set forth in the Mortgage Receivables Purchase Agreement, is untrue or incorrect;
- (ii) on the Mortgage Payment Date immediately following the date on which the Seller agrees with a Borrower to grant a new mortgage loan or a further advance, whether or not under the Mortgage Loan, which is only secured by the mortgage right which also secures the Mortgage Receivable ('Further Advance'), unless such granting of the Further Advance results in the prepayment of the relevant Mortgage Receivable or the Seller has partially terminated the relevant mortgage right and borrower pledge to the extent such mortgage right and borrower pledge secures other debts than the relevant Mortgage Loan; and
- (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, which amendment is not a result of a deterioration of the Borrower's creditworthiness, and as a result thereof such Mortgage Loan no longer meets certain criteria set forth in the Mortgage Receivables Purchase Agreement.

##### Mortgage Loans:

The Mortgage Receivables to be sold by the Seller pursuant to the Mortgage Receivables Purchase Agreement will relate to loans secured by a first-ranking mortgage right or first- and sequentially lower ranking mortgage rights over (i) a real property ("*onroerende zaak*"), (ii) an apartment right ("*appartementsrecht*") or (iii) a long lease ("*erfpacht*"), together with real property and apartment rights, the 'Mortgaged Assets' situated in the Netherlands and entered into by the Seller or one of the Originators on one hand and the relevant Borrowers on the other hand which meet certain criteria set forth in the Mortgage Receivables Purchase Agreement and which will be selected prior to or on the Closing Date (the 'Mortgage Loans'). The Mortgage Loans will be in the form of (a) interest only mortgage loans ("*aflossingsvrije hypotheken*"), (b) linear mortgage loans ("*lineaire hypotheken*"), (c) annuity mortgage loans ("*annuïteiten hypotheken*"), (d) life mortgage loans ("*levenhypotheken*"), (e) savings mortgage loans ("*spaarhypotheken*") or (f) a combination of these forms. See further *Description of Mortgage Loans* below.

Interest-only Mortgage Loans:

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

Linear Mortgage Loans:

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

Annuity Mortgage Loans:

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

Life Mortgage Loans:

A portion of the Mortgage Loans (or parts thereof) will be in the form of life mortgage loans ("*levenhypotheek*", hereinafter '**Life Mortgage Loans**'), which have the benefit of combined risk and capital insurance policies (the '**Life Insurance Policies**') taken out by Borrowers in connection with such Life Mortgage Loan with (i) the Participant or (ii) with any life insurance company established in the Netherlands which is not a group company of the Seller (the '**Life Insurance Company**' and together with the Participant, the '**Insurance Companies**'). Under a Life Mortgage Loan a Borrower pays no principal towards redemption until maturity of such Life Mortgage Loan. Until the early 1990's, the most common Life Insurance Policy was the so-called 'traditional life policy' ("*traditionele leven-polis*"), based on a calculated interest on (bond) investments with a guaranteed minimum interest of 4 per cent.. The traditional Life Insurance Policy has since gradually been superseded by the so-called 'unit-linked' Life Insurance Policy, the yield of which is based on the performance of certain investment funds as chosen by the insured.

Savings Mortgage Loans:

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

Sub-Participation Agreement:

On the Closing Date, the Issuer will enter into a sub-participation agreement (the '**Sub-Participation Agreement**') with the Participant under which the Participant will acquire participations in each of the Savings Mortgage Receivables (each a '**Participation**'). In the Sub-Participation

Agreement the Participant will undertake to pay to the Issuer all amounts received as Savings Premia on the Savings Insurance Policies. In return, the Participant is entitled to receive the Participation Redemption Available Amount (as defined in *Sub-Participation Agreement* below) from the Issuer. The amount of the participation with respect to a Savings Mortgage Receivable will consist of (a) the Initial Participation at the Closing Date being the amount of euro 44,168,081.48, (b) increased on a monthly basis with the sum of (i) the Savings Premia received by the Participant and paid to the Issuer and (ii) a *pro rata* part, corresponding to the Participation in the relevant Savings Mortgage Receivable, of the interest paid by the Borrower in respect of such Savings Mortgage Receivable. See further *Sub-Participation Agreement* below.

**Sale of Mortgage  
Receivables:**

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

**Security for the Notes:**

The Notes will be secured (a) by a first ranking pledge by the Seller to the Security Trustee and a second ranking pledge by the Seller to the Issuer over the Mortgage Receivables and the rights of the Seller as beneficiary under the Savings Insurance Policies (the 'Savings Beneficiary Rights') and the Life Insurance Policies (the 'Life Beneficiary Rights' and together with the Savings Beneficiary Rights, the 'Beneficiary Rights'); and (b) by a first ranking pledge by the Issuer to the Security Trustee over the Issuer's rights under or in connection with the Mortgage Receivables Purchase Agreement, the Swap Agreement, the Sub-Participation Agreement, the Administration Agreement, the Liquidity Facility Agreement and the Floating Rate GIC and in respect of the Transaction Accounts (each as defined 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 amounts received by the Security Trustee as creditor under the Mortgage Receivables Purchase Agreement, the Trust Deed and the Parallel Debt Agreement. Payments to the Secured Parties will be made in accordance with the Priority of Payments upon Enforcement (each as defined in *Credit Structure* below). See further *Special Considerations* below and for a more detailed description see *Description of Security* below.

**CASH FLOW STRUCTURE:**

**Liquidity Facility:**

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

Master Collection Account:

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

Reserve Account:

The net proceeds of the Subordinated Class D Notes will be credited to an account (the 'Reserve Account' and together with the Master Collection Account, the 'Transaction Accounts') held with the Floating Rate GIC Provider. The purpose of the Reserve Account will be to enable the Issuer to meet the Issuer's payment obligations under items (a) up to and including (l) in the Interest Priority of Payments (as defined in *Credit Structure* below) in the event the Notes Interest Available Amount (as defined in *Credit Structure* below) is not sufficient to enable the Issuer to meet such payment obligations on a Quarterly Payment Date. If and to the extent that the Notes Interest Available Amount on any Quarterly Calculation Date exceeds the aggregate amount applied in satisfaction of items (a) up to and including (l) in the Interest Priority of Payments, the excess amount will be used to deposit on or, as the case may be, to replenish the Reserve Account by crediting such amount to the Reserve Account up to the Reserve Account Required Amount. The 'Reserve Account Required Amount' shall on any Quarterly Calculation Date be equal to:

- (i) until (but excluding) the Quarterly Payment Date falling in August 2009 0.80 per cent. of the aggregate Principal Amount Outstanding of the Notes, excluding the Subordinated Class D Notes on the Closing Date; and
- (ii) thereafter the lesser of:
  - (a) 0.80 per cent. of the aggregate Principal Amount Outstanding of the Notes, excluding the Subordinated Class D Notes, on the Closing Date; and
  - (b) an amount equal to the higher of:
    - (i) 1.25 per cent. of the aggregate Principal Amount Outstanding of the Notes, excluding the Subordinated Class D Notes, on the first day of the following Floating Rate Interest Period; and
    - (ii) 0.25 per cent. of the aggregate Principal Amount Outstanding of the Notes, excluding the Subordinated Class D Notes, on the Closing Date; and
- (iii) zero on the Quarterly Payment Date on which the Notes, other than the Subordinated Class D Notes, have been or will be redeemed in full, subject to the Conditions.

The Reserve Account Required Amount will only decrease if each of the following conditions are met:

- (a) the Outstanding Principal Amount of all Mortgage Receivables which are in arrears for a period exceeding 60 days is equal or less than 1.25 per cent. of the aggregate Principal Amount Outstanding of all Mortgage Receivables; and
- (b) there is no debit balance on the Principal Deficiency Ledger prior to the application of the Notes Interest Available Amount on the relevant Quarterly Payment Date; and
- (c) on or before the Quarterly Payment Date falling in August 2009, the amount standing to the credit of the Reserve Account is equal to the Reserve Account Required Amount on or before the relevant Quarterly Payment Date.

- Floating Rate GIC:** The Issuer and the Floating Rate GIC Provider will enter into a guaranteed investment contract (the '**Floating Rate GIC**') on the Closing Date, whereunder the Floating Rate GIC Provider will agree to pay a guaranteed rate of interest determined by reference to Euribor on the balance standing from time to time to the credit of the Transaction Accounts.
- Swap Agreement:** On the Closing Date, the Issuer will enter into a swap agreement with the Swap Counterparty and the Security Trustee (the '**Swap Agreement**') to hedge the risk between the rate of interest to be received by the Issuer on the Mortgage Receivables and the floating rate of interest payable by the Issuer on the Notes, other than the Subordinated Class D Notes. See further *Credit Structure* below.
- OTHER:**
- Management Agreements:** On the Closing Date, each of the Issuer, the Shareholder and the Security Trustee will enter into a management agreement with the relevant Director (together, the '**Management Agreements**'), whereunder the relevant Director will undertake to act as director of the Issuer, the Shareholder or, as the case may be, the Security Trustee and to perform certain services in connection therewith.
- Administration Agreement:** Under an administration agreement to be entered into on the Closing Date (the '**Administration Agreement**') between the Issuer, the Issuer Administrator, the Pool Servicer and the Security Trustee, the Pool Servicer will agree to provide (i) administration and management services in relation to the Mortgage Loans on a day-to-day basis, including, without limitation, the collection of payments of principal, interest and all other amounts in respect of the Mortgage Loans and the implementation of arrear procedures including, if applicable, the enforcement of mortgages (see further section *Mortgage Loan Underwriting and Servicing* below) and (ii) the Issuer Administrator will agree to provide certain administration, calculation and cash management services for the Issuer on a day-to-day basis, including without limitation, all calculations to be made in respect of the Notes pursuant to the Conditions.
- Listing:** Application has been made for the Notes to be listed on 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 Moody's and "AAA" by S&P, (ii) the Mezzanine Class B Notes, on issue, be assigned a rating of at least "A2" by Moody's and "A" by S&P, (iii) the Junior Class C Notes, on issue, be assigned a rating of at least "Baa2" by Moody's and "BBB" by S&P and (iv) the Subordinated Class D Notes, on issue, be assigned a rating of at least "Ba2" by Moody's and "BB" by S&P.
- 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 also 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 Managers, the Liquidity Facility Provider, the Floating Rate GIC Provider, the Participant, the Directors, the Issuer Administrator, the Pool Servicer, the Swap Counterparty, the Principal Paying Agent, the Paying Agent, the Reference Agent or the Security Trustee. Furthermore, none of the Seller, the Managers, the Liquidity Facility Provider, the Floating Rate GIC Provider, the Participant, the Directors, the Issuer Administrator, the Pool Servicer, the Swap Counterparty, the Principal Paying Agent, the Paying Agent, the Reference Agent, the Security Trustee or any other person in whatever capacity acting, will accept any liability whatsoever to Noteholders in respect of any failure by the Issuer to pay any amounts due under the Notes.

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 and the Sub-Participation Agreement, the receipt by it of payments under the Swap Agreement and the receipt by it of interest in respect of the balances standing to the credit of the Transaction Accounts. In addition, the Issuer will have available to it the balances standing to the credit of the Reserve Account and the amount available to be drawn under the Liquidity Facility for certain of its payment obligations. See further *Credit Structure* below.

By acquiring the Notes, the Noteholders shall be deemed to have knowledge of, accept and be bound by the Conditions. The Issuer and the Paying Agents 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 Trustee Pledge Agreement I and the 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 the *Mortgage Receivables Purchase Agreement* below. Under Netherlands law the assignment of a receivable is only perfected if the assignment has been notified to the Borrower. Consequently, prior to such notification, legal title to the Mortgage Receivables will remain with the Seller. Notification of the assignment to a Borrower after the Seller has been declared bankrupt or has become subject to emergency regulations will not be effective and, consequently, in such event the legal ownership to the Mortgage Receivables will not pass to the Issuer. In order to protect the Issuer in the situation that notification of the assignment of the Mortgage Receivables can no longer be effectively made due to bankruptcy or emergency regulations involving 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 Mortgage Receivables and the Life Beneficiary Rights with any of the Life Insurance Companies and a "disclosed" right of pledge under Netherlands law over the Life Beneficiary Rights with the Participant and the Savings 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 Borrowers prior to notification but after bankruptcy or emergency regulations involving the Seller having been declared, will be part of the bankrupt estate, although the relevant pledgee has the right to receive such amounts by preference after deduction of the general bankruptcy costs ("*algemene faillissementskosten*"), (ii) a mandatory "cool-off" period of up to two 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 bankruptcy trustee as possibly extended by the judge-commissioner ("*rechter-commissaris*") appointed by the court in case of bankruptcy of the Seller.

#### **Bank Mortgages**

All Mortgage Receivables sold to the Issuer and originated by Avéro Hypotheken B.V. and Woonfonds Nederland B.V. and by the Seller under the name Woonfonds Hypotheken will be secured by mortgage rights which not only secure the loan granted to the Borrower for the purpose of acquiring the mortgaged property, but also other liabilities and moneys that the Borrower, now or in the future, may owe to the Seller ('**Bank Mortgages**'). Under Netherlands law it is uncertain whether, in the event of assignment or pledge of a receivable secured by a Bank Mortgage, the Bank Mortgage will follow such receivable. Based upon case law, it is generally assumed by Netherlands legal commentators that a Bank Mortgage will only follow the receivable which it secures, if the relationship between the bank and the borrower has been terminated in such a manner that following the transfer, the bank cannot create or obtain new receivables against the borrower. However, in recent legal literature the view has been defended that the Bank Mortgage will partially follow the receivable to the extent that it has been assigned.

#### **Credit Mortgages**

Mortgage Receivables sold to the Issuer and originated by FBTO Hypotheken B.V. and Centraal Beheer Hypotheken B.V. and by the Seller under the names (i) Centraal Beheer Achmea, (ii) Avéro Achmea and/or (iii) FBTO Hypotheken will be secured by mortgage rights created under a mortgage deed in which the Borrower has given security over the Mortgaged Assets in excess of the amount of the initial Mortgage Loans. The mortgage deeds relating to such Mortgage Loans provide that any Further Advances (see *Repurchase of Mortgage Receivables* in *Summary* above) granted by the Seller to the relevant Borrower are secured by the same mortgage right. It is likely that such Mortgage Loans should be regarded as "*krediethypotheeken*" ('**Credit Mortgages**'). Under Netherlands law it is uncertain whether, in the event of assignment or pledge of a receivable secured by a Credit Mortgage, the Credit Mortgage will follow such receivable. Based upon case law, it is assumed by Netherlands legal commentators that a Credit 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 the view has been defended that the Credit Mortgage will partially follow the receivable to the extent that it has been assigned.

The Seller will undertake in the Mortgage Receivables Purchase Agreement to partially terminate the relevant mortgage rights securing Mortgage Receivables to the extent that the mortgage right secures debts other than the relevant Mortgage Receivable by giving notice of such partial termination to the relevant Borrowers at the same time that the Borrowers will be notified of the assignment (see *Transfer of Legal Title to Mortgage Receivables* above). As a consequence of such partial termination the mortgage right would only secure the Mortgage Receivable assigned to the Issuer and would, in effect, cease to be a Bank Mortgage or a Credit 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, or as the case

may be, credit mortgage character is removed through partial termination prior to transfer of legal title to the Mortgage Receivables to the Issuer.

The relevant statutory provisions only address termination in general, and legal commentators, although accepting the right of partial termination, do not specifically discuss partial termination of mortgage rights in the manner described above. It is therefore unclear whether such a partial termination complies with the relevant statutory requirements. Based upon a reasonable interpretation of the statutory provisions and the views expressed by legal commentators, there are strong reasons for arguing that the 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 the Mortgage Loans specifically provide for a termination right in general and not specifically for a partial termination right. However, the Issuer has been advised that even in the latter case there are strong arguments for arguing that, based upon a reasonable interpretation of the termination provisions, it should 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). However, the fact that notice can no longer be given means that it is uncertain, also 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 will fail to comply with its obligations under the Mortgage Loan whether the Issuer or the Security Trustee (as the case may be) would be in a position to foreclose the mortgage right as pledgee of the Mortgage Receivables. If not, 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. 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 or, as the case may be, a Credit 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 or, as set out above, such partial termination would not be effective, 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 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 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 Mortgage Receivable, increased with interest and costs, if any and the share of the Seller will be equal to the Net Proceeds less the Mortgage Receivables, 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 agreement is dissolved, void, nullified or ineffective for any reason in respect of the Seller, the Seller shall compensate the Issuer and/or the Security Trustee (as applicable) forthwith for any and all loss, cost,



claim, damage and expense whatsoever which the Issuer and/or the Security Trustee (as applicable) incurs as a result thereof.

#### **Proposed legislation on Requirements of Assignment**

Currently a bill is pending before the Dutch Parliament, in which it is proposed to amend the legal requirements for the assignment of receivables in such a manner that it can also be effectuated by means of a notarial or registered deed of assignment, without notification of the assignment to the debtors being required. If and when this amendment would become effective, the Seller could assign the Mortgage Receivables, and transfer legal ownership, to the Issuer by the mere registration of the deed of assignment with the relevant tax authorities and would not be restricted to completing the assignment by notification in case of the occurrence of Notification Events. The partial termination structure set out under Bank Mortgages and Credit Mortgages above is, however, only effective if the partial termination is effectuated prior to the assignment being completed, whether by means of notification or after the proposed amendment becoming effective, registration or notification. Consequently, due to the partial termination structure in case of Bank Mortgages and Credit 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 or Credit Mortgages may not be an option. However, pursuant to the Mortgage Receivables Purchase Agreement the Issuer will have the right to register the deed of assignment at any time upon the proposed amendment becoming effective. The Issuer will undertake in the Trust Deed to exercise such right only with the prior written approval of the Security Trustee and subject to the confirmation of the Rating Agencies that it will not adversely effect the then current ratings assigned to the Notes.

#### **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 him (if any) with amounts he owes in respect of the Mortgage Loans. After assignment and/or pledge of the Mortgage Receivables to the Issuer and notification thereof to a Borrower, the borrower will also have set-off rights *vis-à-vis* the Issuer, provided that the legal requirements for set-off are met, and further provided that (i) the counterclaim of the Borrower results from the same legal relationship as the relevant Mortgage Loan, 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.

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

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

The Mortgage Receivables Purchase Agreement provides that if a Borrower sets off amounts due to him by the Seller against the relevant Mortgage Loan 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 Loan if no set-off had taken place and the amount actually received by the Issuer in respect of such Mortgage Receivable.

For specific set-off issues relating to Savings Mortgage Loans and Life Mortgage Loans reference is made to the paragraph *Insurance Policies* below.

The Seller will also have the right to set-off any amounts owing to a Borrower against a Mortgage Loan 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 earlier 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.

### Insurance Policies

The Savings Mortgage Loans have the benefit of Saving Insurance Policies with the Participant and the Life Mortgage Loans have the benefit of Life Insurance Policies (together with the Savings Insurance Policies, the 'Insurance Policies') taken out with any of the Insurance Companies. In the following paragraphs, certain legal issues relating to the effects of the assignment of Mortgage Loans and the Insurance Policies are set out. Investors should be aware that it may be that (i) the Issuer will not benefit from the Insurance Policies and/or (ii) the Issuer may not be able to recover any amounts from the Borrower in case any of the Insurance Companies defaults in its obligations as further described in this paragraph. As a consequence thereof the Issuer may not have a claim on the Borrower and may, therefore, not have the benefit of the mortgage right. In such case the rights of the Security Trustee will be similarly affected.

### Pledge

All rights of a Borrower under the Insurance Policies have been pledged to the Seller ('Borrower Insurance Pledge'). However, the Issuer has been advised that it is probable that the right to receive payment, including the commutation payment ("*afkoopsom*"), under the Insurance Policies will be regarded by a Netherlands court as a future right. The pledge of a future right is, under Netherlands law, not effective if the pledgor is declared bankrupt or is granted a suspension of payments (emergency regulations), prior to the moment such right comes into existence. This means that it is uncertain whether such pledge will be effective. Even if the pledge on the rights on the Insurance Policies was effective, it would be uncertain whether such right of pledge would pass to the Issuer or, as the case may be, the Security Trustee upon the assignment or pledge of the Mortgage Receivables, where the pledge secures the same liabilities as the Bank Mortgages and the Credit Mortgages. The observations on partial termination made in *Bank Mortgages* and *Credit Mortgages* above apply equally to such right of pledge, except that the Mortgage Loans originated by Centraal Beheer Hypotheken B.V., Woonfonds Nederland B.V. and the Seller under the names Centraal Beheer Achmea and Woonfonds Hypotheken do not contain the right to terminate such Borrower Insurance Pledge at all.

### Appointment of Beneficiary

Furthermore, (i) in the case of Mortgage Loans originated by Avéro Hypotheken B.V., FBTO Hypotheken B.V. and the Seller under the names Avéro Achmea and FBTO, the relevant Originator or the Seller has appointed itself beneficiary of the proceeds under the Savings Insurance Policies for all amounts owed by the Borrower to the relevant Originator and (ii) in the case of Mortgage Loans originated by Woonfonds Nederland B.V., Centraal Beheer Hypotheken B.V. and the Seller under the names Woonfonds Hypotheken and Centraal Beheer, the relevant Originator or the Seller has been appointed as beneficiary of the proceeds under the Insurance Policies up to the amount provided for in the mortgage deed, except that any other beneficiary appointed will rank ahead of the Seller, provided that in such event the relevant Insurance Company is irrevocably authorised by such beneficiary to apply the insurance proceeds in satisfaction of the Mortgage Receivable (the 'Borrower Insurance Proceeds Instruction'). It is unlikely that the Beneficiary Rights will follow the Mortgage Receivables upon assignment or pledge thereof to the Issuer or the Security Trustee. 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.

For the situation that no such Borrower Insurance Proceeds Instruction exists and/or the pledge of the Beneficiary Rights is not effective, the Issuer will enter into a beneficiary waiver agreement (the 'Beneficiary Waiver Agreement') with the Security Trustee, Seller and the Participant under which the Seller, subject to the condition precedent of the occurrence of a Notification Event (see *Mortgage Receivables Purchase Agreement*), waives its rights as beneficiary under the Savings Insurance Policies and appoints (i) the Issuer as beneficiary subject to the dissolving condition ("*ontbindende voorwaarde*") of the occurrence of a Trustee I Notification Event (see *Description of Security*) relating to the Issuer and (ii) the Security Trustee as beneficiary under the condition precedent ("*opschortende voorwaarde*") of the occurrence of a Trustee I Notification Event relating to the Issuer. It is, however, uncertain whether such waiver and appointment will be effective. For 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 with any of the Life Insurance Companies the Seller and, in respect of the Savings Insurance Policies, the Participant will undertake in the Beneficiary Waiver Agreement following a Notification Event to use its best efforts to obtain the co-operation from all relevant parties (including, in respect of the Life Insurance Policies, the Life Insurance Companies) to (a) waive

its rights as beneficiary and (b) appoint (i) the Issuer subject to the dissolving condition of the occurrence of a Trustee I Notification Event relating to the Issuer or (ii) the Security Trustee under the condition precedent of the occurrence of a Trustee I Notification Event relating to the Issuer, as the case may be, as first beneficiary under the Insurance Policies. For the event a Borrower Insurance Proceeds Instruction exists, the Seller and, in respect of the Savings Insurance Policies only, the Participant will in the Beneficiary Waiver Agreement undertake to use its best efforts, following a Notification Event to obtain the co-operation from all relevant parties to change the payment instruction in favour of (i) the Issuer subject to the dissolving condition of the occurrence of a Trustee I Notification Event relating to the Issuer and (ii) the Security Trustee under the condition precedent of the occurrence of a Trustee I Notification Event relating to the Issuer. 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 and the waiver of the Beneficiary Rights are not effective, any proceeds under the Insurance Policies will be payable to the Seller or to another beneficiary, instead of the Issuer or the Security Trustee, as the case may be. If the proceeds are paid to the Seller, it will be obliged to pay the amount involved to the Issuer or the Security Trustee, as the case may be. If the proceeds are paid to the Seller and the Seller does not pay the amount involved to the Issuer or the Security Trustee, as the case may be, e.g. in the case of bankruptcy of the Seller, or if the proceeds are paid to another beneficiary instead of the Issuer or the Security Trustee, as the case may be, this may result in the amount paid under the Insurance Policies not being applied in reduction of the Mortgage Receivable. This may lead to the Borrower invoking defences against the Issuer or the Security Trustee, as the case may be, for the amounts so received by the Seller as further discussed under *Set-off or defences* below, which may adversely affect the payment of the Notes.

#### *Set-off or defences*

If any of the Insurance Companies is no longer able to meet its obligations under the Insurance Policies, for example it is declared subject to emergency regulations or bankrupt, the Borrowers that have entered such Insurance Policies may try to limit the rights of the Seller or, as the case may be, the Issuer under the Mortgage Receivables through set-off or defences to the effect that such Borrowers are not liable to pay the amount outstanding under the Mortgage Loans to the extent the Seller or, as the case may be, the Issuer or the Security Trustee would have received such amount from the relevant Insurance Company, but for such default by the relevant Insurance Company.

In respect of a right of set-off by Borrowers the following is noted. As set out in *Set-off* above, some of the Borrowers have waived their set-off rights, but it is uncertain whether such waiver is effective. If the waiver is not effective or in the case of Borrowers having not waived their set-off rights the Borrowers will in order to invoke a right of set-off, need to comply with the applicable requirements. One of these requirements is that the Borrower should have a claim which corresponds to his debt to the same counterparty. The Insurance Policies are contracts between the relevant Insurance Company and the Borrowers and the Mortgage Loans are contracts between the Seller and the Borrowers. Therefore, in order to invoke a right of set-off the Borrowers would have to establish that the Seller and the relevant Insurance Company should be regarded as one legal entity or possibly, based upon interpretation of case law that set-off is allowed, even in the absence of a single legal entity, since the Insurance Policies and the Mortgage Loans are to be regarded as one inter-related relationship. Another requirement is that the Borrowers should have a counterclaim. If the relevant Insurance Company is declared bankrupt or has become subject to emergency regulations, the Borrower will have the right to unilaterally terminate the Insurance Policy and to receive a commutation payment ("*afkoopsom*").

These rights are subject to the Borrower Insurance Pledge. However, despite this pledge it may be argued that the Borrower will be entitled to invoke a right of set-off for the commutation payment. However, apart from the right to terminate the Insurance Policies, the Borrowers are also likely to have the right to rescind the Insurance Policies and to claim restitution of premiums paid and/or supplementary damages. It is uncertain whether such claim is subject to the Borrower Insurance Pledge. If not, the Borrower Insurance Pledge would not obstruct a right of set-off with such claim by Borrowers. Finally, set off *vis-à-vis* the Issuer and/or the Security Trustee is likely to be possible, since the Mortgage Loans and the Insurance Policies are to be regarded as one legal relationship (see *Set-off* above).

Even if the Borrowers cannot invoke a right of set-off, they may invoke defences *vis-à-vis* the Seller, the Issuer and/or the Security Trustee, as the case may be. The Borrowers could – *inter alia* – argue

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

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

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

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

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

#### *Savings Mortgage Loans*

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

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

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

the Borrower can invoke set-off or defences may, depending on the circumstances, exceed the amount of the Participation.

#### **Interest Rate Reset**

The interest rate of each of the Mortgage Loans is to be reset from time to time. The Issuer has been advised that the right to reset the interest rate should probably be considered as an ancillary right and if this view is correct the interest rate reset rights would pass to the Issuer upon completion of the assignment of the Mortgage Receivables. However, the Issuer will in principle be bound by the relevant provisions of the Mortgage Conditions relating to the reset of interest rates. The Mortgage Conditions contain provisions relating to the interest rates and the interest periods to be offered to the Borrowers. Furthermore, in the Mortgage Conditions of one Originator, it is provided that 3 months prior to the interest rate reset date the Mortgage Loan (the Mortgage Conditions refer to the mortgage, but probably the Mortgage Loan is meant and not the mortgage right) will be terminated. This wording suggests that at the interest rate reset date the Mortgage Loan is novated ("*schuldvernieuwing*"), although a more likely interpretation is that the Mortgage Loan will terminate, unless extended by the Seller and the Borrower. If novation would take place prior to partial termination, this would mean that a new receivable would be created and the Mortgage Loan should be considered to be prepaid, but the Bank Mortgage would then secure the new receivable.

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

#### **Long lease**

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

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

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

The EU has adopted a Directive regarding the taxation of savings income. Subject to a number of important conditions being met, it is proposed that Member States will be required from a date not earlier than 1 January 2005 to provide to the tax authorities of other Member States details of payment of interest and other similar income paid by a person in one Member State to an individual resident in another Member State, except that Austria, Belgium, and Luxembourg will instead impose a withholding system for a transitional period unless during such period they elect otherwise.

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% during the first three years of the transitional period, 20% for the subsequent three years, and 35% 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 proposed legislation provisionally implementing the substantive provisions of the Directive on or after 1 January 2005, subject to being required to do so in accordance with the terms set out in the Directive. If and when the Directive is implemented as required by the Directive, an individual Holder of Notes who is resident in an EU Member State other than the Netherlands may become subject to the automatic supply of information to the Member State in which the individual is resident with regard to interest payments made by (or in certain cases, to) paying agents established in the Netherlands.

#### **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 consent of the Rating Agencies) transfer its rights and obligations to another of its offices, branches or affiliates or any other person to remedy a Tax Event.

The Swap Agreement will be terminable by one party if – *inter alia* – (i) an event of default occurs in relation to the other party, (ii) it becomes unlawful for either party to perform its obligations under the Swap Agreement, (iii) an Enforcement Notice is served or (iv) the remedy period for a Tax Event has expired. Events of default in relation to the Issuer will be limited to (i) non-payment under the Swap Agreement, (ii) a merger or similar transaction with another entity or person without assumption of the Issuer's obligations under the Swap Agreement and (iii) insolvency events. The Swap Agreement entered into on the Closing Date with the Swap Counterparty will consist of two transactions: (i) one transaction which will terminate on the earlier to occur of the first Optional Redemption Date and the date on which the Notes (excluding the Subordinated Class D Notes) are redeemed and will reflect the rates of interest payable on the Notes (other than the Subordinated Class D Notes) for the period from the Closing Date through such first Optional Redemption Date, and (ii) one transaction which will be effective from the first Optional Redemption Date (assuming the Notes are not redeemed on such date) and will terminate on the earlier of the Final Maturity Date and the date on which the Notes (excluding the Subordinated Class D Notes) are redeemed and will reflect the stepped-up rates of interest on the Notes (other than the Subordinated Class D Notes). Each transaction will otherwise be identical in all respects.

#### **Legal merger of the Seller and Originators**

##### *General*

On 1 September 2000 Woonfonds Nederland B.V. (an indirect subsidiary of Achmea Hypotheekbank) and certain other entities have legally merged ("*juridisch gefuseerd*") into Centraal Beheer Hypotheken B.V., and Centraal Beheer Hypotheken B.V., Avéro Hypotheken B.V. and FBTO Hypotheken B.V.

and certain other entities have legally merged ("*juridisch gefuseerd*") into Achmea Hypotheekbank. As a result of these legal mergers the Originators ceased to exist and Achmea Hypotheekbank remained as the surviving entity. In the case of a legal merger ("*juridische fusie*") all rights and obligations of the disappearing entity (the 'transferor') pass on to the acquiring or surviving entity (the "transferee") by operation of law (Section 2:309 Dutch Civil Code ("*DCC*"). Exceptions to this general principle can exist as a result, *inter alia*, of statutory restrictions, the intention of the transferor and its contracting parties or the nature of the relationship between the transferor and such parties.

As a result of the legal mergers of Woonfonds Nederland B.V. into Centraal Beheer Hypotheken B.V. and Centraal Beheer Hypotheken B.V., Avéro Hypotheken B.V. and FBTO Hypotheken B.V. into Achmea Hypotheekbank, all rights and obligations between each of the Originators and the Borrowers in relation to the Mortgage Loans, the mortgage rights securing the Mortgage Receivables, the borrower pledges and the rights of the Originators as beneficiaries under Insurance Policies will have passed on to Achmea Hypotheekbank, as set out in and subject to the paragraphs below.

#### *Mortgages and borrower pledges*

The Issuer has been advised that as a result of the legal mergers described above, all rights and obligations of the Originators under the Mortgage Loans, the mortgage rights securing the Mortgage Receivables and borrower pledges have passed on to Achmea Hypotheekbank subject to the following two paragraphs.

In respect of Bank Mortgages and Credit Mortgages, there is case law of the Dutch Supreme Court that a security right under a Bank Mortgage or Credit Mortgage will not always transfer to an assignee in the case of a specific assignment ("*overgang onder bijzondere titel*"). The foregoing applies *mutatis mutandis* to borrower pledges that secure the same liabilities as the Bank Mortgages and Credit Mortgages ('Bank Pledges' and 'Credit Pledges' respectively). However, although there is no express decision of the Dutch Supreme Court in respect thereof in the case of a transfer by operation of law ("*overgang onder algemene titel*") such as in the event of a legal merger, the Issuer has been advised that it is highly unlikely that the security rights of each Originator under a Bank Mortgage, a Credit Mortgage, a Bank Pledge or a Credit Pledge to the extent that such Bank Mortgage, Credit Mortgage, Bank Pledge or Credit Pledge secured receivables of the Originator against its Borrowers that existed at the time of the legal mergers, have not passed on to Achmea Hypotheekbank, subject to the possible exceptions mentioned in the following paragraph.

Upon a legal merger and the passing on of a mortgage receivable to a transferee, the mortgage right or right of pledge may not pass to the transferee in the special circumstance that the mortgage right or right of pledge was created with the view of granting such right only to the relevant transferor, in this case an Originator. In order to make the determination whether this special circumstance would exist, a Dutch court would primarily look at the text of the mortgage deed and, if applicable the deed of pledge, but would also take other facts into consideration. The Issuer has been advised that the chances that a Borrower will be successful in demonstrating that the mortgage right or right of pledge has not passed on to Achmea Hypotheekbank as transferee of mortgage receivables which are secured by such mortgage right or right of pledge, following the legal mergers as a result of the right having been granted only to the relevant Originator are remote where the agreements entered into consist only of the standard mortgage documentation used by the Originators. In addition, the Issuer has been advised that it is likely that the Bank Mortgage, Credit Mortgage, Bank Pledge or Credit Pledge secures any receivable resulting from a Seller Further Advance (as defined in *Mortgage Receivables Purchase Agreement*). In this respect, it should be noted that the Seller has represented and warranted that each Mortgage Receivable (which includes any Seller Further Advance) is fully secured by a Mortgage and a Borrower Pledge.

#### *Insurance Policies*

Some legal authors hold the view that rights with a strictly personal character do not pass on to a transferee in case of a legal merger. It has been argued that the right of a beneficiary under an insurance policy could constitute a personal right and would not pass on to a transferee. However, reasonable arguments can be made, that the appointment by the Borrower of an Originator as a beneficiary under a Savings Insurance Policy issued under standard documentation of the Participant has occurred solely to provide for a repayment at maturity of all or part of the loan made to the Borrower with proceeds of the Savings Insurance Policy of the Borrower. The Issuer has been advised that, based on such arguments, it is highly unlikely that a Dutch court would come to the conclusion that the rights of the Originators as beneficiaries under the Savings Insurance Policies granted to the Originators by Borrowers in connection with the mortgage loans made by the Originators to those

Borrowers would not have passed on to Achmea Hypotheekbank upon the legal mergers of Woonfonds Nederland B.V. into Centraal Beheer Hypotheken B.V. and Centraal Beheer Hypotheken B.V., Avéro Hypotheken B.V. and FBTO Hypotheken B.V. into Achmea Hypotheekbank being effected. The Issuer has been advised that the same applies in respect of the Life Insurance Policies.

In respect of the legal merger of Centraal Beheer Levensverzekering N.V. and FBTO Levensverzekeringen N.V. into Achmea Pensioen- en Levensverzekeringen N.V. and the legal merger of Avéro Levensverzekeringen N.V. into Achmea Pensioen- en Levensverzekeringen N.V. and the ensuing transfer of the rights and obligations of Centraal Beheer Levensverzekering N.V., FBTO Levensverzekeringen N.V. and Avéro Levensverzekeringen N.V. under the Savings Insurance Policies, the Issuer has been advised that such rights and obligations have passed on to the transferee, Achmea Pensioen- en Levensverzekeringen N.V., upon such legal merger having been effected, except for such rights and obligations that may not pass on as a result, *inter alia*, of the intentions of the transferor and its contracting parties or the nature of the relationship between the transferor and such parties. However, based on the text of the Savings Insurance Policies, the Issuer has been advised that it is highly unlikely that any such rights and obligations under the Savings Insurance Policies would not have passed as a result of the intentions of the transferor and its contracting parties or the nature of the relationship between the transferor and such parties. The Issuer has been advised that the same applies in respect of the Life Insurance Policies with the Participant.

#### **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) on the Mortgage Loans. The average maturity of the Notes may be adversely affected by a higher or lower than anticipated rate of prepayments on the Mortgage Loans. The rate of prepayment of Mortgage Loans is influenced by a wide variety of economic, social and other factors, including prevailing market interest rates, changes in tax law (including but not limited to amendments to mortgage interest tax deductibility), local and regional economic conditions and changes in Borrower's behaviour (including but not limited to home-owner mobility). No guarantee can be given as to the level of prepayment that the Mortgage Loans may experience, and variation in the rate of prepayments of principal of the Mortgage Loans may affect each Class of Notes differently.

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

To the extent set forth in Condition 9, (a) the Mezzanine Class B Notes are subordinated in right of payment to the Senior Class A Notes, (b) the Junior Class C Notes are subordinated in right of payment to the Senior Class A Notes and the Mezzanine Class B Notes and (c) the Subordinated Class D Notes are subordinated in right of payment to the Senior Class A Notes, the Mezzanine Class B Notes and the Junior Class C 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 and after exercise by the Pool Servicer of all available remedies in respect of the applicable Mortgage Loans, the Issuer does not receive the full amount due from such Borrowers, Noteholders may receive by way of principal repayment on the Notes an amount less than the face amount of their Notes and the Issuer may be unable to pay in full interest due on the Notes, to the extent set forth in Condition 9. On any Quarterly Payment Date, any such losses on the Mortgage Loans will be allocated as described in *Credit Structure* below.

#### **Payments on the Mortgage Loans**

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

#### **Risks of Losses associated with declining values of mortgaged assets**

The security for the Notes created under the Trustee Pledge Agreement I may be affected by, among other things, a decline in the value of those assets subject to the relevant mortgage rights. No assurance can be given that values of those properties have remained or will remain at the level at



which they were on the date of origination of the related Mortgage Loans. A decline in value may result in losses to the Noteholders if such security is required to be enforced.

#### **Reduced value of investments**

If the value of the investments under the Life Mortgage Loans has reduced considerably, a Borrower may invoke set-off or defences against the Issuer arguing that he has not been properly informed of the risks involved in the investments. The merits of any such claim will, to a large extent, depend on the manner in which the Life Mortgage Loans have been marketed and the promotional material provided to the Borrower.

#### **Maturity Risk**

The ability of the Issuer to redeem all the Notes, other than the Subordinated Class D 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 (as defined in the Conditions), which may result in the Issuer not being able to meet its obligations. It should be noted that there is a risk that (a) Achmea Hypotheekbank in its capacity of Seller, Issuer Administrator and the Pool Servicer will not meet its obligations vis-à-vis the Issuer under the Administration Agreement, (b) ABN AMRO as the Floating Rate GIC Provider and the Liquidity Facility Provider will not perform its respective obligations under the Floating Rate GIC and the Liquidity Facility Agreement, (c) CDC ICM as the Swap Counterparty will not perform its obligations under the Swap Agreement, (d) Deutsche Bank AG London as the Principal Paying Agent and Reference Agent and Deutsche Bank AG Amsterdam Branch as Paying Agent will not perform their respective obligations under the Paying Agency Agreement, (e) the Participant will not perform its obligations under the Sub-Participation Agreement and (f) the Directors will not perform their respective obligations under the relevant Management Agreements.

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

As provided in Condition 7, if withholding of, or deduction for, or an account of any present or future taxes, duties, assessments or charges of whatever nature are imposed by or on behalf of the 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.

#### **Forecasts and Estimates**

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

#### **Limited Liquidity of the Notes**

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

#### **Optional Redemption**

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

In respect of 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 Issuer of any of its call options as provided for in Condition 6(g), Condition 6(h) and Condition 6(i).

The Seller, should it decide not to repurchase the Mortgage Receivables, has undertaken to inform the Issuer of such fact no later than five years prior to the first Optional Redemption Date of such fact. In such case, the Issuer will undertake in the Trust Deed to 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 D Notes, on the first Optional Redemption Date or on any Optional Redemption Date as soon as reasonably possible thereafter.

## CREDIT STRUCTURE

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

### **Mortgage Loan Interest Rates**

The interest rate of each Mortgage Loan is either fixed, subject to a reset from time to time, or variable. On the Closing Date the weighted average interest rate of the Mortgage Loans will be 4.99 per cent. Interest rates vary between individual Mortgage Loans. The range of interest rates is described further in *Description of the Mortgage Loans below*.

### **Cash Collection Arrangements**

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

If the rating of the long-term, unsecured and unguaranteed debt obligations of the Seller or any of the banks where the Seller Collection Accounts are held falls below 'A-' by S&P (the 'Required Minimum Rating'), then 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 Accounts relating to the Mortgage Loans will be guaranteed by a party having at least the Required Minimum Rating; or (ii) implement any other actions agreed at that time with S&P and Moody's.

On each Mortgage Payment Date (being the 12th day of each calendar month or if this is not a business day the next succeeding business day) all amounts of principal, interest (including penalty interest) and prepayment penalties received by the Seller during the immediately preceding Mortgage Calculation Period, in respect of the Mortgage Loans will be transferred by the Seller or the Pool Servicer on its behalf, in accordance with the Administration Agreement, to the Master Collection Account.

For these purposes a 'Mortgage Calculation Period' is the period commencing on (and including) the 6th day of a calendar month and ending on (and including) the 5th day of the next calendar month, except for the first Mortgage Calculation Period which shall commence on (and include) 1 June 2004 and end on (and include) 5 July 2004.

### **Master Collection Account**

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

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

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. '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 on 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.

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

If on any Mortgage Payment Date the aggregate balance standing to the credit of the Master Collection Account and the Reserve Account is higher than twenty (20) per cent. of the aggregate Principal Amount Outstanding of the Notes on such Mortgage Payment Date (the "Excess Balance"), the Issuer shall, or the Issuer shall procure that the Issuer Administrator on its behalf shall, immediately transfer the Excess Balance to a separate account in the name of the Issuer with a bank with a minimum rating of 'A-1+' by S&P. If (i) 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 'Prime-1' by Moody's or 'A-1' by S&P or such rating is withdrawn by Moody's or S&P or (ii) if the amount standing to the credit of the Master Collection Account exceeds euro 50,000,000 on the first day of a Floating Rate Interest Period and the long-term unsecured, unsubordinated and unguaranteed debt obligations of the Floating Rate GIC Provider are assigned a rating less than 'Aa3' by Moody's or such rating is withdrawn, the Floating Rate GIC Provider will use its best efforts within thirty (30) days of any such event (a) to obtain a third party, having at least the required minimum rating to guarantee the obligations of the Floating Rate GIC Provider or (b) to find an alternative Floating Rate GIC Provider acceptable to Moody's, S&P and the Security Trustee or (c) to find any other solution acceptable to Moody's or S&P to maintain the then current ratings of the Notes.

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

The 'Notes Interest Available Amount' means, on each Quarterly Payment Date, the amount calculated by the Issuer Administrator at the relevant Quarterly Calculation Date (as defined in Condition 6 (c)) as being received during the Quarterly Calculation Period (as defined in Condition 6 (c)) immediately preceding such Quarterly Calculation Date, as being:

- (i) interest on the Mortgage Receivable less, with respect to each Savings Mortgage Receivable, an amount calculated as follows:  $R \times P/SMR$ , whereby  $R$  = the interest received on such Savings Mortgage Receivable,  $P$  = Participation in such Savings Mortgage Receivable and  $SMR$  = the Outstanding Principal Amount due on such Savings Mortgage Receivable ( $P/SMR$  being the 'Participation Fraction');
- (ii) interest received on the Transaction Accounts;
- (iii) prepayment and interest penalties under the Mortgage Loans;
- (iv) the Net Proceeds (as defined in the Conditions) on any Mortgage Receivables to the extent such proceeds do not relate to principal less, with respect to each Savings Mortgage Loan, an amount equal to such amount received multiplied by the Participation Fraction;
- (v) amounts to be drawn under the Liquidity Facility (other than Liquidity Facility Stand-by Drawings) (as defined below) on the immediately succeeding Quarterly Payment Date;
- (vi) amounts to be drawn from the Reserve Account on the immediately succeeding Quarterly Payment Date;
- (vii) amounts to be received from the Swap Counterparty under the Swap Agreement on the immediately succeeding Quarterly Payment Date, but excluding any amounts provided by the Swap Counterparty as collateral, if any;
- (viii) amounts received in connection with a repurchase of Mortgage Receivables pursuant to the Mortgage Receivables Purchase Agreement to the extent such amounts do not relate to principal less, with respect to each Savings Mortgage Loan, an amount equal to such amount received multiplied by the Participation Fraction;
- (ix) 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 Loan, an amount equal to such amount received multiplied by the Participation Fraction;
- (x) amounts received as post-foreclosure proceeds; and
- (xi) any (remaining) amounts standing to the credit of the Master Collection Account.

Prior to the delivery of an Enforcement Notice to the Issuer by the Security Trustee, the Issuer will, on each Quarterly Payment Date apply the Notes Interest Available Amount to make the following

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

- (a) *first*, in or towards satisfaction, *pro rata* and *pari passu*, according to the respective amounts thereof, of the fees or other remuneration due and payable to the Directors in connection with the Management Agreements and any costs, charges, liabilities and expenses incurred by the Security Trustee under or in connection with any of the Relevant Documents (as defined in Condition 3);
- (b) *second*, in or towards satisfaction, *pro rata* and *pari passu*, according to the respective amounts thereof, of fees and expenses due and payable to the Issuer Administrator and the Pool Servicer under the Administration Agreement;
- (c) *third*, in or towards satisfaction, *pro rata* and *pari passu*, according to the respective amounts thereof, (i) of any amounts due and payable to third parties under obligations incurred in the Issuer's business (other than under the Relevant Documents), including, without limitation, in or towards satisfaction of sums due or provisions for any payment of the Issuer's liability, if any, to tax, fees and expenses of Moody's and S&P, any legal advisor, auditor and accountant appointed by the Issuer and/or, as the case may be, the Security Trustee and (ii) fees and expenses due to (a) the Paying Agents and the Reference Agent under the Paying Agency Agreement, (b) the Liquidity Facility Provider (including, for the avoidance of doubt, the Liquidity Facility Commitment Fee) under the Liquidity Facility Agreement and (c) the Floating Rate GIC Provider under the Floating Rate GIC;
- (d) *fourth*, in or towards satisfaction of any amounts due and payable to the Liquidity Facility Provider under the Liquidity Facility Agreement but excluding any gross up amounts or additional amounts due under the Liquidity Facility Agreement and payable under (p) below or, following a Liquidity Facility Stand-by Drawing, in or towards satisfaction of sums to be credited to the Liquidity Facility Stand-by Ledger;
- (e) *fifth*, in or towards satisfaction of amounts, if any, due but unpaid under the Swap Agreement, including a Settlement Amount (as defined therein) other than for any termination payment due or payable as a result of the occurrence of an event of default (as defined therein) where the Swap Counterparty is the Defaulting Party or the sole Affected Party (as defined therein) and excluding, for the avoidance of doubt, any amount relating to Excess Swap Collateral;
- (f) *sixth*, in or towards satisfaction of interest due or interest accrued but unpaid on the Senior Class A Notes;
- (g) *seventh*, in or towards making good any shortfall reflected in the 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 but unpaid on the Mezzanine Class B Notes;
- (i) *ninth*, in or towards making good any shortfall reflected in the Class B Principal Deficiency Ledger (defined below) until the debit balance, if any, on the Class B Principal Deficiency Ledger is reduced to zero;
- (j) *tenth*, in or towards satisfaction of interest due or accrued but unpaid on the Junior Class C Notes;
- (k) *eleventh*, in or towards making good any shortfall reflected in the Class C Principal Deficiency Ledger (defined below) until the debit balance, if any, on the Class C Principal Deficiency Ledger is reduced to zero;
- (l) *twelfth*, in or towards satisfaction of interest due or accrued but unpaid on the Subordinated Class D Notes;
- (m) *thirteenth*, in or towards satisfaction of any sums required to be deposited on the Reserve Account or, as the case may be, to replenish the Reserve Account up to the amount of the Reserve Account Required Amount (defined below);
- (n) *fourteenth*, on the Quarterly Payment Date falling in May 2008 and each Quarterly Payment Date thereafter in or towards satisfaction of principal due on the Subordinated Class D Notes;

- (o) *fifteenth*, in or towards satisfaction of any amounts under the terms of the Swap Agreement in connection with the termination of the Swap Agreement where the Swap Counterparty is the the Defaulting Party or the sole Affected Party (as defined therein) and excluding, for the avoidance of doubt, any amount relating to Excess Swap Collateral;
- (p) *sixteenth*, in or towards satisfaction, *pro rata*, according to the respective amounts thereof, of gross-up amounts or additional amounts due, if any, to the Liquidity Facility Provider pursuant to the Liquidity Facility Agreement; and
- (q) *seventeenth*, in or towards satisfaction of a Deferred Purchase Price Instalment (as defined in Mortgage Receivables Purchase Agreement below) to the Seller.

**Priority of Payments in respect of principal**

The 'Notes Redemption Available Amount' means, on a Quarterly Payment Date, the amount calculated by the Issuer Administrator on the immediately preceding Quarterly Calculation Date as being received or held during the immediately preceding Quarterly Calculation Period:

- (i) amounts of repayment and prepayment in full of principal under the Mortgage Loans from any person, but, for the avoidance of doubt, excluding prepayment penalties, if any, less, with respect to each Savings Mortgage Loan, the Participation in such Savings Mortgage Loan;
- (ii) the Net Proceeds (as defined in Condition 6(c)) on any Mortgage Receivable to the extent such proceeds relate to principal less, with respect to each Savings Mortgage Loan, the Participation in such Savings Mortgage Loan;
- (iii) amounts to be 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 Receivable Purchase Agreement to the extent such amounts relate to principal less, with respect to each Savings Mortgage Loan, the Participation in such Savings Mortgage Loan;
- (iv) amounts to be received in connection with a sale of Mortgage Receivables pursuant to the Trust Deed to the extent such amounts relate to principal from any person, whether by set off or otherwise, but, for the avoidance of doubt, excluding prepayment penalties, if any, less, with respect to each Savings Mortgage Loan, the Participation in such Savings Mortgage Loan;
- (v) amounts to be credited to the Principal Deficiency Ledgers on the immediately succeeding Quarterly Payment Date in accordance with the Administration Agreement and items (g), (i) and (k) of the Interest Priority of Payments;
- (vi) Monthly Participation Increase pursuant to the Sub-Participation Agreement;
- (vii) partial prepayment in respect of Mortgage Loans; and
- (viii) any part of the Notes Redemption Available Amount calculated on the immediately preceding Quarterly Calculation Date which has not been applied towards satisfaction of any of the items set out in the Principal Priority of Payments on the immediately preceding Quarterly Payment Date.

Prior to the delivery of an Enforcement Notice by the Security Trustee, the Issuer will, on each Quarterly Payment Date apply the Notes Redemption Available Amount to make the following payments in the following order of priority (in each case only if and to the extent that payments of a higher order of priority have been made in full) (the 'Principal Priority of Payments'):

- (i) *firstly* to the holders of the Senior Class A Notes until the Senior Class A Notes are fully redeemed,
- (ii) *secondly*, to the holders of the Mezzanine Class B Notes, until the Mezzanine Class B Notes are fully redeemed; and
- (iii) *thirdly*, to the holders of the Junior Class C Notes, until the Junior Class C Notes are fully redeemed.

**Priority of Payments upon Enforcement**

Following delivery of an Enforcement Notice any amounts payable by the Security Trustee under the Trust Deed, other than in respect of the Participations held by the Participant, will be paid to the Secured Parties (including the Noteholders but excluding the Participant) in the following order of priority (after deduction of costs incurred by the Security Trustee, which will include - *inter alia* - fees and expenses of Moody's and S&P and any legal adviser, accountant or auditor appointed by the

Security Trustee) (and in each case only if and to the extent payments of a higher priority have been made in full) (the 'Priority of Payments upon Enforcement'):

- (a) *first*, in or towards satisfaction, *pro rata* and *pari passu*., according to the respective amounts thereof, of (i) the fees or other remuneration due to the Directors (ii) the fees and expenses of the Paying Agents and the Reference Agent incurred under the provisions of the Paying Agency Agreement and (iii) the fees and expenses of the Issuer Administrator and the Pool Servicer under the Administration Agreement;
- (b) *second*, in or towards satisfaction of any sums due or accrued but unpaid under the Liquidity Facility Agreement, but excluding any gross-up amounts or additional amounts due under the Liquidity Facility Agreement payable under (l) below;
- (c) *third*, in or towards satisfaction, *pro rata*, according to the respective amounts thereof, of (i) all amounts of interest due or accrued but unpaid in respect of the Senior Class A Notes and (ii) amounts, if any, due but unpaid to the Swap Counterparty under the Swap Agreement including any Settlement Amount (as defined therein) 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 early termination payable under subparagraph (k) below;
- (d) *fourth*, in or towards satisfaction of all amounts of principal and any other amount but unpaid in respect of the Senior Class A Notes;
- (e) *fifth*, in or towards satisfaction of all amounts of interest due or accrued but unpaid in respect of the Mezzanine Class B Notes;
- (f) *sixth*, in or towards satisfaction of all amounts of principal and any other amount but unpaid in respect of the Mezzanine Class B Notes;
- (g) *seventh*, in or towards satisfaction of all amounts of interest due or accrued but unpaid in respect of the Junior Class C Notes;
- (h) *eighth*, in or towards satisfaction of all amounts of principal and any other amount but unpaid in respect of the Junior Class C Notes;
- (i) *ninth*, in or towards satisfaction of all amounts of interest due or accrued but unpaid in respect of the Subordinated Class D Notes;
- (j) *tenth*, in or towards satisfaction of all amounts of principal and any other amount but unpaid in respect of the Subordinated Class D Notes;
- (k) *eleventh*, to the Swap Counterparty in or towards payments of any amounts due under the Swap Agreement in respect of the Issuer's obligations in respect of the costs (other than a Settlement Amount) to be paid by the Issuer upon an early termination of the Swap Agreement, as determined in accordance with its terms;
- (l) *twelfth*, in or towards satisfaction, *pro rata*, according to the respective amounts thereof, of gross-up amounts or additional amounts due, if any, to the Liquidity Facility Provider pursuant to the Liquidity Facility Agreement; and
- (m) *thirteenth*, in or towards satisfaction of the Deferred Purchase Price to the Seller.

#### **Liquidity Facility**

On the Closing Date, the Issuer will enter into the Liquidity Facility Agreement with the Liquidity Facility Provider. The Issuer will be entitled on any Quarterly Payment Date (other than on (i) a Quarterly Payment Date if and to the extent that on such date the Notes (other than the Subordinated Class D Notes) are redeemed in full or on (ii) the Final Maturity Date) to make drawings under the Liquidity Facility up to the Liquidity Facility Maximum Amount (as defined below). Any such drawing shall be credited to the Master Collection Account. 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 Quarterly Payment Date if and to the extent that, after the application of amounts available in the Reserve Account and before any drawing under the Liquidity Facility, there is a shortfall in the Notes Interest Available Amount to meet items (a) to (j) (inclusive) (but not items (g) and (i)) in the Interest Priority of Payments in full on that Quarterly Payment Date provided that no drawing may be made to meet item (h) to the extent that, after application of the Notes Interest Available Amount, a debit balance would remain on the Class B Principal Deficiency Ledger and no drawing may be made to

meet item (j) to the extent that, after application of the Notes Interest Available Amount, a debit balance would remain on the Class C Principal Deficiency Ledger. The Liquidity Facility Provider will rank in priority to payments and security to, *inter alia*, the Noteholders.

If, at any time, (i) the short-term unsecured, unsubordinated and unguaranteed debt obligations of the Liquidity Facility Provider are assigned a rating of less than 'Prime-1' by Moody's and/or 'A-1+' by S&P or such rating is withdrawn by Moody's and/or S&P and (ii) the Liquidity Facility Provider is not within thirty (30) days replaced by the Issuer with a suitably rated alternative Liquidity Facility Provider or a third party having the required ratings has not guaranteed the obligations of the Liquidity Facility Provider or another solution acceptable to Moody's and S&P is not found and (iii) the then current ratings assigned to the Notes are materially adversely affected as a result thereof, the Issuer will be required forthwith to draw down the entirety of the undrawn portion of the Liquidity Facility (a 'Liquidity Facility Stand-By Drawing') and credit such amount to the Master Collection Account with a corresponding credit to the Liquidity Stand-by Ledger. Amounts so credited to the Master Collection Account may be utilised by the Issuer in the same manner as a drawing under the Liquidity Facility. A Liquidity Facility Stand-By Drawing shall also be made if the Liquidity Facility is not renewed by the Liquidity Facility Provider following its commitment termination date.

For these purposes, 'Liquidity Facility Maximum Amount' means, on any Quarterly Calculation Date the higher of (i) 2.00 per cent. of the aggregate Principal Amount Outstanding of the Notes, excluding the Subordinated Class D Notes, on such Quarterly Calculation Date and (ii) 0.50 per cent. of the aggregate Principal Amount Outstanding of the Notes, excluding the Subordinated Class D Notes on the Closing Date.

#### **Reserve Account**

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

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

- (i) until (but excluding) the Quarterly Payment Date falling in August 2009 0.80 per cent. of the aggregate Principal Amount Outstanding of the Notes, excluding the Subordinated Class D Notes on the Closing Date; and
- (ii) thereafter the lesser of:
  - (a) 0.80 per cent. of the aggregate Principal Amount Outstanding of the Notes, excluding the Subordinated Class D Notes, on the Closing Date; and
  - (b) an amount equal to the higher of:
    - (i) 1.25 per cent. of the aggregate Principal Amount Outstanding of the Notes, excluding the Subordinated Class D Notes, on the first day of the following Floating Rate Interest Period; and
    - (ii) 0.25 per cent. of the aggregate Principal Amount Outstanding of the Notes, excluding the Subordinated Class D Notes, on the Closing Date; and
- (iii) zero on the Quarterly Payment Date on which the Notes, other than the Subordinated Class D Notes, have been or will be redeemed in full, subject to the Conditions.

The Reserve Account Required Amount will only decrease if each of the following conditions are met:

- (a) the Outstanding Principal Amount of all Mortgage Receivables which are in arrears for a period exceeding 60 days is equal or less than 1.25 per cent. of the aggregate Principal Amount Outstanding of all Mortgage Receivables; and
- (b) there is no debit balance on the Principal Deficiency Ledger prior to the application of the Notes Interest Available Amount on the relevant Quarterly Payment Date; and
- (c) on or before the Quarterly Payment Date falling in August 2009, the amount standing to the credit of the Reserve Account is equal to the Reserve Account Required Amount on or before the Quarterly Payment Date.



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

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

#### **Principal Deficiency Ledger**

A Principal Deficiency Ledger comprising three sub-ledgers, known as the 'Class A Principal Deficiency Ledger', the 'Class B Principal Deficiency Ledger' and the 'Class C Principal Deficiency Ledger', respectively, will be established by or on behalf of the Issuer in order to record any Realised Losses on the Mortgage Receivables, including Realised Losses on the sale of Mortgage Receivables (each respectively the 'Class A Principal Deficiency', the 'Class B Principal Deficiency' and the 'Class C Principal Deficiency', together a 'Principal Deficiency'). Any Principal Deficiency shall be debited to the Class C Principal Deficiency Ledger (such debit items being recredited, to the extent that payments are made, at item (k) of the Interest Priority of Payments) so long as the debit balance on such sub-ledger is less than the aggregate Principal Amount Outstanding of the Junior 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, to the extent that payments are made, at item (i) of the Interest Priority of Payments) so long as the debit balance on such sub-ledger is less than the aggregate 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, to the extent that payments are made, at item (g) of the Interest Priority of Payments).

'Realised Losses' means, on any Quarterly Calculation Date, the sum of (I) the amount of the difference between (a) the aggregate Outstanding Principal Amount on all Mortgage Receivables on which the Seller, the Pool Servicer (on behalf of the Issuer or the Security Trustee), the Issuer or the Security Trustee has completed the Foreclosure Proceedings from the Closing Date up to and including such Quarterly Calculation Date and (b) the sum of (i) the Net Proceeds on the Mortgage Receivable other than the Savings Mortgage Receivables; and (ii) the Net Proceeds on the Savings Mortgage Receivables less the Participation; and (II) with respect to Mortgage Receivables sold by the Issuer, the amount of the difference, if any, between (x) the aggregate Outstanding Principal Amount and (y) the purchase price received in respect of such Mortgage Receivables to the extent relating to the principal less the relevant Participations.

#### **Interest Rate Hedging**

The Mortgage Loan Criteria (as defined under *Mortgage Receivables Purchase Agreement* below) require that all Mortgage Loans bear a floating rate of interest or a fixed rate of interest subject to a reset from time to time. The interest rate payable by the Issuer with respect to the Notes is calculated as a margin over Euribor. On the first Optional Redemption Date the margin on the Notes (excluding the Subordinated Class D Notes) will be reset and shall increase. The Issuer will hedge this interest rate exposure by entering into the Swap Agreement with the Swap Counterparty and the Security Trustee (such hedging excluding the Subordinated Class D Notes). Under the Swap Agreement, the Issuer will agree to pay on each Quarterly Payment Date an amount (the "Issuer Swap Payment") being the sum of:

- (i) the aggregate amount of the interest on the Mortgage Receivables scheduled to be paid during the relevant Quarterly Calculation Period less, with respect to each Savings Mortgage Receivable, an amount equal to such scheduled interest on such receivables multiplied by the Participation Fraction, but excluding any interest accrued on the Transaction Accounts; and
- (ii) any prepayment penalties received during the immediately preceding Quarterly Calculation Period; less

- (iii) an excess margin (the "Excess Margin") of 0.35 per cent. per annum applied to the relevant Outstanding Principal Amount of the Mortgage Receivables on the first day of the relevant Quarterly Calculation Period; less
- (iv) certain expenses as described under (a), (b) and (c) of the Interest Priority of Payments.

The Swap Counterparty will agree to pay on each Quarterly Payment Date amounts equal to the scheduled interest due under the Notes on such Quarterly Payment Date, excluding the interest due under the Subordinated Class D Notes, and calculated by reference to the floating rate of interest applied to the Principal Amount Outstanding of the relevant Class of Notes, excluding the Subordinated Class D Notes, on the first day of the relevant Floating Rate Interest Period (the "Swap Counterparty Payment"). The notional amounts (the "Notional Amounts") under the Swap Agreement will, however, be reduced to the extent there is a debit balance on the sub ledger of the Principal Deficiency Ledger related to the relevant Class of Notes.

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 'A1' (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 (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 the rights and obligations of the Swap Counterparty with respect to the Swap Agreement to either (x) a replacement third party with a rating of at least as high as 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 counterparty in respect of the obligations of the Swap Counterparty under the Swap Agreement. Such counterparty may be either (x) a person with a rating of at least as high as 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 to maintain the then current ratings of the Notes.

Pending compliance with (a), (b) or (c) above, the Swap Counterparty will, at its own cost:

- (d) 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 (the "Collateral Amount")) in support of its obligations under the Swap Agreement which complies with in relation to the Collateral Amount, certain criteria set by Moody's or any other amount which might be agreed with Moody's.

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

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' 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' 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) or (d) above, save that:

- (i) in the event that the interest Swap Counterparty is unable to comply with (a), (b) or (c) 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 and the Collateral Amount may be higher.

Pursuant to the Swap Agreement, if, at any time, (i) 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 (ii) any such rating is withdrawn by S&P ((i) and (ii) being hereinafter an "**S&P Event**"), then the Swap Counterparty will at its own cost, within thirty (30) days of such reduction or withdrawal of any such rating use its best endeavours to (at the option of the Swap Counterparty) either (a) transfer and assign its rights and obligations under the Swap Agreement to a third party having a rating of at least as high as the S&P Required Rating, (b) enter into an agreement with a third party, having the S&P Required Rating, which party will guarantee or agree to become a co-obligor in respect of the obligations of the Swap Counterparty under the Swap Agreement, and (c) provide cash or securities collateral (in consultation and agreement with S&P and in accordance with S&P's most recently published criteria) sufficient to maintain the ratings of the Notes, other than the Subordinated Class D Notes, at the level which would have subsisted but for the S&P Event, or (d) take such other action as the Swap Counterparty may agree with S&P as will result in the rating of the Notes, other than the Subordinated Class D Notes, following the taking of such action being maintained at, or restored to, the level it would have been immediately prior to such S&P Event.

Any capitalised term used above but not defined herein shall have the meaning given to it in the Swap Agreement.

## THE DUTCH RESIDENTIAL MORTGAGE MARKET

### Housing market

With a population of approximately 16 million inhabitants and an area measuring only 16,000 square miles the Netherlands is one of the world's most densely populated countries.

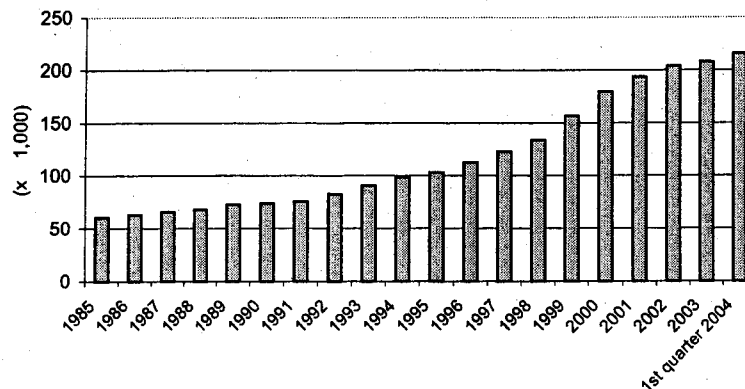
Historically the Netherlands has a relatively low level of owner occupancy. In the mid-1950s deduction of mortgage interest payments for income tax was introduced as an incentive to promote homeownership. Thanks to the positive effect of this incentive, homeownership has now risen to fifty four (54) per cent as is seen in the table below. Despite this development owner occupancy in the Netherlands still is significantly lower than the EU average of sixty four (64) per cent.

	Total dwelling Stock (in numbers)	Owner occupied (in %)
1947.....	2,126,000	28%
1956.....	2,567,000	29%
1964.....	3,072,000	34%
1971.....	3,787,000	35%
1977.....	4,480,000	41%
1982.....	4,957,000	42%
1986.....	5,384,000	43%
1990.....	5,802,000	45%
1994.....	6,116,000	48%
1995.....	6,191,900	48%
1996.....	6,276,000	49%
1997.....	6,357,600	50%
1998.....	6,440,500	51%
1999.....	6,522,400	52%
2000.....	6,589,700	52%
2001.....	6,649,000	53%
2002.....	6,709,000	54%

Source: VROM (Netherlands Ministry of Spatial Planning, Housing and Environment)

The Dutch housing market is relatively stable. After a recession during 1978-1982 property prices have steadily increased. The Graph below 1 shows the yearly house price developments for the last nineteen (19) years. These figures are derived from the Dutch Association of Real Estate Agencies ("NVM"), which covers approximately sixty five (65) per cent of property sales in the Netherlands.

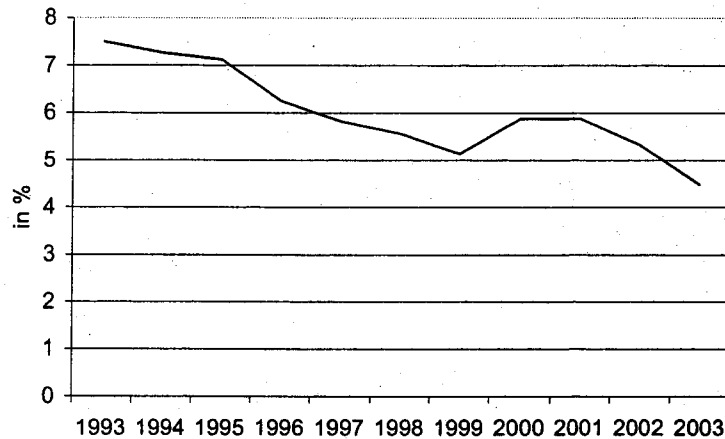
Dutch Property Price Developments



Source: NVM

Major price increases in the Netherlands housing market occurred in the 1997-2000 period, due to the combined effects of income growth and declining mortgage interest rates. Interest rates on mortgage loans have been relatively low in the last seven years. The graph below illustrates the development of mortgage interest rates over the past ten years.

Average interest rate



Source: CBS (Statistics Netherlands)

#### Mortgage Loan market

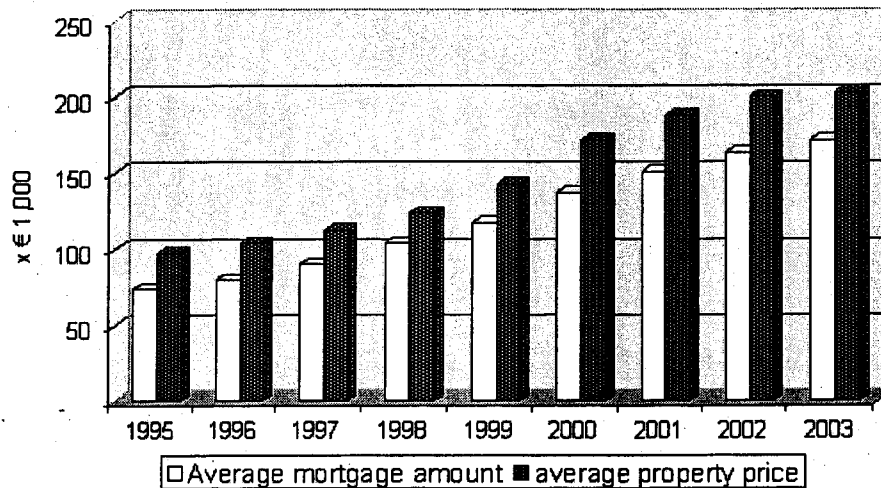
Coinciding with the increase of property prices the Dutch mortgage market rose spectacularly from the mid to the late 1990s. In 2000 considerably fewer newly issued mortgages were registered. This decrease mainly results from the fact that after 1999, house price increases were lower and interest rates did not decline further. From 2001 up till now market growth has been relatively stable. The table below illustrates these trends.

	<u>Amount Newly issued</u> (in EUR billions)	<u>Amount outstanding</u> (EUR billions)
1995 .....	26	147
1996 .....	38	167
1997 .....	48	193
1998 .....	60	219
1999 .....	78	251
2000 .....	70	285
2001 .....	73	316
2002 .....	81	350
2003 .....	96	389

Source: CBS (Statistics Netherlands)

During the mortgage market peak period the average mortgage amount has increased significantly. As property price increased also, there is still overvalue available to back the outstanding mortgage debt as can be derived from the graph below.

Property price vs. average mortgage amount



Source: CBS

#### Characteristics of Dutch Mortgage Loans

The most common mortgage types in the Netherlands are annuity, linear, interest only, savings, life and investment mortgage loans. Under the last three types of mortgage loans no principal is repaid during the term of the mortgage loan. Instead, the Borrower makes payments in a saving account, endowment insurance or investment fund. Upon maturity the loan is partly repaid with the money in the savings account, the insurance contract or the investment fund respectively available for redemption of such loan.

The Netherlands allow full deduction of mortgage interest payments for income tax. Condition to deductibility of interest in the Netherlands is owner occupancy of the property. In addition to this the period for allowed deductibility is restricted to a term of thirty (30) years.

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

The combination of an attractive fiscal regime, generally long periods of fixed interest rates and attractive repayment arrangements lead to advances of up to one hundred and twenty five (125) per cent. of the foreclosure value.

Prepayment rates in the Netherlands are relatively low, mainly due to prepayment penalties that are incorporated in the mortgage contracts. Prepayment penalties are generally calculated as the net present value of the interest loss to the lender upon prepayment. As other reason for low prepayment rates can be mentioned the relatively small number of relocations in the Netherlands for work-related reasons due to the small size of the country.

## EUREKO B.V.

In this section entitled "Eureko B.V." references to "Eureko" and the "Eureko Group" are each to Eureko B.V. and its subsidiaries.

### Introduction

The Eureko Group consists of Eureko B.V. and its subsidiaries. Eureko B.V. was incorporated by deed of incorporation on 31 December 1991. Eureko B.V. is a limited company ("*besloten vennootschap met beperkte aansprakelijkheid*") incorporated under the laws of the Netherlands. The Articles of Association of Eureko B.V. were most recently amended by deed of amendment on 8 January 2004. Eureko B.V. is registered with the Trade Register at the Chamber of Commerce and Industry for Utrecht, registration number 33235189.

Eureko B.V. is a privately-owned, financial services group, whose core businesses are primarily insurance and asset management, and which has operations in fourteen European countries. Eureko has evolved from its origins as an alliance of like-minded, independent insurance companies with shared goals, to its position as a much broader group with a number of operating companies which it either owns outright, or in which it has significant holdings.

In addition, Eureko and Banco Comercial Português (BCP) have a strategic partnership, in particular for the development of joint initiatives in Bancassurance and Asset management in areas of mutual interest. Eureko and BCP each hold a approximately 4.5% of the ordinary shares of the other company.

The Eureko Group offers a full range of insurance – Life and Non-Life – and pension products, as well as asset management and banking.

Eureko's philosophy is to create an integrated, pan-European group consisting of market leaders in the territories in which its companies operate, providing, 'local solutions, shared goals'. Each of its Operating Companies has strong, dominant brands; they know their local markets intimately, and are customer-focused. It is this local expertise, with the backing of a strong European Group and the sharing of skills and experience throughout the Group which are the corner-stone of Eureko's values. The Operating Companies retain their own names, as brand recognition in their territories is very strong.

As stated, Eureko's initial aim was to achieve an initial public offering during 2002. However, the downturn in global market conditions confirmed only negative investor sentiment, particularly in the insurance sector. It remains the objective to achieve a listing, but this will depend wholly on market conditions.

However, as a precursor to a stock market listing for Eureko B.V., the company announced at the beginning of 2004 that it was considering a stock market listing for its asset management operation, F&C. This move would create greater transparency, as well as helping to determine a market value for Eureko ahead of its own IPO

At the beginning of 2003, Eureko announced a new corporate governance structure in which a two-tier Executive and supervisory Board would be implemented, integrating the Boards of Eureko B.V. and Achmea Holding N.V. (Eureko's Dutch operation).

The decision was taken to streamline the corporate governance and to simplify the organisational composition at the Holdings level, thus creating greater transparency, removing duplication of functions, improving efficiency and reducing costs.

The initial phases of the integration of the Holdings was completed in July 2003, with a reduction of 90 fte positions at the Eureko and Achmea corporate centers.

The Eureko Group comprises Achmea, F&C, Friends First, Interamerican, Union, Império France and also has a strategic 21.8% investment in PZU of Poland.

Eureko has operations in the following countries (under the respective Operating Company brands).

The Netherlands, Luxembourg, Belgium	(Achmea)
United Kingdom, The Netherlands, Portugal, Ireland, Germany, USA	(F&C)
Greece, Romania, Bulgaria, Cyprus	(Interamerican)
Ireland	(Friends First)
Slovakia	(Union)
France	(Império France)

In addition, Eureko has a company based in Warsaw (**Eureko Polska**) whose personnel are engaged in the development plans of Eureko's shareholding in **PZU, Poland**.

#### **Major Domestic Players**

Achmea	Netherlands - Largest in non-life, sixth largest in life
Friends First	Ireland - Seventh largest in Life
F&C	UK - asset management company
Interamerican	Greece - Largest life insurer - Fourth largest in non-life

#### *diagram 1*

Eureko B.V. is not a credit institution subject to supervision by the Dutch Central Bank (*De Nederlandsche Bank N.V.*), pursuant to the Netherlands Act on the Supervision of the Credit System 1992 ("*Wet toezicht kredietwezen 1992*" or "*Wtk*").

#### *Executive Board:*

G.J. Swalef, chairman and CEO  
E.R. Jansen, vice chairman (with responsibility for business outside Benelux)  
P. F.M. Overmars, vice chairman (Chief Executive Officer of Achmea, with responsibility for Benelux; will retire as per 1 October 2004)  
G.H.J. van Arkel  
M.W. Dijkshoorn (Chief Operating Officer Achmea; appointed as vice chairman as per 1 July 2004)  
G. van Olphen (Chief Financial Officer)  
L.J. Pruis (until 1 June 2004)  
M. Tiemstra (as of 1 January 2004)  
W.A.J. van Duin (as of 1 January 2004)

#### *Supervisory Board:*

J. de Veer (chairman)  
J.M. Jardim Gonçalves (vice chairman)  
A.H.C.M. Walravens (vice chairman)  
D. Contominas  
T.J. Koek  
E.A.J. van de Merwe  
F. Moerman  
J. Nijland  
A.J. Mulder  
P.F.M. Overmars (as per 1 January 2005 subject to regulatory approval)  
T. Persson  
L.G.L.M. Poell  
H.J. Slijkhuis  
B.J. van der Weg  
P. Wijnmaalen  
B.Y. Yntema

#### **Eureko and Rabobank**

Following the discussion between the Eureko group and the Rabobank group that started in September 2003 Rabobank has acquired a 5% stake in the ordinary share capital of Eureko. Rabobank's insurance company, Interpolis, will sell health insurance provided by Achmea's subsidiary, Zilveren Kruis Achmea, via local Rabobank members and via its own distribution channels. In addition, it is the intention to make Zilveren Kruis Achmea the health insurance provider for all Rabobank personnel as soon as possible. Eureko and Rabobank have entered into an arrangement of cross-representation on each other's Supervisory Boards.



## Levob

On the 5th of April 2004, it was announced that Avéro Achmea, part of the Dutch Achmea group, which is owned by Eureko B.V., is to combine with domestic insurer, Levob, to consolidate their respective positions in the Dutch intermediary insurance market. A Letter of Intent was signed (on 2 April 2004) by the Chairmen of the Executive Boards of Levob, Eureko and Achmea. Levob's principal activities are Life and Non-Life insurance (with distribution via the intermediary channel), and retail banking. The merger complements Achmea's strategy of strengthening its position in the broker market.

## Financial highlights Eureko

	2003	2002 proforma*	2002
	(x € million)		
<i>Group profit and loss account</i>			
result before tax .....	424.1	(735.1)	(562.7)
Net income .....	243.0	(573.7)	(388.6)
<i>Insurance</i>			
Gross premiums written .....	5655.7	5329.3	7431.4
Life .....	2602.9	2645.7	3920.9
Non-Life .....	1432.4	1211.5	1793.2
Health .....	1620.4	1472.1	1717.3
<i>Total Investment income<sup>(1)</sup></i> .....	1240.2	20.9	394.4
Operating result insurance – Total .....	587.3	(712.8)	(788.7)
Technical results Life .....	243.2	168.7	238.2
Technical results Non-Life .....	162.5	60.6	33.1
Technical results Health .....	51.9	39.5	32.9
Investment income non-technical .....	148.4	(980.6)	(1072.1)
Other non-technical results .....	(18.7)	(1.0)	(20.8)
<i>Asset Management</i>			
Management fees .....	263.0	270.8	270.8
Operating result .....	66.7	69.9	69.9
Asset under management .....	92816.4	94760.6	94760.6
<i>Banking</i>			
Net interest margin before provisions .....	199.9	183.9	183.9
Ordinary result before tax .....	(21.7)	9.1	9.1
<i>Consolidated Balance sheet</i>			
Total assets .....	47778.5	46756.2	
Total Investments (excl. unit-linked) .....	19176.5	18875.8	
Total technical reserves (excl. unit-linked) .....	19336.3	18255.7	
Capital and Reserves .....	1813.5	1619.7	
<i>Key indicators</i>			
Embedded value .....	2593.1	2355.0	2355.0
ROE .....	14.2%	(29.6)%	(20.0)%
Earnings per share (EUR) .....	1.22	(2.97)	(1.94)

\* For comparison purposes, a pro forma statement is presented, excluding seguros e pensoes as from 1 January 2002 and the transaction result related to that sale.

(1) Excluding unrealised losses on investments before tax.

## Capital

On 31 December 2003, the authorised share capital comprises 739,999,999 ordinary shares, one A-share and 10,000,000 M-shares, all with a par value of Euro 1.00 each. The issued share capital (including 49,676,915 Treasury shares) comprised 234,585,279 ordinary shares, one A-share and 6,667,240 M-shares. The holder of the A-share is entitled to special rights. The M-shares have been established to ensure that new shares can be issued to MAAF, without the other shares being able to

exercise pre-emptive rights. In addition, the M-shares can also be cancelled. The M-shares do not entitle the holder thereof to special voting rights

On 31 December 2003, the general meeting of shareholders of Eureka approved the transaction in which 23,904,060 preference shares in the capital of Eureka B.V. will be issued to Eureka Tussenholding B.V. against contribution of 90,169,748 preference shares in the capital of Achmea Holding N.V. The transaction has been executed in the first quarter of 2004. As a result hereof and of the participation by Rabobank, the authorised share capital amounts to EUR 810,000,000. It is divided into one A-share, 10,000,000 M-shares, 739,999,999 ordinary shares and 60,000,000 preference shares. Taking these increases into account, the issued and outstanding share capital consists of 234,585,279 ordinary shares (including 39,593,988 treasury shares), one A-share, 6,667,240 M-shares and 23,904,060 preference shares.

## ACHMEA HYPOTHEEKBANK N.V.

### Profile

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

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

Since the legal merger, Achmea Hypotheekbank issues mortgage loans under several (insurance) brand names to private individuals in the Netherlands. There have been two methods: direct writing (Centraal Beheer Achmea; FBTO; Zilveren Kruis Achmea) and through an intermediary (Avéro Achmea; Woonfonds Hypotheken). The mortgage business of Achmea Hypotheekbank is linked with the other activities of the Achmea Group, especially the life insurance and the investment funds business. In principle, mortgages are provided for residential property only. Achmea Hypotheekbank has merged with its sole subsidiary Woonfonds Holland B.V. in 2003.

The total mortgage-portfolio of Achmea Hypotheekbank expanded from euro 4.2 billion at the end of 1995 to euro 11.9 billion per 31 December 2003. The funding of Achmea Hypotheekbank in 1995 depended fully on private placements with mostly Dutch institutional investors. Nowadays Achmea Hypotheekbank taps the Euromarket with private and public loans under its own MTN-programme. Achmea Hypotheekbank issues debt instruments secured by a pledge of mortgage receivables under a trust agreement entered into by Achmea Hypotheekbank, with Stichting Trust Achmea Hypotheekbank as most recently amended on 2nd November 2000 (the "Trust Agreement"). The portfolio subject to the Trust Agreement or pledged for the benefit of other financing parties amounted to euro 6.6 billion as at 31 December 2003. In 1999 the first private securitisation of euro 0.2 billion was completed. Securitization as at the end of 2003 totals euro 4.7 billion. Profits in the last five years varied from euro 22 million over the year 1998, via euro 11 million in 2001 to euro 20 million in 2002. The result of 2003 was euro 23 million.

The BIS-ratio as at 31 December 2003 was 11.5 per cent.

### Shareholders' equity

The authorised share capital of Achmea Hypotheekbank is euro 90.8 million, divided into 200,000 shares with a nominal value of euro 453.78 each. 40,001 shares were fully paid up and called up as at 31 December 2003 and held by Achmea Bank Holding N.V.. The share premium account as at 31 December 2003 amounts to euro 164,206,000.

### Management

The articles of association of Achmea Hypotheekbank provide for management to be carried out by a Board of Managing Directors under the supervision of a Board of Supervisory Directors. Day-to-day policies are the responsibility of the Board of Managing Directors.

#### *Board of Managing Directors*

E.A.J. van der Merwe (chairman a.i.)

H.W. te Beest

#### *Board of Supervisory Directors*

J. Medlock (chairman)

G. van Olphen

L.J. Pruis (until 1 June 2004)

## Key Figures 1998 – 2003

	2003	2002	2001	2000	1999	1998
	(in millions of Euro)					
Balance sheet total .....	13,006	12,729	11,154	10,267	9,804	7,890
Mortgage loan portfolio.....	11,918	11,281	10,309	9,524	8,616	7,300
Group capital base.....	464	538	493	439	424	351
Total income .....	77	81	63	65	87	77
Operating expenses.....	40	50	48	44	50	39
Value adjustments to receivables ...	2	1	—	(2)	—	4
Net profit.....	23	20	11	15	24	22
BIS-ratio.....	11.5%	10.4%	10.8%	11.7%	10.6%	10.6%

### Mortgage activities

The history of the mortgage activities of the Achmea Group goes back to the early 1970's (Woonfonds) and 1980's (Centraal Beheer). For the insurance business the cross-selling opportunities are numerous when selling mortgages to private individuals. Compared to the market in the Netherlands the acceptance criteria of the mortgage companies of the Achmea Group are of average or even conservative standards. The loan losses of Achmea Hypotheekbank in the last five years totalled euro 0.8, less than 0.25 basis points annually on the average portfolio.

## DESCRIPTION OF THE MORTGAGE LOANS

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

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

The Mortgage Loans have been selected in accordance with the Mortgage Loan Criteria as set out in Mortgage Receivables Purchase Agreement. All of the Mortgage Loans were originated by the Originators and the Seller between 1994 and 2004.

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

### Repayment types

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

The following types of repayment are involved in the transaction.

#### *Interest-only mortgage loan*

In the case of an interest-only mortgage loan, the customer does not repay the capital during the term. The customer pays interest only and repays the capital in a lump sum at the end of the term.

#### *Annuity mortgage loan*

With the annuity mortgage loan, the customer pays a fixed monthly amount for the entire fixed-interest period. This amount is made up of interest and capital repayment. To begin with, the customer pays chiefly interest and repays only a small amount of the capital. As the term of the mortgage loan progresses, the interest portion becomes smaller and the capital repayment portion larger. At the end of the term, the mortgage loan is repaid in full.

#### *Linear mortgage loan*

In the case of a straight-line mortgage loan, the customer repays a fixed amount of the mortgage loan each month. The customer pays interest on the balance of the loan monthly. At the end of the term, the mortgage loan is repaid in full.

#### *Traditional life/unit linked mortgage loan*

In the case of a traditional life/unit linked mortgage loan the customer does not repay any capital during the term of the mortgage loan. Instead, the customer pays a monthly insurance-based premium. The premium for the insurance-based scheme consists of two elements: (i) an element to cover the risk of death and (ii) an element to be invested in an investment fund (i.e. bonds, shares). The proceeds of the policy is meant to be applied towards redemption, whether partially or fully, of the mortgage loan at the end of the term. The life insurance company has to be based in the Netherlands.

#### *Savings mortgage loan*

In the case of a savings mortgage loan, the customer does not repay any capital during the term of the mortgage loan. Instead, he/she pays a monthly insurance-based premium. The insurance policy ensures that the mortgage loan is repaid at the end of the term. If the customer dies during the term of the mortgage loan, the mortgage loan is repaid in full or in part by means of an endowment insurance policy.

The premium for the insurance-based scheme consists of two elements: (i) an element to cover the risk of death and (ii) a savings element. The interest rate the customer pays on the mortgage loan is the same as the interest rate paid on the savings element.

In case of all repayment types the customer is obligated to take out a life insurance for the part of the mortgage loan above eighty (80) per cent. or ninety (90) per cent. of the foreclosure value.

### Interest types

Achmea Hypotheekbank offers a number of different types of interest as summarised below.

#### *Floating rate ("Flexi- or Profrente")*

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

#### *Fixed interest ("Vaste- or TRAM- or Trend rente")*

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

#### *Transitional interest rate ("Rentegewinningsrente")*

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

#### *Bandwidth interest rate ("Component- or Rentepfectrente")*

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

### Summary of the Pool

The numerical information set out below relates to a provisional pool of Mortgage Loans (the "Provisional Pool") which was selected on 30 April 2004. All amounts are in euro. All amounts relating to principal are net of any Participation. Each table shows the weighted average coupon ("WAC") and weighted average maturity ("WAM"). The information set out below relates to the Provisional Pool and may not necessarily correspond to that of the Mortgage Receivables actually sold to the Issuer on the Closing Date. After the Closing Date the portfolio will change from time to time as a result of repayment, prepayment, amendment and repurchase of Mortgage Receivables.

*Key Characteristics of the Mortgage Pool as of 30 April 2004*

Outstanding Principal Balance (euro).....	1,367,398,465.97
Average Principal Balance by Borrower (euro).....	114,590
Maximum Exposure by Borrower (euro) .....	499,158.24
Number of Loanparts.....	19,743
Number of Borrowers.....	11,882
Seasoning (months).....	56
Weighted average remaining term to maturity (months) .....	306
Weighted average mortgage rate (WAC).....	5.02%
Weighted Average:	
Loan-to-Value (Non-Indexed Recorded Foreclosure Value).....	83.61%
Loan-to-Value (Indexed Recorded Foreclosure Value) <sup>1</sup> .....	66.45%
Loan-to-Value (Non-Indexed Estimated Fair Market Value) <sup>2</sup> .....	71.07%
Loan-to-Value (Indexed Estimated Fair Market Value) <sup>3</sup> .....	56.48%

(1) Indexed on the basis of provincial median price developments as determined by the NVM (Dutch association of real estate agents) as of Q1 2004

(2) Assuming Foreclosure Values to be 85% of the Fair Market Values

(3) Indexed on the basis of provincial median price developments as determined by the NVM (Dutch association of real estate agents) as of Q1 2004 and assuming Foreclosure Values to be 85% of the Fair Market Value

*Loan-to-Value (Recorded Foreclosure Value)*

Loan-to-Value (Recorded Foreclosure Value)	Outstanding Principal Amount (EUR)	Proportion of Pool (%)	Number of Loan Parts	Parts (%)	WAM (months)	WAC (%)
0.00% <= LTV < 50.00%....	149,108,654.97	10.9	3,310	16.8	283	5.30
50.00% <= LTV < 60.00%....	112,534,080.49	8.2	1,994	10.1	298	5.22
60.00% <= LTV < 70.00%....	163,816,283.23	12.0	2,520	12.8	311	5.11
70.00% <= LTV < 80.00%....	232,950,510.44	17.0	3,294	16.7	314	4.92
80.00% <= LTV < 90.00%....	186,417,875.06	13.6	2,634	13.3	302	5.05
90.00% <= LTV < 100.00%....	110,596,719.67	8.1	1,527	7.7	299	5.02
100.00% <= LTV < 105.00%....	53,330,755.36	3.9	654	3.3	302	4.92
105.00% <= LTV < 110.00%....	47,289,779.10	3.5	523	2.6	310	4.98
110.00% <= LTV < 115.00%....	43,076,772.04	3.2	482	2.4	311	4.94
115.00% <= LTV < 120.00%....	64,557,084.79	4.7	661	3.3	316	4.77
120.00% <= LTV < 125.00%....	203,719,950.82	14.9	2,144	10.9	321	4.85
<b>Total:.....</b>	<b>1,367,398,465.97</b>	<b>100.0</b>	<b>19,743</b>	<b>100.0</b>	<b>306</b>	<b>5.02</b>

*Loan-to-Value (Indexed Recorded Foreclosure Value)<sup>1</sup>*

Loan-to-Value (Indexed Recorded Foreclosure Value)	Outstanding Principal Amount (EUR)	Proportion of Pool (%)	Number of Loan Parts	Parts (%)	WAM (months)	WAC (%)
0.00% <= LTV < 50.00%....	482,455,157.34	35.3	9,263	46.9	284	5.59
50.00% <= LTV < 60.00%....	141,462,577.05	10.3	2,038	10.3	304	5.17
60.00% <= LTV < 70.00%....	157,808,317.47	11.5	2,029	10.3	315	4.74
70.00% <= LTV < 80.00%....	140,376,787.80	10.3	1,713	8.7	317	4.60
80.00% <= LTV < 90.00%....	103,612,699.41	7.6	1,240	6.3	318	4.68
90.00% <= LTV < 100.00%....	78,124,776.20	5.7	825	4.2	316	4.52
100.00% <= LTV < 105.00%....	35,281,689.79	2.6	349	1.8	323	4.60
105.00% <= LTV < 110.00%....	44,470,239.45	3.3	459	2.3	321	4.72
110.00% <= LTV < 115.00%....	62,520,822.94	4.6	645	3.3	328	4.68
115.00% <= LTV < 120.00%....	77,537,867.34	5.7	751	3.8	336	4.52
120.00% <= LTV < 125.00%....	43,747,531.18	3.2	431	2.2	340	4.44
<b>Total:.....</b>	<b>1,367,398,465.97</b>	<b>100.0</b>	<b>19,743</b>	<b>100.0</b>	<b>306</b>	<b>5.02</b>

(1) Indexed on the basis of provincial median price developments as determined by the NVM (Dutch association of real estate agents) as of Q1 2004

*Loan-to-Value (Non-Indexed Estimated Fair Market Value)<sup>1</sup>*

Loan-to-Value (Non-Indexed Estimated Fair Market Value)	Outstanding Principal Amount (EUR)	Proportion of Pool (%)	Number of Loan Parts	Parts (%)	WAM (months)	WAC (%)
0.00% <= LTV < 50.00%....	249,490,949.82	18.2	5,086	25.8	288	5.28
50.00% <= LTV < 60.00%....	185,287,652.89	13.6	2,862	14.5	310	5.09
60.00% <= LTV < 70.00%....	263,314,147.59	19.3	3,738	18.9	313	4.92
70.00% <= LTV < 80.00%....	187,188,804.44	13.7	2,615	13.2	300	5.09
80.00% <= LTV < 90.00%....	133,264,426.69	9.7	1,751	8.9	301	4.98
90.00% <= LTV < 100.00%....	110,939,044.47	8.1	1,196	6.1	310	4.91
100.00% <= LTV < 105.00%....	147,429,199.58	10.8	1,553	7.9	322	4.82
105.00% <= LTV < 110.00%....	90,484,240.49	6.6	942	4.8	319	4.86
<b>Total:.....</b>	<b>1,367,398,465.97</b>	<b>100.0</b>	<b>19,743</b>	<b>100.0</b>	<b>306</b>	<b>5.02</b>

(1) Assuming Foreclosure Values to be 85% of the Fair Market Values

*Loan-to-Value (Indexed Estimated Fair Market Value)<sup>1</sup>*

Loan-to-Value (Indexed Estimated Fair Market Value)	Outstanding Principal Amount (EUR)	Proportion of Pool (%)	Number of Loan Parts	Parts (%)	WAM (months)	WAC (%)
0.00% <= LTV < 50.00%....	607,382,599.19	44.4	11,097	56.2	288	5.50
50.00% <= LTV < 60.00%....	183,349,064.01	13.4	2,335	11.8	313	4.77
60.00% <= LTV < 70.00%....	162,112,193.25	11.9	1,988	10.1	317	4.60
70.00% <= LTV < 80.00%....	108,564,730.28	7.9	1,268	6.4	317	4.64
80.00% <= LTV < 90.00%....	85,586,470.33	6.3	855	4.3	321	4.53
90.00% <= LTV < 100.00%....	142,236,955.96	10.4	1,436	7.3	328	4.66
100.00% <= LTV < 105.00%....	72,156,592.43	5.3	694	3.5	340	4.51
105.00% <= LTV < 110.00%....	6,009,860.52	0.4	70	0.4	333	4.13
<b>Total:.....</b>	<b>1,367,398,465.97</b>	<b>100.0</b>	<b>19,743</b>	<b>100.0</b>	<b>306</b>	<b>5.02</b>

(3) Indexed on the basis of provincial median price developments as determined by the NVM (Dutch association of real estate agents) as of Q1 2004 and assuming Foreclosure Values to be 85% of the Fair Market Value



*Origination Date*

<b>Origination Date</b>	<b>Outstanding Principal Amount (EUR)</b>	<b>Proportion of Pool (%)</b>	<b>Number of Loan Parts</b>	<b>Parts (%)</b>	<b>WAM (months)</b>	<b>WAC (%)</b>
1994 .....	268,155,790.68	19.6	5,338	27.0	221	6.40
1995 .....	19,522,798.45	1.4	412	2.1	277	6.20
1996 .....	41,113,772.36	3.0	807	4.1	323	5.38
1997 .....	110,613,167.79	8.1	1,739	8.8	330	5.01
1998 .....	111,253,173.76	8.1	1,604	8.1	334	4.90
1999 .....	143,098,711.37	10.5	1,964	9.9	322	4.95
2000 .....	86,940,500.15	6.4	1,204	6.1	305	4.95
2001 .....	117,321,352.26	8.6	1,508	7.6	317	4.92
2002 .....	169,031,174.70	12.4	1,993	10.1	328	4.53
2003 .....	269,364,484.87	19.7	2,825	14.3	340	4.09
2004 .....	30,983,539.58	2.3	349	1.8	341	4.11
<b>Total:.....</b>	<b>1,367,398,465.97</b>	<b>100.0</b>	<b>19,743</b>	<b>100.0</b>	<b>306</b>	<b>5.02</b>

*Year of Maturity*

<b>Year of Maturity</b>	<b>Outstanding Principal Amount (EUR)</b>	<b>Proportion of Pool (%)</b>	<b>Number of Loan Parts</b>	<b>Parts (%)</b>	<b>WAM (months)</b>	<b>WAC (%)</b>
2004 <= Maturity < 2009 .....	3,675,211.77	0.3	113	0.6	23	5.62
2009 <= Maturity < 2014 .....	14,794,274.71	1.1	398	2.0	84	5.47
2014 <= Maturity < 2019 .....	66,488,222.10	4.9	1,362	6.9	143	5.87
2019 <= Maturity < 2024 .....	92,295,811.78	6.7	1,434	7.3	203	5.57
2024 <= Maturity < 2029 .....	386,141,658.84	28.2	6,330	32.1	259	5.68
2029 <= Maturity < 2034 .....	611,251,130.66	44.7	7,304	37.0	333	4.53
2034 <= Maturity < 2039 .....	82,238,623.94	6.0	1,026	5.2	368	4.25
2039 <= Maturity < 2044 .....	21,232,449.65	1.6	337	1.7	428	4.91
2044 <= Maturity < 2049 .....	68,507,886.85	5.0	1,157	5.9	517	4.99
2049 <= Maturity < 2051 .....	20,773,195.67	1.5	282	1.4	541	4.85
<b>Total:.....</b>	<b>1,367,398,465.97</b>	<b>100.0</b>	<b>19,743</b>	<b>100.0</b>	<b>306</b>	<b>5.02</b>

*Type of Mortgage*

<b>Type of Mortgage</b>	<b>Outstanding Principal Amount (EUR)</b>	<b>Proportion of Pool (%)</b>	<b>Number of Loan Parts</b>	<b>Parts (%)</b>	<b>WAM (months)</b>	<b>WAC (%)</b>
Annuity Mortgages .....	21,697,801.98	1.6	519	2.6	262	5.30
Interest Only .....	774,513,504.30	56.6	11,813	59.8	337	4.73
Life Mortgages .....	331,190,988.85	24.2	3,299	16.7	283	4.71
Linear Mortgages .....	2,151,435.02	0.2	82	0.4	227	4.95
Savings Mortgages .....	237,844,735.82	17.4	4,030	20.4	245	6.38
<b>Total:.....</b>	<b>1,367,398,465.97</b>	<b>100.0</b>	<b>19,743</b>	<b>100.0</b>	<b>306</b>	<b>5.02</b>

*Interest Type*

<b>Interest Type</b>	<b>Outstanding Principal Amount (EUR)</b>	<b>Proportion of Pool (%)</b>	<b>Number of Loan Parts</b>	<b>Parts (%)</b>	<b>WAM (months)</b>	<b>WAC (%)</b>
Fixed.....	993,535,811.10	72.7	15,047	76.2	299	5.53
Floating.....	280,241,348.89	20.5	3,422	17.3	329	3.14
Component.....	60,506,010.78	4.4	857	4.3	317	5.25
RGH.....	33,115,295.20	2.4	417	2.1	329	5.38
<b>Total:.....</b>	<b>1,367,398,465.97</b>	<b>100.0</b>	<b>19,743</b>	<b>100.0</b>	<b>306</b>	<b>5.02</b>

*Mortgage Interest Rate (%)*

<b>Mortgage Interest Rate (%)</b>	<b>Outstanding Principal Amount (EUR)</b>	<b>Proportion of Pool (%)</b>	<b>Number of Loan Parts</b>	<b>Parts (%)</b>	<b>WAM (months)</b>	<b>WAC (%)</b>
Rate < 3.50%.....	271,778,024.06	19.9	3,288	16.7	327	3.07
3.50% <= Rate < 4.00%.....	64,752,421.39	4.7	820	4.2	324	3.70
4.00% <= Rate < 4.50%.....	103,523,867.56	7.6	1,293	6.5	332	4.29
4.50% <= Rate < 5.00%.....	168,881,272.00	12.4	2,192	11.1	329	4.76
5.00% <= Rate < 5.50%.....	240,165,613.35	17.6	3,261	16.5	318	5.22
5.50% <= Rate < 6.00%.....	216,622,470.18	15.8	3,267	16.5	310	5.68
6.00% <= Rate < 6.50%.....	101,263,509.25	7.4	1,622	8.2	294	6.19
6.50% <= Rate < 7.00%.....	63,624,431.48	4.7	1,222	6.2	255	6.68
7.00% <= Rate < 7.50%.....	94,803,923.86	6.9	2,001	10.1	219	7.19
7.50% <= Rate < 8.00%.....	30,739,014.46	2.2	559	2.8	222	7.62
8.00% <= Rate < 8.50%.....	8,856,945.91	0.6	176	0.9	213	8.14
8.50% <= Rate < 9.00%.....	1,783,020.40	0.1	34	0.2	204	8.63
9.00% <= Rate < 9.50%.....	511,222.89	0.0	7	0.0	232	9.21
9.50% <= Rate < 10.00%.....	92,729.18	0.0	1	0.0	126	9.90
<b>Total:.....</b>	<b>1,367,398,466</b>	<b>100.0</b>	<b>19,743</b>	<b>100.0</b>	<b>306</b>	<b>5.02</b>

*Range of Years of Reset*

<b>Range of Years of Reset</b>	<b>Outstanding Principal Amount (EUR)</b>	<b>Proportion of Pool (%)</b>	<b>Number of Loan Parts</b>	<b>Parts (%)</b>	<b>WAM (months)</b>	<b>WAC (%)</b>
Reset <= 2007.....	555,645,141.32	40.6	7,675	38.9	314	4.20
2007 < Reset Date <= 2012.....	422,619,803.88	30.9	5,874	29.8	317	5.16
2012 < Reset Date <= 2017.....	237,732,110.43	17.4	3,781	19.2	285	5.88
2017 < Reset Date <= 2022.....	95,694,260.70	7.0	1,495	7.6	299	5.96
2022 < Reset Date <= 2027.....	51,724,913.87	3.8	882	4.5	258	6.94
2027 < Reset Date <= 2032.....	2,323,819.66	0.2	23	0.1	323	6.41
2032 < Reset Date <= 2033.....	1,658,416.11	0.1	13	0.1	351	6.05
<b>Total:.....</b>	<b>1,367,398,465.97</b>	<b>100.0</b>	<b>19,743</b>	<b>100.0</b>	<b>306</b>	<b>5.02</b>

*Range of Borrower Exposure (EUR x 1,000)*

<b>Range of Borrower Exposure (EUR x 1,000)</b>	<b>Outstanding Principal Amount (EUR)</b>	<b>Proportion of Pool (%)</b>	<b>Number of Loan Parts</b>	<b>Parts (%)</b>	<b>WAM (months)</b>	<b>WAC (%)</b>
B.E. < 25.....	9,321,571.74	0.7	553	2.8	221	5.92
25 <= B.E. < 50.....	69,368,633.38	5.1	2,053	10.4	247	6.08
50 <= B.E. < 75.....	138,756,928.05	10.1	3,018	15.3	276	5.86
75 <= B.E. < 100.....	159,570,198.32	11.7	2,992	15.2	291	5.59
100 <= B.E. < 125.....	152,385,005.61	11.1	2,445	12.4	303	5.15
125 <= B.E. < 150.....	157,476,569.19	11.5	2,305	11.7	315	4.90
150 <= B.E. < 175.....	134,101,888.44	9.8	1,691	8.6	324	4.71
175 <= B.E. < 200.....	121,258,656.32	8.9	1,313	6.7	322	4.70
200 <= B.E. < 225.....	95,738,876.83	7.0	942	4.8	326	4.62
225 <= B.E. < 250.....	79,591,404.16	5.8	740	3.7	329	4.57
250 <= B.E. < 275.....	57,027,285.47	4.2	476	2.4	319	4.59
275 <= B.E. < 300.....	32,744,817.58	2.4	256	1.3	320	4.45
300 <= B.E. < 325.....	34,410,592.63	2.5	241	1.2	328	4.41
325 <= B.E. < 350.....	21,902,078.46	1.6	145	0.7	334	4.42
350 <= B.E. < 375.....	19,151,435.34	1.4	125	0.6	309	4.57
375 <= B.E. < 400.....	17,110,776.58	1.3	110	0.6	306	4.71
400 <= B.E. < 425.....	24,226,559.33	1.8	128	0.6	315	4.42
425 <= B.E. < 450.....	17,906,471.91	1.3	87	0.4	305	4.44
450 <= B.E. < 475.....	16,068,043.44	1.2	84	0.4	313	4.43
475 <= B.E. < 500.....	9,280,673.19	0.7	39	0.2	312	3.98
<b>Total:.....</b>	<b>1,367,398,465.97</b>	<b>100.0</b>	<b>19,743</b>	<b>100.0</b>	<b>306</b>	<b>5.02</b>

*Geographic Region*

<b>Geographic Region</b>	<b>Outstanding Principal Amount (EUR)</b>	<b>Proportion of Pool (%)</b>	<b>Number of Loan Parts</b>	<b>Parts (%)</b>	<b>WAM (months)</b>	<b>WAC (%)</b>
Drenthe.....	43,733,437.71	3.2	669	3.4	310	4.88
Flevoland.....	38,626,505.40	2.8	532	2.7	292	5.01
Friesland.....	26,003,587.67	1.9	451	2.3	294	4.94
Gelderland.....	163,628,532.75	12.0	2,456	12.4	301	5.01
Groningen.....	37,386,324.06	2.7	644	3.3	303	4.91
Limburg.....	63,496,197.57	4.6	1,101	5.6	308	5.33
Noord-Brabant.....	296,483,511.09	21.7	4,146	21.0	324	4.95
Noord-Holland.....	227,521,285.78	16.6	3,068	15.5	302	4.96
Overijssel.....	85,991,178.87	6.3	1,454	7.4	296	4.91
Utrecht.....	120,881,871.78	8.8	1,525	7.7	295	5.04
Zeeland.....	15,915,851.18	1.2	257	1.3	298	5.36
Zuid-Holland.....	247,730,182.11	18.1	3,440	17.4	306	5.15
<b>Total:.....</b>	<b>1,367,398,465.97</b>	<b>100.0</b>	<b>19,743</b>	<b>100.0</b>	<b>306</b>	<b>5.02</b>

*Originator*

<b>Originator</b>	<b>Outstanding Principal Amount (EUR)</b>	<b>Proportion of Pool (%)</b>	<b>Number of Loan Parts</b>	<b>Parts (%)</b>	<b>WAM (months)</b>	<b>WAC (%)</b>
Avero Achmea.....	135,118,586.21	9.9	2,078	10.5	290	5.35
Centraal Beheer Achmea.....	240,489,306.81	17.6	3,578	18.1	279	5.47
FBTO .....	63,322,448.00	4.6	1,239	6.3	223	6.14
Woonfonds Nederland .....	928,468,124.95	67.9	12,848	65.1	322	4.78
<b>Total:.....</b>	<b>1,367,398,465.97</b>	<b>100.0</b>	<b>19,743</b>	<b>100.0</b>	<b>306</b>	<b>5.02</b>

## MORTGAGE LOAN UNDERWRITING AND SERVICING

### Origination

#### *Principles*

The Mortgage Loans in respect of the Mortgage Receivables to be assigned on the Closing Date were each originated by one of the individual Originators, each (except for Achmea Hypotheekbank) being at such time or (directly or indirectly) a one hundred (100) per cent. subsidiary of the Seller.

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

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

#### *Procedure of Originators*

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

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

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

Once the application was found to match the criteria, a loan proposal was sent to the applicant or to his intermediary/mortgage broker. If the Borrower accepted the proposal, (within 3 weeks) after reception of other relevant documents (such as proof of income and insurance policies) as well as the valuation on the underlying property was satisfactory to the Originator, the loan was granted. The valuation of the real estate was performed by an independent certificated valuer except in cases of (i) buildings under construction, where the value is based on the building contract or (ii) when the loan was less than ninety (90) per cent. of the value based on real estate tax valuations, or (iii) at Centraal Beheer only, if the loan was less than sixty (60) per cent of the theoretical foreclosure value based on eighty five (85) per cent. of the purchase price until 1 July 2003. The relevant information was put in the automated middle and back office systems.

The Borrower was informed that the loan was granted and a notary public was advised of the exact terms and conditions of the loan and asked to draft a notarial deed for the mortgage loan. The original deed was stored by the notary, but an authenticated copy and all other relevant original documents are stored by the Seller in fire-proof archives. The notary public is also responsible for registering the mortgage with the central Property Register (the "*Kadaster*").

### Servicing

#### *Mortgage Administration*

Once a Mortgage Loan has been accepted and registered by the notary the regular administration of the Mortgage Loan commences. Administration are those activities that occur during the regular running time of the mortgage such as changes in interest, making payments out of the construction

deposit as the construction of the building progresses, or the administration of (partial) redemption payments and the subsequent recalculation of the new interest payments, or even termination of the loan if full repayment has been made.

#### *Interest Collections*

Payments are drawn from the Borrower's account by direct debit. Payments are typically scheduled to be received by the Seller on the first business day of each month. The servicing system automatically collects payments from the relevant bank accounts by automatic fund transfers. Payment information is monitored daily by personnel in the accounts receivable management departments ("*Debiteuren Beheer*"). The percentage of Borrowers paying by way of direct debit is ninety seven (97) per cent. This automated process has a fail rate of 1.0 per cent.. This can be caused by a change in the bank account of the Borrower of which the Pool Servicer may not have been notified or the account may have insufficient funds.

If the first initial automatic collection failed, a new batch is automatically generated to perform a repeat try on the 8th day after such failed automatic collection. This automatic repeat action has a fifty (50) per cent. success rate. If both collections are unsuccessful the Borrower will receive a first reminder on the 15th day after non payment.

#### *Arrears management*

*Debiteuren Beheer* handles all contacts with the Borrower in terms of payments and arrears. Contact with the Borrower starts and typically ends with a reminder letter. Arrears management reminder letters are automatically generated by the system and sent out to the borrower first on the fifteenth (15th) day after non-payment and second within thirty (30) days after the first reminder. This is the second reminder. At this point, a penalty interest charge is also automatically added to the prevailing interest rate on the mortgage loan. For standardised thresholds of default in payments, a credit check is carried out at BKR. If the outcome of this check at BKR shows that the borrower is experiencing difficulties making other payments on consumer loans or other debts, the account will be put on the active treatment list, from which time the default management process starts.

#### *Default management*

If the second reminder does not result in payment the account goes into "active treatment". Once the account has been given active treatment status, *Debiteuren Beheer* works with the Borrower to ascertain whether a solution to his/her payment problem can then be reached. This is mostly done by telephone. In most cases the Borrower will either make payment or agree to sign a settlement plan. If the Borrower seeks co-operation in solving the deficiency, *Debiteuren Beheer* can and will make arrangements. Detailed information is collected on the Borrower's current job status, actual income, and monthly out flows. The Borrower is invited to make a proposal for repaying his/her arrear balance. *Debiteuren Beheer* assesses the workout plan and a counter-proposal is made if necessary. Compliance by the Borrower with planned payments is punctually monitored. Plans are typically 3 months with exceptional cases up to 6 months. If Borrower deviates from the plan the account is transferred to a special treatment team ("*Bijzonder Beheer*"). If no contact can be made a third letter is sent by registered mail. If that registered letter is not answered or is returned unopened the Borrowers account is transferred to *Bijzonder Beheer*. If *Debiteuren Beheer* is unsuccessful in trying to get the Borrower out of the arrear situation for more than three months after the first missed payment the file will also be transferred to *Bijzonder Beheer*. Whereas *Debiteuren Beheer* tries to get payment but also to keep customer satisfaction in mind, *Bijzonder Beheer* will use all legal means to get payment. This can include obtaining a letter of lien of salary (the employer will deduct the agreed amount from the Borrowers salary before salary payment is made, this deduction is paid directly to the Lender) and/or getting a third party guarantor to assist in payment and guaranteeing future payment.

A joined effort to sell the property is often made. The Borrower can choose to sell his/her house at this stage, which will be accepted by the Seller if revenues from a voluntary sale cover the outstanding debt in full, or if it is expected that foreclosure will realise a lower recovery value. If amounts are still outstanding after the sale of the property, these amounts still have to be repaid by the Borrower for which, if possible, a settlement agreement will be entered into. If all the above measures are unsuccessful the last step is foreclosure.

#### *Foreclosure process*

If a workout plan cannot be negotiated with the Borrower or the Borrower fails to comply with the settlement, the foreclosure process starts. A notary is appointed to initiate the foreclosure process. In

general, the decision to foreclose will be taken six months following the initial default by the Borrower. *Bijzonder Beheer* calculates the best method of maximising the sale value of the property. This could mean that the property is sold either as a private sale or by public auction. A private sale can, and often does, precede a public auction. When the decision is made to foreclose, the head of the department gives formal instruction to the notary. The date of the sale will be set by the notary within three weeks of this instruction and, usually, will be four to 10 weeks after the decision to foreclose (depending on the region and the number of other foreclosures currently being handled). Throughout the foreclosure process, the borrower's management team works according to guidelines set down by Netherlands law, the lender and the BKR.

*Debt after sale or foreclosure*

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

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

## MORTGAGE RECEIVABLES PURCHASE AGREEMENT

Under the Mortgage Receivables Purchase Agreement the Issuer will purchase and, on the Closing Date, accept from the Seller the assignment of the Mortgage Receivables. The assignment of the Mortgage Receivables from the Seller to the Issuer will not be notified to the Borrowers, except in special events as further described hereunder ('Notification Events'). The Issuer will be entitled to all interest amounts (including penalty interest) becoming due in respect of the Mortgage Receivables as of 1 June 2004 as well as principal amounts and prepayment penalties becoming due in respect of the Mortgage Receivables as of 31 May 2004.

### 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 1,294,167,248.26, which is equal to the aggregate Outstanding Principal Amount at 31 May 2004. The 'Outstanding Principal Amount' means, at any moment in time, the principal balance ("*hoofdsom*") of a Mortgage Receivable resulting from a Mortgage Loan at such time and, after the occurrence of a Realised Loss in respect of such Mortgage Receivable, zero. The Deferred Purchase Price shall be equal to the sum of all Deferred Purchase Price Instalments and each 'Deferred Purchase Price Instalment' will be equal to (i) the positive difference, if any, between the Notes Interest Available Amount as calculated on each Quarterly Calculation Date and the sum of all amounts payable by the Issuer as set forth in the Interest Priority of Payments under (a) up to and including (p) or, after an Enforcement Notice, (ii) the amount remaining after all amounts as set forth in the Priority of Payments upon Enforcement under (a) up to and including (l) have been made on such date (see *Credit Structure above*).

### Representations and warranties

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

- (a) each of the Mortgage Receivables is duly and validly existing;
- (b) the Seller has full right and title ("*titel*") 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;
- (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 ("*beslagen*") and no option rights to acquire the Mortgage Receivables have been granted in favour of any third party with regard to the Mortgage Receivables;
- (e) each Mortgage Receivable is secured by a Mortgage on Mortgaged Assets in the Netherlands and is governed by Netherlands law;
- (f) each Mortgaged Asset concerned was valued when application for a Mortgage Loan was made by an independent certificated valuer with the exception of: (i) Mortgage Loans of which the Outstanding Principal Amount did not, at the time of application by the Borrower, exceed one hundred (100) per cent. of the foreclosure value of the residential property 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*") or (ii) property to be constructed or in construction at the time of application for a Mortgage Loan where the Mortgage Loan to be granted did not exceed hundred and ten (110) per cent. of the foreclosure valuation (based on the building contract) or (iii) Mortgage Loans that do not exceed sixty (60) per cent. of the theoretical foreclosure value (set on eighty five (85) per cent. of the purchase price of the Mortgaged Asset);
- (g) each Mortgage Receivable, the Mortgage and the borrower pledge, if any, constitute legal, valid, binding and enforceable obligations of the relevant Borrower;
- (h) each Mortgage Loan was originated by the Seller or the relevant Originator;
- (i) all Mortgages and all borrower pledges (i) constitute valid mortgage rights ("*hypotheekrechten*") and rights of pledge ("*pandrechten*") respectively on the Mortgage Assets and the assets which are the subject of the Mortgages and borrower pledges respectively and, to the extent relating to the Mortgages, have been entered in the relevant public register ("*Dienst van het Kadaster en de*");



*Openbare Registers*"), (ii) have first priority ("*eerste in rang*") or, as the case may be, have first ("*eerste in rang*") and immediately sequentially lower in priority and (iii) were vested for an outstanding principal amount which is at least equal to the Outstanding Principal Amount of the Mortgage Loan when originated, increased with interest, penalties, costs and any insurance premium paid by the relevant Originator or, as the case may be, the Seller on behalf of the Borrower, up to an amount of at least fifty (50) per cent. of such Outstanding Principal Amount, therefore in total up to a maximum amount of not less than one hundred and fifty (150) per cent. of the Outstanding Principal Amount of the relevant Mortgage Receivables upon origination;

- (j) each of the Mortgage Loans meets the Mortgage Loan Criteria;
- (k) each of the Mortgage Loans has been granted in accordance with all applicable legal requirements and materially met the relevant Originator's or Seller's standard underwriting criteria and procedures prevailing at that time, which do not materially differ from the criteria and procedures set forth in this Offering Circular and the Administration Manual;
- (l) as at 31 May 2004, no amounts due and payable under any of the Mortgage Receivables were unpaid;
- (m) the Seller has not been notified and is not aware of anything affecting the Seller's title to the Mortgage Receivables;
- (n) the maximum Outstanding Principal Amount of each Mortgage Loan does not, at the Closing Date, exceed one hundred and twenty five (125) per cent. of the original foreclosure value ("*executiewaarde*") of the Mortgaged Assets;
- (o) upon creation of each Mortgage, the Seller or the relevant Originator was granted power by the mortgage deed to unilaterally terminate such Mortgage and such power to terminate has not been revoked, terminated or amended;
- (p) each of the Savings Mortgage Receivables and the Life Mortgage Receivables has the benefit of a Savings Insurance Policy with the Participant and a Life Insurance Policy with any of the Insurance Companies, respectively, and either (i) the Seller has been validly appointed as beneficiary ("*begunstigde*") under such Insurance Policies, upon the terms of the relevant Mortgage Loans and the relevant Insurance Policies, which have been notified to the relevant Insurance Companies or (ii) the Seller has been given a Borrower Insurance Proceeds Instruction;
- (q) with respect to each of the Savings Mortgage Receivables and the Life Mortgage Receivables to which a Savings Insurance Policy with the Participant and a Life Insurance Policy with any of the Insurance Companies, respectively, is connected, the Seller has the benefit of a borrower pledge granted by the relevant Borrower and such right of pledge has been notified to the relevant Insurance Companies, which, to the extent required has been recorded on the relevant Insurance Policy;
- (r) with respect to Life Mortgage Loans to which a Life Insurance Policy with a Life Insurance Company is connected, (i) there is no connection, whether from a legal or a commercial point of view, between the Life Mortgage Loan and the relevant Life Insurance Policy other than the relevant Borrower Insurance Pledge and the relevant Life Beneficiary Rights, (ii) the Life Mortgage Loans and the Life Insurance Policies are not marketed as one product or under one name and (iii) the Borrowers were free to choose the relevant Life Insurance Company;
- (s) with respect to Life Mortgage Loans to which a Life Insurance Policy with the Participant is connected, (i) there is no connection, whether from a legal or a commercial point of view, between the relevant Life Mortgage Loan and any Life Insurance Policy, other than the right of pledge securing Life Mortgage Loan and the relevant Life Beneficiary Rights, (ii) the Life Mortgage Loans and the relevant Life Insurance Policies were not marketed as one product and (iii) the Borrowers were free to choose the relevant Life Insurance Company;
- (t) at the Closing Date the aggregate Outstanding Principal Amount of Life Mortgage Loans with Life Insurance Policies with a specific Life Insurance Company or the Participant does not exceed 3.80 per cent. of the Outstanding Principal Amount of all Mortgage Receivables; and
- (u) it has not, in respect of Mortgage Loans originated by any of the Originators, granted any further advance or loan, unless it is a Seller Further Advance; "**Seller Further Advance**" means a further advance or loan granted to a Borrower of a Mortgage Loan originated by: (i) Centraal

Beheer Hypotheken B.V., provided that such further advance or further loan only relates to withdrawals of principal prepayments previously made by the relevant Borrower; and (ii) Woonfonds Nederland B.V.

#### **Repurchase**

If at any time after the Closing Date any of the representations and warranties relating to a Mortgage Loan or a Mortgage Receivable proves to have been untrue or incorrect, the Seller shall within fourteen (14) days of receipt of written notice thereof from the Issuer remedy the matter giving rise thereto and if such matter is not capable of being remedied or is not remedied within the said period of fourteen (14) days, the Seller shall on the next succeeding Mortgage Payment Date repurchase and accept reassignment of such Mortgage Receivable for a price equal to the then Outstanding Principal Amount together with interest accrued up to but excluding such Mortgage Payment Date and reasonable costs relating thereto (including any costs incurred by the Issuer in effecting and completing such repurchase and re-assignment).

If the Seller agrees with a Borrower to make a Further Advance prior to the occurrence of a Notification Event and partial termination of the relevant mortgage right (see paragraph *Notification Events* below), it shall repurchase and accept reassignment of the Mortgage Receivable on the terms and conditions set forth above on the immediately following Mortgage Payment Date, unless such granting of the Further Advance results in the prepayment of the relevant Mortgage Receivable or the Seller has partially terminated the relevant mortgage right and borrower pledge to the extent such mortgage right and borrower pledge secures other debts than the relevant Mortgage Receivable.

The Seller shall also repurchase and accept reassignment of a Mortgage Receivable on the Mortgage Payment Date immediately following the date on which it agrees with a Borrower to amend the terms of the relevant Mortgage Loan and such amendment is not in accordance with the conditions set out in the Mortgage Receivables Purchase Agreement, which include the condition that after such amendment the relevant Mortgage Loan continues to meet each of the Mortgage Loans Criteria (as set out below) and the representations and warranties of the Mortgage Receivables Purchase Agreement (as set out above) remain true and accurate.

#### **Mortgage Loan Criteria**

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

- (a) the Mortgage Loans are in the form of:
  - (1) interest only mortgage loans ("*aflossingsvrije hypotheek*");
  - (2) annuity mortgage loans ("*annuïteitenhypotheek*");
  - (3) linear mortgage loans ("*lineaire hypotheek*");
  - (4) savings mortgage loans ("*spaarhypotheek*");
  - (5) life mortgage loans ("*levenhypotheek*"); or
  - (6) mortgage loans which combine any of the above mentioned mortgage loans,
- (b) the Borrower is not an employee of the Seller nor of any member of the Achmea Group of companies;
- (c) the Borrower is a resident of the Netherlands and a natural person;
- (d) the interest rate of each Mortgage Loan is fixed, subject to a reset from time to time, or variable;
- (e) the Mortgaged Assets were not the subject of residential letting and was, or was to be, occupied by the relevant Borrower (and certain family members in which case the relevant Outstanding Principal Amount did not exceed seventy five (75) per cent. of the original foreclosure value of the Mortgaged Asset);
- (f) each Mortgage Loan has been originated after 1 January 1994;
- (g) the Outstanding Principal Amount of each Mortgage Loan does not exceed euro 500,000;
- (h) the legal final maturity of each Mortgage Loan does not extend beyond December 2050;
- (i) each Outstanding Principal Amount did not, on the Closing Date exceed one hundred twenty five (125) per cent. of the foreclosure value of the relevant Mortgaged Asset;

- (j) the Mortgaged Asset is for residential use or for partial residential and partial commercial use by the Borrower, located in the Netherlands and the value of the commercial part is less than fifty (50) per cent. of the foreclosure value of the relevant Mortgaged Asset;
- (k) each Mortgage Loan is fully secured by a first or first and immediately sequentially lower in priority or any lower ranking Mortgage; and
- (l) each of the Mortgage Loans is fully disbursed.

**Notification Events**

If, *inter alia*:

- (a) a default is made by the Seller in the payment on the due date of any amount due and payable by it under the Mortgage Receivables Purchase Agreement or under any Relevant Document to which it is a party and such failure is not remedied within ten (10) business days after notice thereof has been given by the Issuer or the Security Trustee to the Seller; or
- (b) the Seller fails duly to perform or comply with any of its obligations under the Mortgage Receivables Purchase Agreement or under any Relevant Document to which it is a party and, if such failure is capable of being remedied, such failure is not remedied within ten (10) business days after notice thereof has been given by the Issuer or the Security Trustee to the Seller; or
- (c) the Seller takes any corporate action or other steps are taken or legal proceedings are started or threatened against it for its dissolution ("*ontbinding*") and liquidation ("*vereffening*") or legal demerger ("*juridische splitsing*") involving the Seller or any of its assets are placed under administration ("*onder bewind gesteld*"); or
- (d) the Seller has taken any corporate action or any steps have been taken or legal proceedings have been instituted or threatened against it for its entering into emergency regulations ("*Noodregeling*") as referred to in Chapter X of the Netherlands Act on the Supervision of the Credit System 1992 ("*Wtk*") or for bankruptcy or for any analogous insolvency proceedings under any applicable law for the appointment of a receiver or a similar officer of it or of any or all of its assets; or
- (e) the Seller during a period of any two consecutive months fails to have a solvency ratio on a consolidated basis at least 0.25 per cent. above the percentage required by Guideline 4001 issued pursuant to the Wtk as set out in the Netherlands Central Bank's Credit System Supervision Manual as amended from time to time ("*Handboek Wtk*") for tier 1 capital and 0.50 per cent. above the percentage required by clause 4001 of the Handboek WTK for tier 1 capital, upper tier 2 capital and lower tier 2 capital together; or
- (f) the actual liquidity of the Seller pursuant to Guideline 4101 of the Handboek Wtk is not greater or equal to the required liquidity under the broad liquidity test, as defined in such Guideline 4101 of the Handboek Wtk during a period of any two consecutive months; or
- (g) the Dutch Central Bank has restricted the Seller's powers in accordance with Clause 28.3(a) of the Wtk or has made an official announcement as referred to in Clause 28.3(b) of the Wtk and within two weeks after any such events the Seller has not taken the necessary steps resulting in such measures being withdrawn; or
- (h) the credit rating by S&P of the Seller's long-term unsecured, unsubordinated and unguaranteed debt obligations falls below 'BBB+', or such rating is withdrawn; or
- (i) the credit rating by Moody's of the Seller's long-term, unsecured, unsubordinated and unguaranteed debt obligations is set and such credit rating is set below or falls below 'Baa1', or such rating is withdrawn,

then, and at any time thereafter, unless an appropriate remedy to the satisfaction of the Security Trustee and after having received confirmation from Moody's and S&P is found within a period of ten (10) business days, except in the occurrence of the events mentioned under (c) and (d) where no remedy shall apply, the Seller shall forthwith notify the Borrowers and any other relevant parties indicated by the Issuer and/or the Security Trustee of (i) the termination of the mortgage rights to the extent possible and the borrower pledges securing the Mortgage Receivables in as far as they secure other debts than the Mortgage Receivables assigned to the Issuer and (ii) the assignment of the Mortgage Receivables or, at its option, the Issuer shall be entitled to make such notifications itself.

In addition, pursuant to the Beneficiary Waiver Agreement (i) 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 Trustee I Notification Event relating to the Issuer and (y) the Security Trustee under the condition precedent of the occurrence of a Trustee I Notification Event relating to the Issuer and (ii) upon the occurrence of a Notification Event and to the extent 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 Savings Insurance Policies, the Participant shall (a) use its best efforts to terminate the appointment of the Seller as beneficiary under the Insurance Policies and to appoint as first beneficiary under the Insurance Policies (x) the Issuer under the dissolving condition of the occurrence of a 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.

#### **Proposed legislation on Requirements for Assignment**

Currently a bill is pending before the Dutch Parliament, in which it is proposed to amend the legal requirements for the assignment of receivables in such a manner that it can also be effectuated by means of a notarial or registered deed of assignment, without notification of the assignment to the debtors being required. If and when this amendment would become effective, the Seller could assign the Mortgage Receivables, and transfer legal ownership, to the Issuer by the mere registration of the deed of assignment with the relevant tax authorities and would not be restricted to completing the assignment by notification in case of the occurrence of Notification Events. The partial termination structure set out under the section 'Bank Mortgages' in *Special Considerations* is, however, only effective if the partial termination is effectuated prior to the assignment being completed, whether by means of notification or after the proposed amendment becoming effective, registration or notification. 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 certain events and the consequent partial termination of the Bank Mortgages may not be an option. However, pursuant to the Mortgage Receivables Purchase Agreement the Issuer will have the right to register the deed of assignment at any time upon the proposed amendment becoming effective. The Issuer will undertake in the Trust Deed to exercise such right only with the prior written approval of the Security Trustee and subject to the confirmation of Moody's and S&P that it will not adversely effect the then current ratings assigned to the Notes.

## ADMINISTRATION AGREEMENT

### Services

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

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

## THE SWAP COUNTERPARTY

CDC IXIS Capital Markets is a French law limited liability company (*société anonyme à Directoire et Conseil de Surveillance*), which was incorporated on 31 March 1987 and is regulated by Articles L.210-1 et seq. of the French Commercial Code. Initially named CDC International, the company changed its name to CDC Marchés. Its name was later changed from CDC Marchés to CDC IXIS Capital Markets, with effect from 12 January 2001. Its registered office is at 47, Quai d'Austerlitz 75648 Paris Cedex 13, France. For the purpose of the Swap Agreement, CDC IXIS Capital Markets is acting through its London Branch, established in accordance with the 2nd European Directive, registered in England as a branch under No.BR004413 and regulated by the Financial Services Authority (the FSA) for investment business conducted in the United Kingdom.

CDC IXIS Capital Markets was licensed as a finance company (*société financière*), a type of French credit institution, on 31 May 1996 by the *Comité des établissements de crédit et des entreprises d'investissement*. Consequently, it is subject to French and European laws and regulations applicable to credit institutions (such as capital adequacy, insolvency and prudential ratios) and is regulated by *Livre V* of the French Monetary and Financial Code. As a provider of investment services, it is also subject to the supervision and regulation of the *Autorité des marchés financiers* which grants licences to providers of investment services and regulates and controls their financial activities.

Transactions (as defined in the CDC IXIS Guarantee) entered into by CDC IXIS Capital Markets during the period between 24 January 2004 and at the latest midnight (Paris time) on 23 January 2007 are guaranteed by a guarantee in the form of a joint and several obligation (*cautionnement solidaire*) dated 28 May 2003 and with effect from (and including) 24 January 2004 granted to the counterparties of CDC IXIS Capital Markets by CDC IXIS ('CDC IXIS'), the parent company of CDC IXIS Capital Markets, (the 'CDC IXIS Guarantee'). The CDC IXIS Guarantee extends both to all on-balance sheet and off-balance sheet transactions (subject to the terms of the CDC IXIS Guarantee) if their respective maturity dates fall before 24 January 2017, other than (i) payment obligations arising from any subordinated securities or debts subject to a subordination provision which is intended for or which results in the assimilation of the securities or debts to its own funds as defined by banking regulations or (ii) any payment obligations arising under any transaction which are specifically excluded from the benefit of the CDC IXIS Guarantee.

The counterparties of CDC IXIS benefit from a guarantee also in the form of a joint and several obligation (*cautionnement solidaire*) dated 28 May 2003 with effect from 24 January 2004 granted to the counterparties of CDC IXIS by the *Caisse des Dépôts et Consignations* ('CDC'), a French public financial institution, which is the current ultimate parent of CDC IXIS Capital Markets (the 'CDC Guarantee'). The CDC Guarantee extends to the undertakings of CDC IXIS under the CDC IXIS Guarantee.

Transactions (as defined in the Additional CDC IXIS Guarantee) entered into by CDC IXIS Capital Markets on or after 24 January 2004 and which have maturity dates falling after 24 January 2017 are guaranteed by an additional guarantee in the form of a joint and several obligation (*cautionnement solidaire*) dated 7 January 2004 and with effect from (and including) 24 January 2004 granted to the counterparties of CDC IXIS Capital Markets by CDC IXIS (the 'Additional CDC IXIS Guarantee'). The Additional CDC IXIS Guarantee extends to all Transactions with respective maturity dates that fall after 24 January 2017, other than obligations to pay arising from any subordinated securities or debts issued or entered into by CDC IXIS Capital Markets subject to a subordination provision which is intended for, or which results in, the assimilation of the securities or debts to its own funds as defined by banking regulation. For avoidance of doubt, it is indicated that the undertakings of CDC IXIS under the Additional CDC IXIS Guarantee are not guaranteed by CDC.

Before claiming under the Additional CDC IXIS Guarantee described above, a counterparty must first deliver a written payment request to CDC IXIS Capital Markets for amounts due but unpaid. If the amount claimed remains unpaid by CDC IXIS Capital Markets two Business Days after receipt by it of the payment request, the counterparty may issue a written demand on CDC IXIS in accordance with the terms of the Additional CDC IXIS Guarantee and CDC IXIS will be obliged to pay amounts due to the counterparty in accordance with the terms of the Additional CDC IXIS Guarantee within three Business Days of such written demand.

The Additional CDC IXIS Guarantee may be terminated at any time by CDC IXIS. If the Additional CDC IXIS Guarantee was terminated, CDC IXIS Capital Markets must inform the relevant beneficiaries of this guarantee by publishing a public announcement in at least one financial newspaper

in each of Paris, London, Frankfurt, New York and Tokyo at least six months before the effective date of the intended termination.

Notwithstanding termination of the Additional CDC IXIS Guarantee, relevant Debts (as defined in the Additional CDC IXIS Guarantee) arising from Transactions entered into by CDC IXIS Capital Markets from (and including) 24 January 2004 to its scheduled date of termination and guaranteed by the Additional CDC IXIS Guarantee will continue to benefit from the undertakings given by CDC IXIS under the Additional CDC IXIS Guarantee until their respective maturity dates.

The long term, unsecured, unsubordinated debt obligations of CDC IXIS Capital Markets are currently rated 'AAA/ negative' by Standard & Poor's, 'Aaa' by Moody's Investors Service and 'AAA' by Fitch when ultimately guaranteed by CDC and 'AA' by Standard & Poor's when solely guaranteed by CDC IXIS. The long term, unsecured, unsubordinated and unguaranteed debt obligations of CDC IXIS are currently rated 'AA' by S&P's, 'Aa2' by Moody's Investors Service. The short term, unsecured, unsubordinated debt obligations of CDC IXIS Capital Markets are currently rated 'A-1+' by S&P, 'P-1' by Moody's Investors Service and 'F-1+' by Fitch.

In a press release dated 2 October, 2003, CDC and Caisse Nationale des Caisses d'Epargne ('CNCE') announced that they had signed on 1 October 2003 a memorandum of agreement to consolidate their partnership on a long-term basis by constituting a new full service bank to be created by the integration of CDC IXIS and CDC IXIS Capital Markets in the Caisse d'Epargne Group. CDC, with a 35% equity interest in this new full service bank, will consolidate its role as major long-term investor. The details of the organisation are not yet known but will be completed in the course of 2004.

## SUB-PARTICIPATION AGREEMENT

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

### Participation

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

- (i) at the Closing Date or in case of a switch from any type of Mortgage Loan into a Savings Mortgage Loan, the relevant Mortgage Payment Date the sum of an amount equal to the savings premia in respect of the Savings Insurance Policies received by the Participant with accrued interest up to the first day of the month of the Closing Date or, as the case may be, the relevant Mortgage Payment Date (the 'Initial Participation'); and
- (ii) on each Mortgage Payment Date an amount equal to the amount received by the Participant as Savings Premium during the immediately preceding Mortgage Calculation Period in respect of the relevant Savings Insurance Policies, provided that in respect of each relevant Savings Mortgage Receivable no amounts will be paid to the extent that, as a result, thereof the Participation (as defined below) in such relevant Savings Mortgage Receivable would exceed the relevant Outstanding Principal Amount.

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

$(\text{Participation Fraction} \times R) + S$  whereby

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

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

In consideration for the undertaking of the Participant described above, the Issuer will undertake to pay that Participant on each Mortgage Payment Date in respect of each of the Savings Mortgage Receivables 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 1 June 2004 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 in full under the relevant Savings Mortgage Receivables from any person, whether by set-off or otherwise, but, for the avoidance of doubt, excluding any prepayment penalties and interest penalties, (ii) in connection with a repurchase of any Savings Mortgage Receivables 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 pursuant to the Trust Deed and to the extent such amounts relate to principal and (iv) as Net Proceeds on any Savings Mortgage Receivables to the extent such amounts relate to principal (together, the 'Participation Redemption Available Amount') which amount will never exceed the amount of the Participation.

### Reduction of Participation

If:

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

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



**Enforcement Notice**

If an Enforcement Notice (as defined in Condition 10) is given by the Security Trustee to the Issuer, then and at any time thereafter the Security Trustee on behalf of the Participant may, and if so directed by the Participant shall, by notice to the Issuer:

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

**Termination**

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

## DUTCH MORTGAGE PORTFOLIO LOANS IV B.V.

Dutch Mortgage Portfolio Loans IV B.V. (the 'Issuer') was incorporated as a private company with limited liability ("*besloten vennootschap met beperkte aansprakelijkheid*") under the laws of the Netherlands on 4 June 2004 under number B.V. 1281698. The registered office of the Issuer is in Amsterdam, the Netherlands. The Issuer is registered with the Commercial Register of the Chamber of Commerce of Amsterdam under number 34208120.

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 acquire monies to finance the acquisition of receivables mentioned under (a) by way of issue of securities or by entering into loan agreements, (c) to on-lend and invest any funds held by the Issuer, (d) to hedge interest rate and other financial risks amongst others by entering into derivative agreements, such as swaps and options, (e) if incidental to the foregoing, (i) to borrow funds among others to repay the principal sum of the securities mentioned under (b), and (ii) to grant security rights and (f) to perform all activities which are incidental to or which may be conducive to any of the foregoing.

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

Stichting DMPL IV Holding is a foundation ("*stichting*") incorporated under the laws of the Netherlands on 18 May 2004. The objects of Stichting DMPL IV Holding are, *inter alia*, to incorporate, acquire and to hold shares in the share capital of the Issuer and to exercise all rights attached to such shares and to dispose of and encumber such shares. The sole managing director of Stichting DMPL IV Holding is ATC Management B.V..

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

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

The managing directors of ATC Management B.V. are Mr. J.H. Scholts residing in Soest, Mr. G.F.X.M. Nieuwenhuizen residing in Hilversum, Mr. J. Lont residing in Amsterdam and Mr. A.G.M. Nagelmaker residing in Hillegom.

### 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 9 June 2004.

### Capitalization

The following table shows the capitalization of the Issuer as of 4 June 2004 as adjusted to give effect to the issue of the Notes and the initial participation:

#### Share Capital

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

#### Borrowings

Senior Class A Notes .....	euro 1,202,500,000
Mezzanine Class B Notes .....	euro 21,500,000
Junior Class C Notes .....	euro 26,000,000
Subordinated Class D Notes .....	euro 6,250,000
Initial Participation .....	euro 44,168,081.48

## **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  
Dutch Mortgage Portfolio Loans IV B.V.

Dear Sirs:

Dutch Mortgage Portfolio Loans IV B.V. (the ‘Issuer’) was incorporated on 4 June 2004 under number B.V. 1281698 with an issued share capital of euro 18,000. The Issuer has not yet filed any financial statements.

Amstelveen, 9 June 2004

KPMG Accountants N.V.”

## USE OF PROCEEDS

The net proceeds of the Notes to be issued on the Closing Date amount to euro 1,255,101,875.

The net proceeds of the issue of the Notes, excluding the Subordinated Class D Notes, will be applied on the Closing Date to pay part of the Initial Purchase Price for the Mortgage Receivables purchased under the Mortgage Receivables Purchase Agreement. The net proceeds of the issue of the Subordinated Class D Notes will be credited to the Reserve Account.

An amount of euro 44,168,081.48 will be received by the Issuer as consideration for the Initial Participation granted to the Participant in the Savings Mortgage Receivables. The Issuer will apply this amount towards payment of part of the Initial Purchase Price.

## DESCRIPTION OF SECURITY

In the Parallel Debt Agreement the Issuer will irrevocably and unconditionally undertake to pay to the Security Trustee (the "Parallel Debt") an amount equal to the aggregate amount due ("*verschuldigd*") by the Issuer (i) to the Noteholders under the Notes (ii) as fees or other remuneration to the Directors under the Management Agreements, (iii) as fees and expenses to the Issuer Administrator and the Pool Servicer under the Administration Agreement, (iv) as fees and expenses to the Paying Agents and the Reference Agent under the Paying Agency Agreement, (v) to the Liquidity Facility Provider under the Liquidity Facility Agreement, (vi) to the Swap Counterparty under the Swap Agreement, (vi) to the Seller under the Mortgage Receivables Purchase Agreement and (vii) to the Participant under the Sub-Participation Agreement (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 Participant in connection with the Participation. The amounts due to the Secured Parties, other than the Participant, will be the sum of (a) amounts recovered ("*verhaald*") by it (i) on the Mortgage Receivables and the other assets pledged under the Trustee Pledge Agreement I and the Trustee Pledge Agreement II, other than the Savings Mortgage Receivables and (ii) on Savings Mortgage Receivables to the extent the amount exceeds the relevant Participation in the relevant Savings Mortgage Receivables, (b) the amounts received in connection with the Trust Deed and penalty provided in the Mortgage Receivables Purchase Agreement insofar such penalty relates to (i) Mortgage Receivables and the other assets pledged under the Trustee Pledge Agreement I and the Trustee Pledge Agreement II, other than Savings Mortgage Receivables and (ii) with respect to Savings Mortgage Receivables the *pro rata* part of such Savings Mortgage Receivables in relation to the relevant Participation and (c) the *pro rata* part of amounts received from any of the Secured Parties, as received or recovered by any of them pursuant to the Parallel Debt Agreement (by reference to the proportion the sum of the Participations bear to the aggregate Mortgage Receivables); less (y) any amounts already paid by the Security Trustee to the Secured Parties (other than the Participant) pursuant to the Parallel Debt Agreement and (z) the *pro rata* part of the costs and expenses of the Security Trustee (including, for the avoidance of doubt, any costs of, *inter alia*, S&P and Moody's and any legal advisor, auditor or accountant appointed by the Security Trustee) (by reference to the proportion the sum of the Participations bear to the aggregate Mortgage Receivables).

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

The Seller shall grant a first ranking right of pledge ("*pandrecht*") (the "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. Security in respect of the Mortgage Receivables will be given by the Seller since it will have the legal title to the Mortgage Receivables, until notification has been made. After notification to the Borrowers of the assignment by the Seller to the Issuer of the Mortgage Receivables (which will only be made upon the occurrence of Notification Events, see *Mortgage Receivables Purchase Agreement* above), legal title to the Mortgage Receivables will pass to the Issuer and the Trustee Pledge Agreement I will provide that the Issuer (who will be a party to such pledge agreement) will be bound by the provisions thereof in such event.

The Trustee Pledge Agreement I will secure all liabilities of the Seller under the Mortgage Receivables Purchase Agreement, including the obligation to pay a penalty if, for whatever reason, the transfer of legal ownership of Mortgage Receivables to the Issuer is not completed. The penalty claim of the Security Trustee is a separate and independent obligation in an amount equal to the penalty due to the Issuer. The penalty will be due to the Issuer or, if a Trustee I Notification Event (as defined below) has occurred, to the Security Trustee. The penalty is drafted in such manner that any detrimental effects resulting from the failure to transfer legal ownership of the Mortgage Receivables to the Issuer will, to the extent possible, be eliminated. Any amount due to the Security Trustee will be reduced by any amount paid in respect of the penalty to the Issuer and any amount due to the Issuer in respect of the penalty will be reduced by the amount paid to the Security Trustee. The penalty claim of the Security Trustee shall rank in priority to the claim of the Issuer.

The pledge provided in the Trustee Pledge Agreement I will not be notified to the Borrowers except in case certain notification events occur, which include events which will be similar to the Notification Events defined in the Mortgage Receivables Purchase Agreement and similar events relating to the Issuer ("Trustee I Notification Events"). Prior to notification of the pledge to the Borrowers, the pledge on the Mortgage Receivables and the Life Beneficiary Rights with any of the Life Insurance Companies will be a "silent" right of pledge ("*stil pandrecht*") within the meaning of section 3:239 of the Netherlands Civil Code. The pledge on the Savings Beneficiary Rights and any Life Beneficiary Rights with the Participant will be notified to the Participant 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 with any of the Life Insurance Companies will also be a "silent" pledge and the right of pledge on the Savings Beneficiary Rights and any Life Beneficiary Rights with the Participant will also be a "disclosed" right of pledge, all as described above.

The Issuer will also vest a right of pledge (the 'Trustee Pledge Agreement II') in favour of the Security Trustee on the Closing Date. This right of pledge secures any and all liabilities of the Issuer to the Security Trustee resulting from or in connection with the Parallel Debt Agreement, the Trust Deed and any other Relevant Document and will be vested on all rights of the Issuer under or in connection with (i) the Mortgage Receivables Purchase Agreement, (ii) the Administration Agreement, (iii) the Floating Rate GIC, (iv) the Liquidity Facility Agreement, (v) the Sub-Participation Agreement, (vi) the Swap Agreement and (vii) in respect of the Transaction Accounts. This right of pledge will be notified to the relevant obligors and will, therefore be a "disclosed" right of pledge.

The Parallel Debt 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 Junior Class C Noteholders and the Subordinated Class D 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, amounts owing to the Junior 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 Subordinated 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 Junior Class C Noteholders (see *Credit Structure* above).

## THE SECURITY TRUSTEE

Stichting Security Trustee DMPL IV (the "Security Trustee") is a foundation ("*stichting*") incorporated under the laws of the Netherlands on 18 May 2004. It has its registered office in Amsterdam, the Netherlands.

The objects of the Security Trustee are (a) to act as agent and/or trustee; (b) to 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 of the Issuer; (c) to borrow money; and (d) to perform any and all acts which are related, incidental or which may be conducive to the above.

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

## TERMS AND CONDITIONS OF THE NOTES

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

The issue of the euro 1,202,500,000 floating rate Senior Class A Mortgage-Backed Notes 2004 due 2052 (the 'Senior Class A Notes'), the euro 21,500,000 floating rate Mezzanine Class B Mortgage-Backed Notes 2004 due 2052 (the 'Mezzanine Class B Notes'), the euro 26,000,000 floating rate Junior Class C Mortgage-Backed Notes 2004 due 2052 (the 'Junior Class C Notes') and the euro 6,250,000 floating rate Subordinated Class D Notes 2004 due 2052 (the 'Subordinated Class D Notes' and together with the Senior Class A Notes, the Mezzanine Class B Notes and the Junior Class C Notes, the 'Notes') was authorised by a resolution of the managing director of Dutch Mortgage Portfolio Loans IV B.V. (the 'Issuer') passed on 7 June 2004. The Notes are issued under a trust deed to be dated 10 June 2004 (the 'Trust Deed') between the Issuer, the Stichting Holding DMPL IV and the Stichting Security Trustee DMPL IV (the 'Security Trustee').

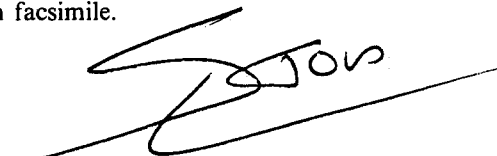
The statements in the Conditions include summaries of, and are subject to, (i) the detailed provisions of the Trust Deed, which will include the form of the Notes and the coupons appertaining to the Notes (the 'Coupons') and the forms of the Temporary Global Notes and the Permanent Global Notes, (ii) a paying agency agreement (the 'Paying Agency Agreement') dated 10 June 2004 between the Issuer, the Security Trustee, Deutsche Bank London Branch ('Deutsche Bank') as principal paying agent (the 'Principal Paying Agent') and as reference agent (the 'Reference Agent') and Deutsche Bank AG Amsterdam Branch as paying agent (the 'Paying Agent' and together with the Principal Paying Agent, the 'Paying Agents'), (iii) an administration agreement (the 'Administration Agreement') dated 10 June 2004 between - *inter alia* - the Issuer, Achmea Hypotheekbank N.V. as the Issuer Administrator and the Pool Servicer and the Security Trustee, (iv) a pledge agreement dated 10 June 2004 between the Seller, the Security Trustee and the Issuer, (v) a pledge agreement dated 10 June 2004 between the Seller and the Issuer and (vi) a pledge agreement dated 10 June 2004 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').

Unless otherwise defined herein, words and expressions used below are defined in a master definitions agreement (the 'Master Definitions Agreement') dated 9 June 2004 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 Junior Class C Notes or the Subordinated Class D 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 the Noteholders at the specified office of the Principal Paying Agent and the present office of the Security Trustee, being at the date hereof: Frederik Roeskestraat 123, 1076 EE Amsterdam, the Netherlands. The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed, the Paying Agency Agreement, the Parallel Debt Agreement, the Pledge Agreements and the Master Definitions Agreement.

### 1. Form, Denomination and Title

Each of the Notes will be in bearer form serially numbered with Coupons attached on issue and will be available in denominations of euro 500,000, except for the Subordinated Class D Notes, which will be available in denominations of euro 625,000. Under Netherlands law, the valid transfer of Notes requires, *inter alia*, delivery ("levering") thereof. The Issuer, the Security Trustee and the Paying Agents may, to the fullest extent permitted by law, treat any Noteholder and Couponholder appertaining thereto as its absolute owner for all purposes (whether or not payment under such Note or Coupon shall be overdue and notwithstanding any notice of ownership or writing thereon or any notice of previous loss or theft thereof) for any purposes, including payment and no person shall be liable for so treating such holder. The signatures on the Notes will be in facsimile.





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

- (a) The Notes of each Class, are direct and unconditional obligations of the Issuer and rank *pari passu* and 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 Junior 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 Subordinated 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 Junior Class C Notes;
- (c) The security for the obligations of the Issuer towards the Noteholders (the 'Security') will be created pursuant to, and on the terms set out in the Pledge Agreements, which will create the following security rights:
- (i) a first ranking pledge by the 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; and
- (iii) a first ranking pledge by the Issuer to the Security Trustee on the Issuer's rights (a) against the Seller under or in connection with the Mortgage Receivables Purchase Agreement; (b) against the Issuer Administrator and the Pool Servicer under or in connection with the Administration Agreement; (c) against the Swap Counterparty under or in connection with the Swap Agreement, (d) against the Liquidity Facility Provider under or in connection with the Liquidity Facility Agreement, (e) against the Participant under or in connection with the Sub-Participation Agreement, (f) against the Floating Rate GIC Provider under or in connection with the Floating Rate GIC and (g) in respect of the Transaction Accounts.
- (d) The Senior Class A Notes, the Mezzanine Class B Notes, the Junior Class C Notes and the Subordinated Class D 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 Junior Class C Notes and the Subordinated Class D Notes, the Mezzanine Class B Notes will rank in priority to the Junior Class C Notes and the Subordinated Class D Notes and the Junior Class C Notes will rank in priority to the Subordinated Class D Notes. The Trust Deed contains provisions requiring the Security Trustee to have regard to the interests of the Senior Class A Noteholders, the Mezzanine Class B Noteholders, the Junior Class C Noteholders and the Subordinated Class D Noteholders, as regards all powers, trust, authorities, duties and discretions of the Security Trustee (except where expressly provided otherwise) but requiring the Security Trustee in any such case to have regard only to the interests of the Senior Class A Noteholders, if, in the Security Trustee's opinion, there is a conflict between the interests of the Senior Class A Noteholders on the one hand and any or all of the Mezzanine Class B Noteholders, the Junior Class C Noteholders and the Subordinated Class D Noteholders on the other hand and, if no Senior Class A Notes are outstanding, to have regard only to the interests of the Mezzanine Class B Noteholders, if, in the Security Trustee's opinion, there is a conflict between the interests of the Mezzanine Class B Noteholders on the one hand and any or all of the Junior Class C Noteholders and the Subordinated Class D Noteholders on the other hand and, if no Mezzanine Class B Notes are outstanding, to have regard only to the interests of the Junior Class C Noteholders, if, in the Security Trustee's opinion, there is a conflict between the interests of the Junior Class C Noteholders on the one hand and the Subordinated Class D Noteholders 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 interest between the Secured Parties the priority of payments upon enforcement set forth in the Trust Deed determines which interest of which Secured Party prevails.

3. **Covenants of the Issuer**

So long as any of the Notes remain outstanding, the Issuer shall carry out its business in accordance with proper and prudent Netherlands business practice and in accordance with the requirements of Netherlands law and accounting practice and shall not, except to the extent permitted by the

Mortgage Receivables Purchase Agreement, the Administration Agreement, the Pledge Agreements, the Parallel Debt Agreement, the Swap Agreement, the Floating Rate GIC, the Liquidity Facility Agreement, the Sub-Participation Agreement, the Note Purchase Agreements, the Notes, the Paying Agency Agreement, the Beneficiary Waiver Agreement 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 9 June 2004 relating to the issue of the Notes and as contemplated in the Relevant Documents;
- (b) incur any indebtedness in respect of borrowed money whatsoever or give any guarantee or indemnity in respect of any indebtedness, except as contemplated in the Relevant Documents;
- (c) create or promise to create any mortgage, charge, pledge, lien or other security interest whatsoever over any of its assets, or use, invest, sell or transfer or otherwise dispose of any part of its assets, except as contemplated in the Relevant Documents;
- (d) consolidate or merge with any other person or convey or transfer its properties or assets substantially or in entirety to one or more persons;
- (e) permit the validity or effectiveness of the Parallel Debt Agreement, the Pledge Agreements, or the priority of the security created thereby or pursuant thereto to be amended, terminated, postponed or discharged, or permit any person whose obligations form part of such security rights to be released from such obligations except as contemplated in the Relevant Documents;
- (f) have any employees or premises or have any subsidiary or subsidiary undertaking; or
- (g) have an interest in any bank account other than the Transaction Accounts unless all rights in relation to such account will have been pledged to the Security Trustee as provided in Condition 2(c)(iii).

#### 4. Interest

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

Each Note shall bear interest on their Principal Amount Outstanding (as defined in Condition 6 (c)) 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 either of the Paying Agents to the holder thereof (in accordance with Condition 13) that upon presentation thereof, such payments will be made, provided that upon such presentation thereof being duly made, payment is in fact made.

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

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

Interest on the Notes shall be payable by reference to successive interest periods (each a 'Floating Rate Interest Period') and will be payable in arrear in euro in respect of the Principal Amount Outstanding (as defined in Condition 6) of the Notes on the 20th day of August, November, February and May (or, if such day is not a Business Day (as defined below), the next succeeding Business Day, unless such Business Day falls in the next succeeding calendar month in which event the Business Day immediately preceding such 20th day) in each year (each such day being a 'Quarterly Payment Date'). A 'Business Day' means a day on which banks are open for business in Amsterdam and London, provided that such day is also a day on which the Trans-European Automated Real-Time Gross Settlement European Transfer System ('TARGET System') or any successor thereto is operating credit or transfer instructions in respect of payments in euro. Each successive Floating Rate Interest Period will commence on (and include) a Quarterly Payment Date and end on (but exclude) the next succeeding Quarterly Payment Date, except for the first Floating Rate Interest Period, which will commence on the Closing Date and end on (but exclude) the Quarterly Payment Date falling in August 2004.

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

Interest on the Notes for each Floating Rate Interest Period from the Closing Date will accrue at an annual rate equal to the sum of the Euro Interbank Offered Rate ('Euribor') for three month deposits plus, up to the first Optional Redemption Date a margin of 0.15 per cent. per annum for the Senior Class A Notes, 0.37 per cent. per annum for the Mezzanine Class B Notes, 0.78 per cent. per annum for the Junior Class C Notes and 3.25 per cent. per annum for the Subordinated Class D Notes or, in respect of the first Floating Rate Interest Period, the rate which represents the linear interpolation of Euribor for 2 and 3 months deposits in euro, rounded, if necessary, to the 5th decimal place with 0.00005, being rounded upwards.

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

If on the first Optional Redemption Date any Class of Notes have not been redeemed in full, the floating rate of interest applicable to such Class of Notes will be reset to equal the sum of Euribor for three month deposits, payable by reference to Floating Rate Interest Periods on each Quarterly Payment Date, plus:

- (i) for the Senior Class A Notes, a margin of 0.45 per cent. per annum;
- (ii) for the Mezzanine Class B Notes, a margin of 0.74 per cent. per annum;
- (iii) for the Junior Class C Notes, a margin of 1.17 per cent. per annum; and
- (iv) for the Subordinated Class D Notes, a margin of 3.25 per cent. per annum.

*(e) Euribor*

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

- (i) The Reference Agent will obtain for each Floating Rate Interest Period the interest rate equal to Euribor for three months deposits in euro. The Reference Agent shall use the Euribor rate as determined and published jointly by the European Banking Federation and ACI - The Financial Market Association and which appears for information purposes on the Telerate Page 248 (or, if not available, any other display page on any screen service maintained by any registered information vendor (including, without limitation, the Reuter Monitor Money Rate Service, the Dow Jones Telerate Service and the Bloomberg Service) for the display of the Euribor rate selected by the Reference Agent) as at or about 11:00 a.m. (Central European time) on the day that is two Business Days preceding the first day of each Floating Rate Interest Period (each an 'Interest Determination Date').
- (ii) If, on the relevant Interest Determination Date, such Euribor rate is not determined and published jointly by the European Banking Association and ACI - The Financial Market Association, or if it is not otherwise reasonably practicable to calculate the rate under (i) above, the Reference Agent will:
  - (A) request the principal euro-zone office of each of four major banks in the euro-zone interbank market (the 'Reference Banks') to provide a quotation for the rate at which three months euro deposits are offered by it in the euro-zone interbank market at approximately 11.00 a.m. (Central European time) on the relevant Interest Determination Date to prime banks in the euro-zone interbank market in an amount that is representative for a single transaction at that time; and determine the arithmetic mean (rounded, if necessary, to the fifth decimal place with 0.000005 being rounded upwards) of such quotation as is provided; and
  - (B) if fewer than two such quotations are provided as requested, the Reference Agent will determine the arithmetic mean (rounded, if necessary to the fifth decimal place with 0.000005 being rounded upwards) of the rates quoted by major banks, of which there shall be at least two in number, in the euro-zone, selected by the Reference Agent, at approximately 11.00 a.m. (Central European time) on the relevant Interest Determination Date for one month deposits to leading euro-zone banks in an amount that is representative for a single transaction in that market at that time,

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

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

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

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

The Reference Agent will in respect of each Quarterly Payment Date cause the applicable Floating Rate of Interest and the relevant Floating Interest Amount and the relevant Quarterly Payment Date to be notified to the Issuer, the Security Trustee, the Principal Paying Agent, the Issuer Administrator, the Pool Servicer, Euronext Amsterdam N.V. and to the holders of such Class of Notes by an advertisement in the English language in the Euronext Official Daily List ("*Officiële Prijscourant*") of Euronext Amsterdam N.V. The Floating Interest Amount and the relevant Quarterly Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Floating Rate Interest Period.

*(h) Determination or Calculation by Security Trustee*

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

*(i) Reference Banks and Reference Agent*

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

**5. Payment**

- (a) Payment of principal and interest in respect of the Notes will be made upon presentation of such Note and against surrender of the relevant Coupon appertaining thereto, at any specified office of the Principal Paying Agent in cash or by transfer to a euro account maintained by the payee with a bank in the Netherlands, as the holder may specify. All such payments are subject to any fiscal or other laws and regulations applicable in the place of payment.
- (b) At the Final Maturity Date (as defined in Condition 6), or such earlier date the Notes become due and payable, the Notes should be presented for payment together with all unmatured Coupons appertaining thereto, failing which the full amount of any such missing unmatured Coupons (or, in the case of payment not being made in full, that proportion of the full amount of such missing unmatured Coupons which the sum of principal so paid bears to the total amount of principal due) will be deducted from the sum due for payment. Each amount so deducted will be paid in the manner mentioned above against surrender of the relevant missing Coupon at any time before the expiry of five years following the due date for payment of such principal (whether or not such Coupons would have become unenforceable pursuant to Condition 8).

- (c) If the relevant Quarterly Payment Date is not a day on which banks are open for business in the place of presentation of the relevant Note or Coupon ('Local Business Day'), the holder thereof shall not be entitled to payment until the next following such day, or to any interest or other payment in respect of such delay, provided that in the case of payment by transfer to an euro account as referred to above, the Paying Agents shall not be obliged to credit such account until the Local Business Day immediately following the day on which banks are open for business in the Netherlands. The name of the Paying Agents and of their offices are set out below.
- (d) The Issuer reserves the right at any time to vary or terminate the appointment of the Paying Agents and to appoint additional or other paying agents provided that no paying agents located in the United States of America will be appointed and that the Issuer will at all times maintain a paying agent having a specified office in the European Union which, for as long as the Notes are listed on the Official Segment of the stock market of Euronext Amsterdam shall be located in the Netherlands. Notice of any termination or appointment of a Paying Agent will be given to the Noteholders in accordance with Condition 13.

## 6. Redemption and purchase

### (a) Final redemption

Unless previously redeemed as provided below, the Issuer will redeem the Notes at their Principal Amount Outstanding on the Quarterly Payment Date falling in November 2052 (the 'Final Maturity Date'), subject to, in respect of the Mezzanine Class B Notes, the Junior Class C Notes and the Subordinated Class D Notes, Condition 9(b).

### (b) Mandatory redemption

Provided that no Enforcement Notice has been served in accordance with Condition 10, the Issuer will be obliged to apply the Notes Redemption Available Amount (as defined below) – subject to the Conditions – to (partially) redeem the Notes. The amounts available for the Noteholders will be passed through on each Quarterly Payment Date (the first falling in August 2004) in the following order: (i) to the holders of the Senior Class A Notes until fully redeemed, (ii) the Mezzanine Class B Notes until fully redeemed and (iii) thereafter the Junior Class C Notes until fully redeemed.

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

### (c) Definitions

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

the "Principal Amount Outstanding" on any Quarterly Payment Date of any Note shall be the principal amount of that Note upon issue less the aggregate amount of all Principal Redemption Amounts in respect of that Note that have become due and payable prior to such Quarterly Payment Date.

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

- (i) as repayment and prepayment in full of principal under the Mortgage Receivables, from any person, but, for the avoidance of doubt, excluding prepayment penalties, if any, less with respect to each Savings Mortgage Receivable, 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 a Savings Mortgage Receivable, the Participation in such Savings Mortgage Receivable;
- (iii) as amounts to be 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, the Participation in such Savings Mortgage Receivable;

- (iv) as amounts to be 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, the Participation in such Savings Mortgage Receivable;
- (v) as amount to be credited to the Class A Principal Deficiency Ledger, the Class B Principal Deficiency Ledger or the Class C Principal Deficiency Ledger as the case may be, on the immediately succeeding Quarterly Payment Date in accordance with the Administration Agreement;
- (vi) as Monthly Participation Increase pursuant to the Sub-Participation Agreement;
- (vii) as partial prepayment in respect of Mortgage Receivables;
- (viii) any part of the Notes Redemption Available Amount calculated on the immediately preceding Quarterly Calculation Date which has not been applied towards redemption of the Notes on the preceding Quarterly Payment Date;

"Net Proceeds", shall mean (a) the proceeds of a foreclosure on the mortgage right, (b) the proceeds of foreclosure on any other collateral securing the Mortgage Receivable, (c) the proceeds, if any, of collection of any insurance policies in connection with the Mortgage Receivable, including but not limited to fire insurance policy and any Insurance Policy, (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;

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

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

"Mortgage Calculation Period" means the period commencing on (and including) the 6th day of each calendar month and ending on (and including) the 5th day of the following calendar month except for the first Mortgage Calculation Date which will commence on (and include) 1 June 2004 and end on (and include) 5 July 2004.

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

- (i) On each Quarterly Calculation Date, the Issuer shall determine (or cause the Issuer Administrator to determine) (a) the Principal Redemption Amount and (b) the Principal Amount Outstanding of the relevant Note on the first day of the following Floating Rate Interest Period. Each determination by or on behalf of the Issuer of any Principal Redemption Amount or the Principal Amount Outstanding of a Note shall in each case (in the absence of manifest error) be final and binding on all persons.
- (ii) The Issuer will cause each determination of a Principal Redemption Amount and Principal Amount Outstanding of Notes to be notified forthwith to the Security Trustee, the Principal Paying Agent, the Reference Agent, Euroclear, Clearstream, Luxembourg, Euronext Amsterdam N.V. and to the holders of Notes by an advertisement in the English language in the Euronext Official Daily List ("*Officiële Prijscourant*") of Euronext Amsterdam N.V., but in any event no later than three business days prior to the Quarterly Payment Date. If no Principal Redemption Amount is due to be made on the Notes on any applicable Quarterly Payment Date a notice to this effect will be given to the Noteholders in accordance with Condition 13.
- (iii) If the Issuer does not at any time for any reason determine (or cause the Issuer Administrator to determine) the Principal Redemption Amount or the Principal Amount Outstanding of a Note, such Principal Redemption Amount or such Principal Amount Outstanding shall be determined by the Security Trustee in accordance with this paragraph (d) and paragraph (b) above (but based upon the information in its possession as to the Notes Redemption Available Amount each such determination or calculation shall be deemed to have been made by the Issuer.

*(e) Optional redemption of the Senior Class A Notes, the Mezzanine Class B Notes and the Junior Class C Notes*

Unless previously redeemed in full, the Issuer may, at its option, by giving not more than sixty (60) nor less than thirty (30) days prior written notice to the Security Trustee and the Noteholders in accordance with Condition 13, on the Quarterly Payment Date falling in May 2011 or on any Quarterly Payment Date thereafter (each an '**Optional Redemption Date**') redeem all of Senior Class A Notes, the Mezzanine Class B Notes and the Junior Class C Notes, in whole but not in part, at their Principal Amount Outstanding on such date. In the event that on such Optional Redemption Date

there is a Junior Class C Principal Shortfall or, as the case may be, a Mezzanine Class B Principal Shortfall in respect of the Junior Class C Notes or the Mezzanine Class B Notes, respectively, the Issuer may, at its option, subject to Condition 9(b), partially redeem all (but not some only) Junior Class C Notes or, as the case may be, Mezzanine Class B Notes at their Principal Amount Outstanding less the Junior Class C Principal Shortfall or, as the case may be, Mezzanine Class B Principal Shortfall. Following such redemption the Principal Amount Outstanding of such Junior Class C Notes or, as the case may be, Mezzanine Class B Notes shall be reduced accordingly and be equal to the Junior Class C Principal Shortfall or, as the case may be, the Mezzanine Class B Principal Shortfall. The '**Junior 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 Junior Class C Notes then outstanding on such Optional Redemption 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 then outstanding on such Optional Redemption Date.

*(f) Redemption of Subordinated Class D Notes*

Provided that no Enforcement Notice has been served in accordance with Condition 10, the Issuer will be obliged to apply the Notes Interest Available Amount, if and to the extent that all payments ranking above item (n) in the Interest Priority of Payments have been made in full, to redeem (or partially redeem) on a *pro rata* basis the Subordinated Class D Notes (i) on the Quarterly Payment Date falling in May 2008 and each Quarterly Payment Date thereafter until fully redeemed as long as the Senior Class A Notes, the Mezzanine Class B Notes and Junior Class C Notes are fully redeemed or (ii) if earlier, on each Quarterly Payment Date, provided that on such Quarterly Payment Date, the Classes of Notes ranking higher in priority to the Subordinated Class D Notes have been redeemed in full.

*(g) Regulatory Call Option*

The Issuer shall redeem the Notes (excluding the Subordinated Class D Notes), acting upon instruction of the Seller, in whole, but not in part, on any Quarterly Payment Date, on giving not less than thirty (30) days nor more than sixty (60) days' notice to the Noteholders and the Security Trustee at their Principal Amount Outstanding together subject to and in accordance with Condition 9(b), if:

- (i) 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 (the "**Bank Regulations**") applicable to Achmea Hypotheekbank (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 authority) which has the effect of adversely affecting the rate of return on capital of Achmea Hypotheekbank or increasing the cost or reducing the benefit to Achmea Hypotheekbank with respect to the transaction contemplated by the Notes (a "**Regulatory Change**");
- (ii) Achmea Hypotheekbank shall have directed the Issuer to exercise such option; and
- (iii) the Issuer will have sufficient funds available on such Quarterly Payment Date to discharge all its liabilities in respect of the Notes (excluding the Subordinated Class D Notes) and any amount required to be paid in priority or *pari passu* with each Class of Notes in accordance with the Trust Deed, subject to and in accordance with Condition 9(b).

The Subordinated Class D Notes will be redeemed in accordance with Clause 6(f).

*(h) Clean-Up call*

If on any Quarterly Payment Date the aggregate Principal Amount Outstanding of the Notes, excluding the Subordinated Class D Notes, is not more than ten (10) per cent of the aggregate Principal Amount Outstanding of the Notes, excluding the Subordinated Class D Notes, on the Closing Date, the Issuer may (but is not obligated to) redeem all of the Notes, excluding the Subordinated Class D Notes, in whole but not in part at their Principal Amount Outstanding, subject to and in accordance with Condition 9(b). No Class of Notes may be redeemed under such circumstances unless the other Classes of Notes (or such of them as are then outstanding) are also

redeemed in full at the same time. The Subordinated Class D Notes will be redeemed in accordance with Clause 6(f).

(i) *Redemption for tax reasons*

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

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

The Subordinated Class D Notes will be redeemed in accordance with Condition 6(f).

#### 7. Taxation

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

#### 8. Prescription

Claims against the Issuer for payment in respect of the Notes and Coupons shall become prescribed 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 Junior Class C Notes and the Subordinated Class D Notes shall be payable in accordance with the provisions of Conditions 4 and 6, subject to the terms of this Condition.

In the event that on any Quarterly Payment Date the Issuer has insufficient funds available to it for such purpose to satisfy its obligations in respect of amounts of interest due on the Mezzanine Class B Notes on each Quarterly Payment Date the amount available (if any) shall be applied *pro rata* to the amount of the interest due on such Quarterly Payment Date to the holders of the Mezzanine Class B Notes. In the event of a shortfall, the Issuer shall credit the Mezzanine Class B Notes Interest Deficiency Ledger with an amount equal to the amount by which the aggregate amount of interest paid on the Mezzanine Class B Notes on any Quarterly 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 Quarterly Payment Date.

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

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

*(b) Principal*

Until the date on which the Principal Amount Outstanding of the 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. If, on any Quarterly 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 Quarterly Payment Date shall not exceed its Principal Amount Outstanding less the Mezzanine Class B Principal Shortfall on such Quarterly Payment Date. The Mezzanine Class B Noteholders shall have no further claim against the Issuer for the Principal Amount Outstanding of 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 either of the Transaction Accounts.

Until the date on which the Principal Amount Outstanding of the Senior Class A Notes is reduced to zero and the Principal Amount Outstanding of the Mezzanine Class B Notes is reduced to zero, the Junior Class C Noteholders will not be entitled to any repayment of principal in respect of the Junior Class C Notes. If, on any Quarterly 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 Junior Class C Note on such Quarterly Payment Date shall not exceed its Principal Amount Outstanding less the Junior Class C Principal Shortfall on such Quarterly Payment Date. The Junior Class C Noteholders shall have no further claim against the Issuer for the Principal Amount Outstanding of the Junior 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 either of the Transaction Accounts.

The Subordinated Class D Noteholders shall have no further claim against the Issuer for the Principal Amount Outstanding of the Subordinated 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 either of the Transaction Accounts.

(c) *General*

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

**10. Events of Default**

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

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

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

**11. Enforcement**

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

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

#### 12. Indemnification of the Security Trustee

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

#### 13. Notices

With the exception of the publications of the Reference Agent in Condition 4 and of the Issuer in Condition 6, all notices to the Noteholders will only be valid if published in at least one daily newspaper of wide circulation in the Netherlands, or, if all such newspapers shall cease to be published or timely publication therein shall not be practicable, in such newspaper as the Security Trustee shall approve having a general circulation in Europe and, as long as the Notes are listed on the Official Segment of the Stock Market of Euronext Amsterdam N.V., in the English language in the Euronext Official Daily 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 meetings of the Senior Class A Noteholders, the Mezzanine Class B Noteholders, the Junior Class C Noteholders and the Subordinated Class D 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 it is sanctioned by an Extraordinary Resolution of the Noteholders of the relevant Class of Notes as described below except that, if the Security Trustee is of the opinion that such Basic Terms Change is being proposed by the Issuer as a result of, or in order to avoid, an Event of Default, no such Extraordinary Resolution is required.

A meeting as referred to above may be convened by the Issuer or by Noteholders of any Class holding not less than ten (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 seventy five (75) per cent. of the amount of the Principal Amount Outstanding of the Notes of the relevant Class and the majority required shall be at least seventy five (75) per cent. of the validly cast votes at that Extraordinary Resolution. If at such meeting the aforesaid quorum is not represented, a second meeting of Noteholders will be held within one month, with due observance of the same formalities for convening the meeting which governed the convening of the first meeting; at such second meeting an Extraordinary Resolution is

adopted with not less than a two-thirds majority of the validly cast votes, except that (for an Extraordinary Resolution including a sanctioning of a Basic Terms Change the majority required shall be 75 per cent. of the validly cast votes, regardless of the Principal Amount Outstanding of the Notes of the relevant Class then represented, except if the Extraordinary Resolution relates to the removal and replacement of any or all of the managing directors of the Security Trustee, in which case at least 30 per cent. of the Notes of the relevant Class should be represented.

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

An Extraordinary Resolution of the Mezzanine Class B Noteholders and/or the Junior Class C Noteholders and/or the Subordinated Class D 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 Junior Class C Noteholders or it is sanctioned by an Extraordinary Resolution of the Senior Class A Noteholders, the Mezzanine Class B Noteholders or the Junior Class C Noteholders, as the case may be. 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 Junior Class C Noteholders and the Subordinated Class D Noteholders, irrespective of the effect on their interests.

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

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

#### 15. Replacements of Notes and Coupons

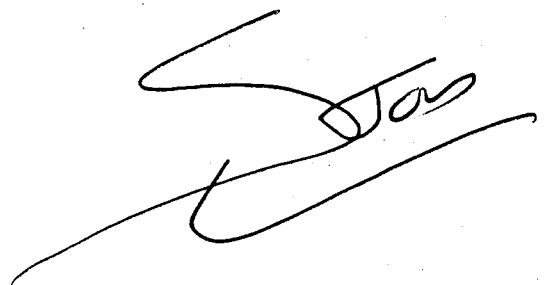
Should any Note or Coupon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the office of the Principal Paying Agent upon payment by the claimant of the expenses incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require.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

**16. Governing Law**

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

**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.

A handwritten signature in black ink, appearing to be 'S. Jans', is located in the bottom right corner of the page. The signature is written in a cursive style with a long horizontal stroke at the bottom.

## GLOBAL NOTES

Each Class of the Notes shall be initially represented by (i) in the case of the Senior Class A Notes a Temporary Global Note in bearer form, without coupons, in the principal amount of euro 1,202,500,000, (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 21,500,000, (iii) in the case of the Junior Class C Notes a Temporary Global Note in bearer form, without coupons, in the principal amount of euro 26,000,000 and (iv) in the case of the Subordinated Class D Notes a Temporary Global Note in bearer form without coupons, in the principal amount of euro 6,250,000. Each Temporary Global Note will be deposited with Deutsche Bank, as common depository for Euroclear Bank S.A./N.V., as operator of Euroclear and Clearstream, Luxembourg on or about 10 June 2004. Upon deposit of each such Temporary Global Note, Euroclear and Clearstream, Luxembourg will credit each purchaser of Notes represented by such Temporary Global Note with the principal amount of the relevant Class of Notes equal to the principal amount thereof for which it has purchased and paid. Interests in each Temporary Global Note will be exchangeable (provided certification of non-U.S. beneficial ownership by the Noteholders has been received) not earlier than forty (40) days after the issue date of the Notes (the 'Exchange Date') for interests in a permanent global note (each a 'Permanent Global Note'), in bearer form, without coupons, in the principal amount of the Notes of the relevant Class (the expression 'Global Notes' meaning the Temporary Global 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 depository.

The Global Notes will be transferable by delivery. Each Permanent Global Note will be exchangeable for Notes in definitive form only in the circumstances described below. Such notes in definitive form shall be issued in denominations of euro 500,000 and euro 625,000 in respect of the Subordinated Class D Notes, as the case may be, in the Principal Amount Outstanding of the Notes on such issue date. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a Note will be entitled to receive any payment made in respect of that Note in accordance with the respective rules and procedures of Euroclear or, as the case may be, Clearstream, Luxembourg. Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes, which must be made by the holder of a Global Note, for so long as such Global Note is outstanding. Each person must give a certificate as to non-U.S. beneficial ownership as of the date on which the Issuer is obliged to exchange a Temporary Global Note for a Permanent Global Note, which date shall be no earlier than the Exchange Date, in order to obtain any payment due on the Notes.

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

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

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

If after the Exchange Date (i) the Notes become immediately due and payable by reason of accelerated maturity following an Event of Default, or (ii) either Euroclear or Clearstream,

Luxembourg is closed for business for a continuous period of fourteen (14) days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business and no alternative clearance system satisfactory to the Security Trustee is available, or (iii) as a result of any amendment to, or change in the laws or regulations of the Netherlands (or of any political sub-division thereof) or of any authority therein or thereof having power to tax, or in the interpretation or administration of such laws or regulations, which becomes effective on or after 10 June 2004, the Issuer, the Principal Paying Agent or the Paying Agent is or will be required to make any deduction or withholding on account of tax from any payment in respect of the Notes which would not be required were the Notes in definitive form, then the Issuer will at its sole cost and expense, issue:

- (i) Senior Class A Notes in definitive form in exchange for the whole outstanding interest in the Permanent Global Note in respect of the Senior Class A Notes;
- (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;
- (iii) Junior Class C Notes in definitive form in exchange for the whole outstanding interest in the Permanent Global Note in respect of the Junior Class C Notes; and
- (iv) Subordinated Class D Notes in definitive form in exchange for the whole outstanding interest in the Permanent Global Note in respect of the Subordinated Class D Notes;

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

## TAXATION IN THE NETHERLANDS

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

The summary provided below is based on the information provided in this 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 Seller or in the event that such Holder does have such an interest, such interest forms part of the assets of an enterprise; and
  - (iv) such Holder does not have a deemed Netherlands enterprise to which enterprise the Notes are attributable; and, if the Holder is a natural person,
  - (v) such Holder does not derive income and/or capital gains from activities in the Netherlands other than business income (as described under 3.(ii)) to which activities the Notes are attributable; and
  - (vi) such Holder or a person related to the Holder by law, contract, consanguinity or affinity to the degree specified in the tax laws of the Netherlands does not have, or is not deemed to have, a substantial interest\* in the share capital of the Issuer and/or Seller.
4. There will be no Dutch gift, estate or inheritance tax levied on the acquisition of a Note by way of gift by, or on the death of a Holder, if the Holder at the time of the gift or the death is neither a resident nor a deemed resident of the Netherlands, unless:
  - (i) at the time of the gift or death, the Notes are attributable to an enterprise or part thereof, which is carried on through a permanent establishment or a permanent representative in the Netherlands; or
  - (ii) the Holder dies within 180 days of making the gift, and at the time of death is a resident or deemed resident of the Netherlands.

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



## PURCHASE AND SALE

ABN AMRO Bank N.V., Deutsche Bank AG London and J.P. Morgan Securities Ltd., BCP Investimento – Banco Comercial Português de Investimento, SA, CDC IXIS Capital Markets, Danske Bank A/S, Dexia Bank N.V./S.A., Fortis Bank N.V.-S.A and WestLB AG (the 'Managers') have, pursuant to a notes purchase agreement dated 9 June 2004, among the Managers, the Issuer and the Seller (the 'Notes Purchase Agreement I'), jointly and severally agreed with the Issuer, subject to certain conditions, to purchase the Senior Class A Notes ABN AMRO Bank N.V., Deutsche Bank AG London and J.P. Morgan Securities Ltd. have pursuant to a notes purchase agreement dated 9 June 2004 between the Issuer, the Seller and them (the 'Notes Purchase Agreement II' and together with the Note Purchase Agreement I, the 'Notes Purchase Agreements') agreed with the Issuer to purchase the Mezzanine Class B Notes, the Junior Class C Notes and the Subordinated Class D Notes at their respective issue prices. The Issuer has agreed to indemnify and reimburse the Managers against certain liabilities and expenses in connection with the issue of the Notes.

### United Kingdom

Each of the Managers has agreed that (i) it has not offered or sold and, prior to the expiration of the period of six months from the Closing Date, will not offer or sell any Notes to persons in the United Kingdom, except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995, (ii) it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 (the '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 will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA, received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer.

### United States

The Notes have not been and will not be registered under the United States Securities Act 1933 (as amended) (the 'Securities Act') and are subject to U.S. 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. Each of the Managers has agreed that it will not offer, sell or deliver the Notes within the United States or to United States persons except as permitted by the Notes Purchase Agreements. In addition, until forty (40) days after the commencement of the offering, an offer or sale of the Notes within the United States by any dealer (whether or not participating in the purchase) may violate the registration requirements of the Securities Act. As applicable, terms used in these paragraphs have the meanings given to them by Regulation S under the Securities Act and the U.S. 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.

### 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 13 December, 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 of the Managers 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 of the Managers 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 or supplementing such Act, and all other applicable laws and regulations.

#### **Italy**

The offering of the Notes has not been cleared by CONSOB (the Italian Securities Exchange Commission) pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of the 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 1st July, 1998, as successively amended; or
- (ii) in circumstances which are exempted from the rules on solicitation of investments pursuant to article 100 of legislative decree No. 58 of 24th February, 1998 (the Financial Services Act) and article 33, first paragraph, of CONSOB Regulation No. 11971 of 14th May, 1999, as successively amended.

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

- (a) 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 1st September, 1993 (the "Banking Act");
- (b) 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 on, *inter alia*, the aggregate value of the securities issued or offered in the Republic of Italy and their characteristics; and
- (c) in accordance with any other applicable laws or regulations.

#### **Spain**

The sale of the Notes by the Managers on behalf of the Issuer, does not form part of any public offer of such Notes in Spain. Each sale of Notes is an individual transaction and has been negotiated and/or agreed with the relevant Manager in respect of the Notes. Each investor in respect of the Notes acknowledges that they have not received any advertising or marketing material from the relevant Manager regarding the Offering Circular. Any subsequent transaction they execute regarding the Notes to which the Offering Circular refers, including requesting the relevant Manager to transfer the Notes to any entity managed or controlled by them, will be executed on their own behalf only and not on behalf of or for the account of the relevant Manager. The Notes may not be directly/indirectly sold, transferred or delivered in any manner, at any time other than to institutional investors in Spain (defined under Spanish Law to include only pension funds, collective investment schemes, insurance companies, banks, saving banks and securities companies). Should any investor in Spain purchase the Notes, they will be deemed to have represented that:

- (i) they have made their own independent decision to purchase the Notes and have not relied on any recommendation or advice from any Manager; and
- (ii) they already have all required information and understand all the terms, conditions and restrictions of these Notes.

#### **Notice to investors**

The Notes have not been and will not be registered under the Securities Act or any other applicable securities laws, and may not be offered or sold in the United States except pursuant to an effective

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

The Notes will bear a legend to the following effect:

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

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

#### **General**

The distribution of this 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 each of the Managers to inform themselves about and to observe any such restrictions. This Offering Circular does not constitute an offer, or an invitation to subscribe for or purchase, any Notes.

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## GENERAL INFORMATION

1. The issue of the Notes has been authorised by a resolution of the managing director of the Issuer passed on 7 June 2004.
2. The Senior Class A Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg and through the Securities Clearing Corporation of Euronext Amsterdam and will bear common code 019409716 and ISIN XS0194097167 and Fondscode 14802.
3. The Mezzanine Class B Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg and through the Securities Clearing Corporation of Euronext Amsterdam and will bear common code 019409759 and ISIN XS0194097597 and Fondscode 14803.
4. The Junior Class C Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg and through the Securities Clearing Corporation of Euronext Amsterdam and will bear common code 019409767 and ISIN XS0194097670 and Fondscode 14804.
5. The Subordinated Class D Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg and through the Securities Clearing Corporation of Euronext Amsterdam and will bear common code 019409783 and ISIN XS0194097837 and Fondscode 14805.
6. There has been no material adverse change in the financial position or prospects of the Issuer since 4 June 2004.
7. KPMG Accountants N.V. have given and have not withdrawn its written consent to their report included in this offering circular in the form and context in which it appears.
8. Since its incorporation, the Issuer is not involved in any legal or arbitration proceedings which may have a significant effect on the Issuer's financial position nor, so far as the Issuer is aware, are any such proceedings pending or threatened against the Issuer.
9. Copies of the following documents may be inspected at the specified offices of the Security Trustee and the Principal Paying Agent during normal business hours:
  - (i) the Deed of Incorporation of the Issuer;
  - (ii) the Mortgage Receivables Purchase Agreement;
  - (iii) the Notes Purchase Agreements;
  - (iv) the Paying Agency Agreement;
  - (v) the Trust Deed;
  - (vi) the Parallel Debt Agreement;
  - (vii) the Trustee Pledge Agreement I;
  - (viii) the Trustee Pledge Agreement II;
  - (ix) the Issuer Pledge Agreement;
  - (x) the Administration Agreement;
  - (xi) the Sub-Participation Agreement;
  - (xii) the Floating Rate GIC;
  - (xiii) the Swap Agreement;
  - (xiv) the Liquidity Facility Agreement;
  - (xv) the Beneficiary Waiver Agreement;
  - (xvi) the Master Definitions Agreement; and
  - (xvii) the articles of association of the Security Trustee.
10. The audited annual financial statements of the Issuer will be made available, free of charge, at the specified offices of the Principal Paying Agent.
11. The articles of association of the Issuer are incorporated herein by reference. A free copy of the Issuer's articles of association is available at the office of the Issuer.
12. 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.



## REGISTERED OFFICES

### ISSUER

**Dutch Mortgage Portfolio Loans IV B.V.**  
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1076 EE Amsterdam  
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### SECURITY TRUSTEE

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### ISSUER ADMINISTRATOR AND POOL SERVICER

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the Netherlands

### PRINCIPAL PAYING AGENT AND REFERENCE AGENT

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