RMBS/Netherlands
Presale Report

Stichting Memphis 2006-I

Expected Ratings*

Class	Amount (EUR4,000m)	Final Maturity	Rating	CE (%)
A	120.0	Apr. 2015	AAA	9.50
B	112.0	Apr. 2015	AA	6.70
C	53.6	Apr. 2015	A+	5.36
D	40.0	Apr. 2015	A	4.36
E	76.8	Apr. 2015	BBB	2.44
F	58.0	Apr. 2015	BB	0.99
G	8.8	Apr. 2015	B	0.77

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* Expected ratings do not reflect final ratings and are based on information provided by the issuer as of 30th November 2005.

■ Summary

This EUR4.0 billion transaction is a partially funded synthetic securitisation of Dutch residential mortgages originated by Postbank N.V. ("Postbank"), a 100%-owned subsidiary of ING Bank N.V. ("ING Bank", or "the protection buyer", rated 'AA-(AA minus)/F1+'). Fitch Ratings has assigned expected ratings to the credit-linked notes ("CLNs") to be issued by Stichting Memphis 2006-I ("Memphis 2006-I", or "the issuer") as indicated at left. The mortgages are, and will continue to be, serviced by ING Service Center Hypotheken B.V.

ING Group N.V. offers banking, insurance and asset management services in over 50 countries. Measured by market capitalisation, it is one of the 20 largest financial institutions in the world.

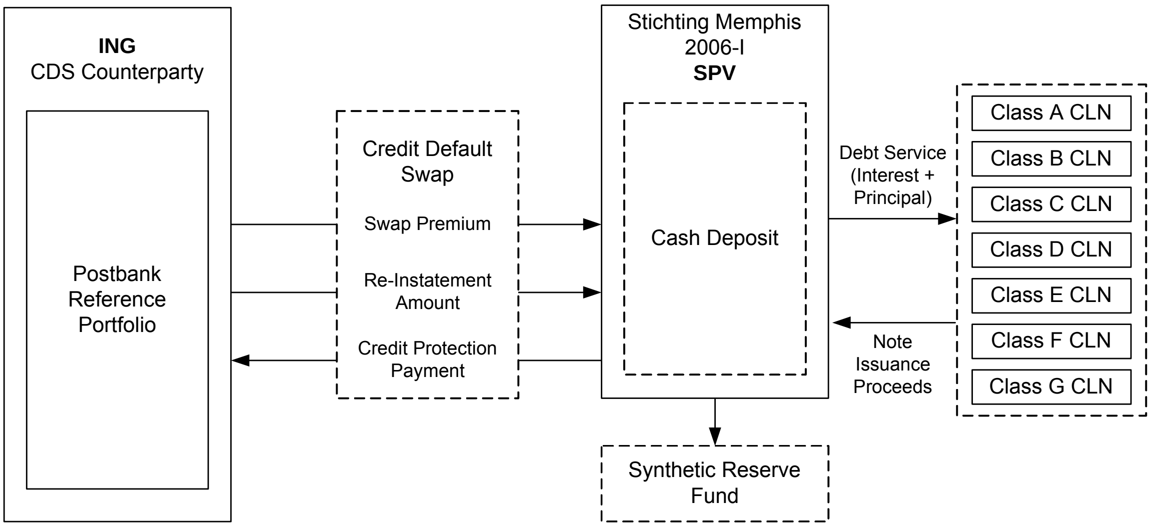
Memphis 2006-I, incorporated as a foundation ("*stichting*") under the laws of the Netherlands, is registered on the Commercial Register of the Chamber of Commerce of Amsterdam. This issuer form differs from that of a *besloten venootschap met beperkte aansprakelijkheid* ("B.V."), a limited liability company, in that a *stichting* does not require share capital, nor is it allowed to set an objective of distributing profits. Neither requirement alters the bankruptcy-remoteness of these special-purpose vehicles ("SPVs"). In addition, *stichtings* are not subject to corporate tax and are therefore less vulnerable to changes in Dutch tax law.

The notes issued by Memphis 2006-I will reference a pool of first-ranking or first- and second-ranking fixed- and variable-rate mortgages secured over residential property in the Netherlands. There will be no transfer of the legal title of the mortgages that form the reference portfolio for the notes as this is a synthetic transaction.

The expected ratings are based on the quality of the reference portfolio, the underwriting and servicing of the mortgage loans, the available credit enhancement and the sound legal and financial structure. Credit enhancement for the Class A notes will total 9.50%, 6.70% for the Class B, 5.36% for the Class C, 4.36% for the Class D, 2.44% for the Class E, 0.99% for the Class F and 0.77% for the Class G notes. The synthetic reserve of 77bp will be funded at closing.

At closing, ING Bank, as the protection buyer, will enter into a credit default swap ("CDS") in respect of the reference portfolio, with the issuer acting as protection seller. The issuer will, in turn, hedge its assumed economic risk by issuing the Class D to G CLNs, and may sell the Class A to C to a third party at a later date. The proceeds will form the collateral for the notes. The cash will be held by an account bank rated at least 'F1+' at this time. The issuer will pledge all its present and future rights in respect of the cash deposits to the security trustee.

Structure Diagram



Source: Transaction documents

This is the third transaction in the Memphis series. Memphis 2003-I has performed well thus far with 90+-day delinquencies remaining below 0.04% as of July 2005. This figure was 0.17% for Memphis 2005-I as of October 2005. Further details of Memphis 2003-I and Memphis 2005-I are available at www.fitchresearch.com.

To determine appropriate levels of credit enhancement, Fitch analysed the risk on the underlying portfolio using the Dutch default model (see "*Dutch RMBS Default Model 2004*", dated 1 September 2004, available at www.fitchratings.com).

Special Reports

The following special reports provide additional detail on Fitch's rating approach to, and the performance of, the RMBS market; all are available at www.fitchratings.com:

- "*Dutch RMBS Default Model 2004*";
- "*Dutch RMBS Performance Bulletin 2005*";
- "*Legal issues in Dutch RMBS*";
- "*Rating European Mortgage Loan Servicers – the Netherlands Market Addendum*";
- "*A Guide to Cash Flow Analysis for RMBS in Europe*";
- "Fitch *Issuer Report Grades*";
- "*Rising* Stars*? Fitch Issuer report Grades H1 2005 Update*".

Credit Committee Highlights

- Debt-to-income ("DTI") information was available for all the loans in this portfolio. The weighted average ("WA") DTI is 28.9%, which is in line with comparable portfolios. This is however higher than Memphis 2005-I (21%)

- The WA seasoning is 20 months, shorter than Memphis 2005-I.

- The issuer will initially withhold the Class A, B and C notes. These notes will not provide collateral under the swap until sold to a third party.

- A synthetic reserve of 77bps has been provided up front – this is a change in the structure compared with Memphis 2005-I where, over time, synthetic excess spread was used to fund the reserve.

- The protection buyer's premium and interest received on the cash collateral will pay the interest on notes.

- The Class D to G notes will be backed by cash collateral that the issuer will deposit in a cash account held with an 'F1+'-rated bank. If the cash account bank is downgraded below 'F1+', the cash collateral will be moved to a suitably rated bank. This mechanism de-links the notes from the rating of the issuer's cash deposit account bank.

- Realised losses on the mortgages are defined as losses of principal, including accrued interest (for a maximum period of three months). Fitch stressed interest rates used in the calculation. Recovery proceeds made available to repay the principal will be net of foreclosure costs. Based on average figures in the Dutch market, Fitch

Key Information

Key Parties

Issuer/Protection Seller: Stichting Memphis 2006-I

Joint Book Runners: ING/Lehman Brothers

Seller: Postbank, (a wholly-owned subsidiary of ING Bank 'AA-(AA minus)/F1+')

Trustee: Stichting Security Trustee Memphis 2006-I

Servicer: ING Service Center Hypotheken B.V.

Cash Deposit Bank: ING Bank

Protection Buyer: ING Bank

Paying Agent: ING Bank

Interest Payments: Quarterly in arrears in January, April, July and October; commencing in April 2006.

Principal Payments: Sequential, i.e. Class A through Class G, starting on the relevant redemption date on a quarterly basis

Legal Maturity: April 2015 for all classes

Reference Portfolio

Type of Loans: First-ranking and first- and junior-ranking residential mortgage loans secured by property in the Netherlands

Total Amount: EUR 3,999,999,969

WA Original LTMV*: 102.4 %

WA Seasoning (Months): 20

Interest-Only Loans(%): 54.5%

Regional Concentration (%): Zuid-Holland 26.9, Noord-Holland 21.6

Pool Cut-off Date: 30 November 2005

* Based on original outstanding and market value of 1/0.87 of the foreclosure value

has assumed foreclosure costs to be EUR5,000 fixed plus 6% of the value of an underlying property.

- The principal in respect of the reference loans, for which a credit event notice is provided prior to the scheduled maturity date - or, as the case may be, prior to an early redemption date - may remain outstanding for a maximum of 24 months ("the extension period").

- 54.5% of this portfolio comprises interest-only mortgages, which carry balloon repayment risk. Also included are 33.8% of life insurance mortgages, which carry a risk due to the uncertain yield on the underlying investment vehicle. Fitch has increased the default probability on these loans to account for this additional risk.

- 3.9% of the portfolio comprises credit mortgages. Borrowers may make further drawings on these, up to a predetermined amount based on the surplus value of the property (being the difference between the foreclosure value and the existing mortgage loan), without being subject to an underwriting check or penalty. Fitch has increased the default probability and loss severity on these loans to account for this additional risk.

- Due to the synthetic nature of the transaction, set-off is removed from the loss definition – removing the corresponding set-off risk.

■ Financial Structure

Credit Default Swap

On the closing date, the issuer will enter into a CDS with the swap counterparty. Under the CDS, the protection buyer has agreed to pay a quarterly premium to the issuer (in arrears). This premium combined with the interest income from the cash deposits will enable the issuer to pay both the interest and expenses.

The issuer has agreed to make credit protection payments to ING Bank in respect of those reference mortgages for which a credit event has occurred and a loss (realised or estimated, see *Determination of the loss* below) has been determined. There is an upfront synthetic reserve of 77bps, this reserve would have to be exhausted before the protection buyer had the right to receive physical payment from the collateral. Subsequently, the notes would be written off in reverse order of seniority.

Credit protection payments will require confirmation and verification by an independent auditor of:

- the mortgage loans' compliance with specific eligibility criteria at the time of inclusion in the portfolio (either at closing or following a replenishment);
- the components of the losses on the relevant reference obligations;
- the occurrence of a credit event in respect of each defaulted reference loan identified in the quarterly report;
- the fact that each defaulted reference loan identified in the quarterly report has been administered and serviced in accordance with the credit and collection policy;
- the accuracy of each of the realised loss amounts or estimated realised loss amounts;

- the protection amount, if any, to be paid by protection seller to protection buyer.

If ING Bank's Long-term rating is downgraded below 'A' and its Short-term rating is downgraded below 'F1', it will immediately pay the collateral amount into the collateral account in the name of the issuer to maintain the then-outstanding ratings on the notes.

The collateral amount means on a payment date an amount equal to the amount of premium payable on the following payment date.

Credit Event

A defaulted reference loan means any loan in the reference portfolio for which a credit event has occurred. The occurrence of one or more of the following events with respect to a borrower (or a borrower's reference loan) constitutes a credit event:

- bankruptcy of the relevant borrower;
- failure to pay, which means:
  i. an amount equal to 4x the current monthly payment; provided that
  ii. the cumulative amount of the overdue payment is in excess of EUR300.

Determination of the Loss

The loss for each defaulted reference loan will be determined at the latest one year after the occurrence of the credit event.

If the property is sold within one year, a realised loss is determined, equal to any remaining outstanding amounts of principal including accrued interest (capped at three months) on the reference loan minus the sum of:

- the net sale proceeds on the foreclosed property;
- any amounts due to set-off;
- any payments from insurances or guarantees; and
- any amount paid by the borrower.

If, one year after the occurrence of the credit event, the property has still not been sold, an estimated realised loss will be determined, equal to any outstanding unpaid amounts of principal including accrued interest (capped at three months) on the reference loan minus the indexed value of the property. The index used for such calculation is that published by *Nederlandse Vereniging van Makelaars*.

In cases where an estimated loss amount has been determined, the loss amount will be re-adjusted once the property has been sold; this adjustment of the loss may lead to a re-instatement of the notes.

Credit Linked Notes

The EUR-denominated CLNs issued by Memphis 2006-I will be linked to the performance of the reference portfolio.

On the closing date, the issuer will pledge to the trustee all its present and future claims and rights under the CLNs, as well as all its future claims under the other transaction documents ("the senior pledges"). In addition, the issuer will, on the closing date, grant a second, junior pledge to the noteholders on all its present and future rights and claims under the CLNs. The second pledge may not be exercised while the senior pledges remain in force.

Note Collateral – Cash Deposits

The proceeds of the notes will be invested in cash deposits and held with the account bank, which will be maintained or guaranteed by an 'F1+'-rated counterparty. If the cash deposit bank is downgraded below 'F1+', the note proceeds must be transferred to, or guaranteed by, an 'F1+'-rated bank.

Interest Payments

Available interest funds in any period will include the following:

- interest received under the cash deposits; and
- premium payments received by the issuer from the CDS counterparty.

These interest collections are allocated according to the following interest priority of payments:

1. senior expenses;
2. accrued interest on each class of notes in order of seniority; and
3. other subordinated items.

Interest on the publicly-rated notes will be paid quarterly in arrears, based on the three-month Euro Interbank Offered Rate ("EURIBOR") plus a margin. Interest payments will be made quarterly in January, April, July and October, commencing April 2006.

Scheduled Redemption and Early Redemption

The notes are scheduled to be repaid in April 2013 (scheduled maturity date).

They can be repaid prior to this date upon the occurrence of an early redemption event. Early redemption events, leading to the termination of the CDS and to the redemption of the notes, are defined as the following:

- a call option due to tax changes;

- following a clean-up call once the outstanding principal balance is less than 10% of the initial principal balance; or

- call option on the Class A, B and C notes due to a regulatory change.

The notes will, at the scheduled redemption date, or on the occurrence of an early redemption event, be repaid in full with the cash available in the structure, excluding the principal on those notes corresponding to principal on defaulted reference claims. This will be deferred until losses are settled.

An extension period will apply with regard to the reference loans for which a credit event has occurred but no loss has been established. Such defaulted reference loans will be subject to a maximum extension period of 24 months.

After the first 12 months, realised losses or estimated realised losses will have been determined for all loans.

One year after the scheduled maturity date or the early redemption event, the estimated loss amounts in respect of some reference defaulted loans may not have been re-adjusted; in these cases an independent valuer will be appointed to re-estimate the value of the property, and the losses re-adjusted on this basis.

Partial Early Redemption

The notes will also be repaid following a breach of the replenishment conditions, preventing the structure from being replenished with new loans (see the cumulated loss and arrears trigger in *Replenishment* below). The notes will then be repaid sequentially on each quarterly payment date, so that the balance of the notes that has not been written-off balance matches the non-defaulted reference loan balance.

Other Redemption Events

Finally, the noteholders or trustee may declare the notes due upon:

- non-payment by the issuer of any principal or interest within five days of the due date;
- insolvency of the issuer;
- termination of the account bank agreement;
- breach of obligations on behalf of the issuer, which, in the opinion of the trustee, cannot be remedied within a period of 30 days; or
- bankruptcy of the CDS counterparty.

To the extent that the above has not previously occurred, the notes are due to be fully redeemed by their legal final maturity date in April 2015.

Synthetic Reserve Amount

The synthetic reserve amount will be used by the issuer to meet credit protection payments under the CDS in respect of losses on the reference assets. This reserve is available upfront at a level of 77bps.

The available credit enhancement was sized to provide sufficient protection for the lowest rated class of notes as defined by Fitch’s analysis of the reference pool.

Replenishment

The transaction structure includes a replenishment period up to the termination date during which principal receipts may be reinvested on a quarterly basis in new mortgage receivables.

Replenishment is conditional on the following:

- the average notional amount of the reference loans more than three monthly payments in arrears has not exceeded 2.25% in the previous three months; and this percentage did not exceed 2.50% in the last month; and

- cumulative realised losses do not exceed the threshold. This is set at 0.00% at closing but increases by an incremental 0.02% every quarter until the final payment date.

The inclusion of the replenishment loans are subject to certain conditions which aim to preserve the credit quality of the transaction, including:

- all eligibility criteria must be met;

- the WA original loan to foreclosure value (“LTFV”) of the loans in the portfolio does not exceed the LTFV on closing. If this is already the case, then the LTFV of the replenished loans will not exceed the LTFV on the final portfolio selection date;

- the percentage of interest-only loans in the portfolio does not exceed the percentage of interest-only loans on the final portfolio selection date.

- on any replenishment date, the total amount of replenishment made on the three preceding replenishment dates (i.e. the 12-month figure) will not exceed EUR800 million:

- the replenishment loans will not be delinquent;

- the WA seasoning of the portfolio will be equal to or higher than the WA seasoning on the final portfolio selection date; and

- the loans with a loan to market value above 110% will not exceed 3.0% of the portfolio.

Credit Enhancement

Credit enhancement, provided by subordination, for the Class A notes totals 9.50%, 6.70% for the Class B, 5.36% for the Class C, 4.36% for the Class D, 2.44% for the Class E, 0.99% for the Class F and 0.77% for the Class G.

Reference Portfolio

Eligibility Criteria

The swap agreement contains certain reference pool eligibility criteria , compliance with which is a condition for loss allocation.

Specifically, the eligibility criteria stipulate that, *inter alia*:

- each reference claim must be secured by a first- or first- and second-ranking mortgage on a residential property in the Netherlands;
- at least one scheduled payment must have been made in respect of the reference claim;
- no borrower may be in breach of any of its obligations in any material respect pursuant to the underlying loan agreement;
- the outstanding principal balance of the loan did not upon its origination or on the loan selection date exceed 128% of the foreclosure value of the property; and
- the reference loan was originated by Postbank (or its successors) in the Netherlands.

Breach of the eligibility criteria will be treated as non-compliance and, if not cured, the validity of any claims on such loans will be negated.

Collateral

Loan Types

The following types of mortgage loans, originated or acquired by Postbank, are included in the portfolio: interest-only, life, investment, savings, credit, annuity and linear and credit loans.

Interest-Only Mortgages

The borrower repays in full at maturity of the mortgage.

Life Mortgages

These mortgages consist of loans combined with life and capital insurance policies, which is pledged to the originator.

The capital premiums paid by the borrower are invested by the insurance companies and a guaranteed amount is received when the life insurance policy pays out. In some cases, borrowers have also the choice to invest the premiums in funds (“unit-linked alternative”) instead of the guaranteed scheme, and may switch the accumulated premiums between the two alternatives. At maturity, the accrued capital will be applied to the repayment of the mortgage loan.

Investment Mortgages

The borrower repays the principal at maturity with funds accumulated through investment. The borrower does not pay principal prior to the maturity of the mortgage loan, but undertakes to invest, on an instalment basis, an agreed amount in certain investment funds selected by the borrower.

Savings Mortgages

These are interest-only loans linked to a savings policy. The premium payable will vary such that the capital generated by the savings policy is targeted to equal the amount payable by the borrower on maturity of the mortgage loan (i.e. 100% target capital).

Credit Mortgages

A credit loan is taken out by the borrower in addition to an existing mortgage loan and is based on the surplus value of the property (3.9% of the pool). The borrower is not obliged to draw the credit loan and can draw none, some or all of the available amount. The borrower may repay the loan or make further drawings from time to time without being subject to any penalties.

Origination and Servicing

The mortgage receivables were originated by Postbank, a 100%-owned subsidiary of ING Bank. The mortgages are, and will continue to be, serviced by ING Service Center Hypotheken B.V.

In addition to the pool analysis, Fitch reviewed and analysed Postbank’s origination and servicing guidelines. The agency found that the bank’s underwriting procedures largely reflected market standards.

Postbank offers a full range of retail services to its customer base. Mortgages are distributed through the bank’s call centres, its own network of agents and via independent agents based in the Netherlands.

Loan Portfolio Summary
(as of 30 November 2005)

Pool Characteristics	
Current Principal Balance (EUR)	3,999,999,969
WA Original LTMV (%)	102.4
WA Current LTFV (%)	117.1
WA Indexed* Current LTMV (%)	97.6
WA Seasoning (Months)	20
WA Interest Margin (%)	4.33
WA Remaining Maturity (Years)	27.7
Average Current Loan per Borrower (EUR)	218,329
Number of Borrowers	18,321
Oldest Loan in Portfolio	1 Jan 1978
Most Recent Loan in Portfolio	1 Oct 2005
Mortgage Type (%)	
Interest-Only	54.5
Life Insurance	33.8
Savings	2.3
Other	9.3
Interest Rate Type (%)	
Fixed Rate	78.5
Others	21.5
Payments	
Payment Frequency	Monthly
Payment Method	Direct Debit
Performing Pool Amount (%)	100
Arrears 0-1 Months (%)	0
Arrears 1-3 Months (%)	0
Regional Concentration (%)	
Zuid-Holland	26.9
Noord-Holland	21.6
Noord-Brabant	11.7
Lien Position (%)	
First Ranking**	100

* Based on Fitch's Indexation methodology
** Lower ranking mortgages are only included in the portfolio to the extent that a related prior–ranking mortgage is also included in the portfolio
Source: Postbank

Over 40% of applications are now originated electronically through Postbank's proprietary internet origination vehicle, HDN. This has enabled it to reduce the time it takes to approve loans to one and a half days versus the five days for traditional paper-based applications.

Postbank has centralised its underwriting function in an effort to improve the consistency within its underwriting processes. Postbank places considerable emphasis on a borrower's ability to pay, conducting a credit analysis based on the borrower's credit profile, the risk profile of the property and the loan to foreclosure value ("LTFV") ratio of the transaction.

The bank's HBM origination system ensures all loans pass through a "rules engine" that filters loans according to predetermined criteria. An income assessment is made based on household status (single/dual), income level and mortgage interest rates to determine the maximum mortgage a borrower can afford. All applicants are automatically checked on the Netherlands' national credit register, the *Bureau Krediet Registratie* ("BKR") and are required to supply employment references, salary statements and, for self-employed borrowers, an accountant's statement covering the last three years. Collateral analysis is also an integral part of the decision-making process. Postbank accepts mortgage loans with an LTFV ratio of 128%, but limits the interest-only part of a loan to 100% LTFV.

ING Service Center Hypotheken B.V.'s servicing function is divided between collections, administration and arrears management. Mortgage payments are collected from borrowers via direct debit.

The arrears process is as follows:

- 21st day – automatic letter sent
- 42nd day – second reminder letter and file transferred to arrears management.
- 59th day – third reminder letter – with the active involvement of an arrears management employee.
- 70th day – telephone contact
- 80th day – fourth reminder letter
- 90th day – second phone contact
- 120th day – registered warning letter – warns of loan acceleration and BKR registration
- 127th day – BKR registration
- 134th day – loan is accelerated and the resolution process begins.

ING's experienced arrears management department aims to return defaulting borrowers to performing status. Restructuring of a loan is possible provided that it is viable in the long run. If the borrower is unable to keep a loan current, Postbank will try to reach an out-of-court settlement, but if no suitable solution is found, the foreclosure process will be initiated. This is typically eight months after the first arrears has occurred. ING often participates in the auction process and may consider bidding to maximise the foreclosure price.

On the basis of its site visit conducted in November 2004 and a further recent review, Fitch believes that Postbank is a sound originator and ING Service Center Hypotheken B.V. is an effective servicer of Dutch residential mortgages.

Credit Analysis

Fitch's general methodology for assigning credit ratings to Dutch residential mortgage transactions is described in Appendix 1. The following are particular areas of focus and concern for Fitch with regards to Memphis 2006-I. For further details, see the special report "*Dutch RMBS Default Model 2004*", dated 1 September 2004, available at www.fitchratings.com.

Fitch Default Model Output

Rating Level (%)	WAFF	WARR*	MVD
AAA	19.84	52.41	42.02
AA	15.87	57.90	36.17
A	11.90	63.40	30.31
BBB	7.94	69.11	24.22
BB	3.97	74.81	18.13

* Recovery cost: fixed EUR 5,000 and 6% of the value of the property after application of indexation and MVDs.
Source: Fitch

Default Probability

Affordability

For all borrowers income data was available. The WA borrower affordability measure, debt-to-income ratio, is 28.9%. The majority of borrowers had DTI ratios that fell into Fitch's Class 2 and 3 (DTI 20-40%). According to Fitch's default probability matrix, which is determined by affordability and the loan to value ration ("LTV"), the default probability for the average borrower in income Class 3 ranges from 4.5%-22.5% in an 'AAA' scenario.

Repayment Type

54.5% of the pool consists of interest-only mortgages, which carry a balloon repayment risk. Fitch has increased the default probability for interest-only loans by 20% to account for the additional risk.

The pool also includes investment (4.3%) and life (33.8%) mortgage loans, which carry a higher risk because of the uncertainty of the yield on the underlying investment vehicle. Fitch has increased the default probability for these loans to account for this additional risk.

Borrower Profile

Fitch believes that self-employed borrowers have a greater probability of defaulting on their mortgage loan than salaried employed borrowers. Around 0.84% of this pool relates to loans to self-employed borrowers. Fitch has increased the default probability on these loans to account for this risk.

Recovery

Indexation

In its analysis, Fitch reappraises the original value of each property as a function of the current housing price index. The agency applies a 50% indexation credit for appreciation of property values, but will discount 100% for depreciation.

Market Value Decline ("MVD")

To estimate recoveries on the mortgage loans, Fitch examined house price movements in the Netherlands on a provincial basis from 1982-2005.

After a period of steady house price growths, the prices increase have slowed since 2001 and the higher valued properties have suffered a decline. The agency takes account of the trends and the inherent price volatility in its MVD analysis.

Recovery Rate

To determine the recovery rate, Fitch uses the lesser outcome of the following two formulas:

- 100%; and
- the indexed property value net of foreclosure costs (based on Fitch's indexation methodology, whereby 50% credit is given for property price appreciation) reduced by the MVD amount and divided by the sum of the current loan balance and three months accrued interests (on the basis of a stressed interest rate).

Losses are allocated to the notes in reverse sequential order starting from the most subordinated notes (Class G).

Set-Off

The risk exists in most Dutch mortgage transactions that borrowers may seek to exercise set-off of certain amounts owed to them against amounts due from them in relation to the mortgage loan. Set-off is specifically precluded in the terms and conditions of the mortgage loans; however, lack of legal precedent makes it uncertain whether such a set-off waiver would be enforceable if the borrower contested it in court.

The synthetic nature of this transaction has allowed any uncertainty regarding this matter to be removed. Set-off costs are not included in the loss definition thus eliminating the risk.

For further analysis in relation to set-off matters, refer to the agency's report "*Legal Issues in Dutch RMBS*" dated 13 June 2002 and available at www.fitchratings.com.

Surveillance

Fitch will monitor the transaction on a regular basis and as warranted by events. Its structured finance surveillance team ensures that the assigned ratings remain, in the agency's view, an appropriate reflection of the issued notes' credit risk.

Using its credit cover methodology Fitch affirmed all the ratings of Memphis 2003-I in October 2005. Details of the transaction's performance are available to subscribers at www.fitchresearch.com. Further information on this service is accessible at www.fitchratings.com

Issuer Report Grade

Fitch has recently introduced Issuer Report Grades as part of an ongoing effort to improve the transparency of transaction performance to investors. Transactions are scored on a system ranging from one star (meets basic requirements) to five stars (outstanding). Stichting Memphis 2003 increased its score from three stars in November 2004 to four stars in May 2005. Stichting Memphis 2005-I currently has three stars ("adequate: allows timely analysis of the performance and meets the standards").

For further information on the agency's Issuer Report Scores, please see the reports "*Fitch Issuer Report Grades*", dated 25 November 2004, and "*Rising Stars? Fitch Issuer Report Grades H1 2005 Update*", dated 7 June 2005, both of which are available at www.fitchratings.com.

Appendix I: Rating Methodology

To determine the appropriate levels of credit enhancement, Fitch analyses the collateral for Dutch residential transactions using a loan-by-loan mortgage default model (see Research "*Dutch RMBS Default Model 2004*", dated 1 September 2004, available on www.fitchratings.com). The model subjects the mortgage loans to stresses resulting from its assessments of historical home price movements and mortgage defaults in the Netherlands. Fitch's study showed that a borrower's LTV, reflecting the size of their down payment and their willingness to pay, and a borrower's DTI or income multiple, reflecting their ability to pay, to be the key determinants of default probability in the Netherlands.

Default Probability

Generally, the two key determinants of default probability are the borrower's willingness and ability to make their mortgage payments. The willingness of a borrower to pay is usually measured by the LTV. Fitch's model assumes higher default probabilities for high LTV loans and lower default probabilities for low LTV loans. The main reason for this being that in a severe negative equity situation, borrowers in financial distress but with equity in their homes (low LTV loans) have an incentive to sell and maintain/protect their equity, eliminating the need for the lender to repossess the property. However, the Netherlands is characteristically a high-LTV market due to current tax incentives for such borrowing. Fitch takes this into account and places a greater emphasis on affordability when determining default probability.

The ability to pay is usually measured by the borrower's net income in relation to the mortgage payment. Historical data available show lower levels of default by Dutch borrowers compared to those in neighbouring countries. Base default probabilities are determined by using a matrix that considers each loan's affordability factor and LTV. The matrix classifies affordability into five categories, the lowest of which (class 1), encompasses loans with DTIs of less than 20% and the highest of which (5) encompasses all loans with DTIs exceeding 50%. A loan classified as affordability class 3, for example, would be allocated a base default probability of 4.5%-22.5%, depending on LTV.

Adjustments

Fitch adjusts the base default rates on a loan-by-loan basis to account for individual loan characteristics of the collateral across all rating levels.

- **Repayment Type**

  Savings Mortgages: a borrower makes interest payments on a savings mortgage, but instead of making principal payments, contributions are made to a savings account. Funds accumulated in this account are then used to redeem the mortgage at maturity. To ensure that there are sufficient funds at maturity, the savings account earns the same rate of interest charged on the loan. However, there is still a risk to the third-party savings institution in this case. The way most transaction structures mitigate such risk is to have the monthly premiums made by the borrower passed through to the issuer by the insurance company, which purchases and accepts from the issuer a partial assignment in the mortgage. As long as this is the case, Fitch does not penalise savings mortgages.

  Life Insurance Mortgages: similar to the savings mortgages, a life insurance mortgage does not pay down any principal prior to loan maturity, at which point it is redeemed by the insurance policy. The yield on the policy can **vary** and will not necessarily equal the principal amount on the mortgage at maturity. Fitch increases default probability for life insurance mortgages, depending on how they are underwritten, the strengths of the insurer and the nature of the policy, owing to the increased market and third-party risk.

  Investment Mortgages: the investment mortgage is similar to the life insurance mortgage in concept (i.e. periodic contributions are made to an investment fund); but has a different choice of investment opportunities. Fitch increases the default probability according to the rating of the investment fund and/or the nature of the investment options.

Interest-Only: Fitch generally increases the default assumptions for interest-only mortgages, whereby the mortgage is secured solely by the property value and principal is repaid by the borrower in one lump sum upon loan maturity, to take into account the potential payment shock to the borrower and the reliance on the borrower's equity in the property.

- **Loan Purpose**
  Fitch believes that mortgage loans advanced to release equity in the home (equity refinance mortgages) are risky, as the homeowner is essentially borrowing back equity based on the property's price appreciation. Based on **reviews** of the issuer's appraisal process, as well as underwriting guidelines, if Fitch believes these loans have an increased likelihood of default, the base default probability will be adjusted 10%-20%.

  Fitch **assumes** that a financially distressed borrower is more likely to default on a second home than a primary residence, and even more so on an investment property. Accordingly, base default rates are increased by 10%-25%.

- **Borrower Profile**
  Fitch increases default probability on loans to self-employed/self certified borrowers 10%-30% to account for their lack of a fixed annual salary.

- **Arrears Status**
  when rating portfolios combining current and arrears mortgages, Fitch increases base default rates for mortgages in arrears by up to 90 days by 25%-75%, and those over 91 days in arrears (non-performing status) by 100%.

- **Underwriting Quality**
  Fitch's review and analysis of the origination process determines whether it decreases default rates by up to 25% or increases them by 0%-200%.

Recoveries

To estimate loss severity on mortgage loans in the Netherlands, Fitch examined home price movements by separating the Netherlands into 12 regions. Worst-case market value declines were estimated, and then were generated for each rating level and by region.

As in its other European mortgage default models, Fitch increased market value declines for properties worth more than EUR500,000 by 10%–25%. Higher-value properties tend to have larger market value declines owing to the smaller marketplace for such properties and less precise pricing information for larger properties (given the less active market).

Fitch's model gives full credit for property price declines and 50% credit for property price appreciation. The agency calculates recoveries by reducing the indexed property valuation by the MVDs, repossession costs, and the costs to the servicer of carrying the loan from delinquency through to default.

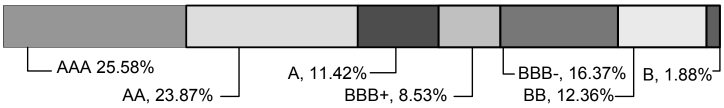
On the basis of worst-case information gathered from Dutch mortgage lenders, Fitch assumes that repossession costs represent 6% of the value of the property at the time of possession plus a fixed amount of EUR5,000. To calculate carrying cost, Fitch assumes that the borrower does not pay interest for a period of 12 months and that interest accrues during this period at the WA rate of interest.

■ Memphis 2006-I B.V. RMBS/Netherlands

Capital Structure

Class	Rating	Size (%)	Size (EURm)	CE (%)	Margin(%)	PMT Freq	Maturity	Coupon	ISIN
A	AAA	3.00	120.0	9.50		Qtrly	2015	3m EURIBOR	
B	AA	2.80	112.0	6.70		Qtrly	2015	3m EURIBOR	
C	A +	1.34	53.6	5.36		Qtrly	2015	3m EURIBOR	
D	A	1.00	40.0	4.36		Qtrly	2015	3m EURIBOR	
E	BBB	1.92	76.8	2.44		Qtrly	2015	3m EURIBOR	
F	BB	1.45	58.0	0.99		Qtrly	2015	3m EURIBOR	
G	B	0.22	8.8	0.77		Qtrly	2015	3m EURIBOR	

	Size (%)	Size (EURm)
Swap	None	
Spread (Closing)	77 bps upfront reserve	



Key Information

Closing Date	[•]	**Parties**	
Country of Assets	The Netherlands		
Issuance Date	[•]	**Servicer**	ING Service Center Hypotheken B.V.
Structure	Synthetic	**Joint Book Runners**	ING Bank and Lehman Brothers
Bloomberg	[•]	**Trustee**	Stichting Security Trustee Memphis 2006-I
Settlement	Euroclear, Clearstream	**Paying Agent**	ING bank
Listing	Euronext Amsterdam N.V	**Protection Buyer**	ING bank
Analyst	Nicolas Ardoint	**Cash Deposit Bank**	ING bank
	nicolas.ardoint@fitchratings.com		
	+44 20 7417 4639		

Others (Summary)

Short-Term and Long-Term Rating Triggers (Minimum)

Transaction Account Bank F1+

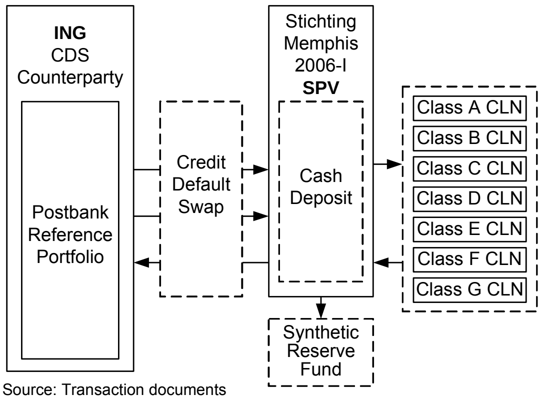
Credit Enhancement

Subordination, synthetic reserve

Credit Committee Highlights

- Losses are allocated to the notes according to subordination
- Postbank is 100% owned by ING (F1+/'AA-')
- WA seasoning is 20 months
- LTVs higher than in the previous Memphis transaction
- Replenishment permitted – linked to performance triggers
- The synthetic reserve is 77bps upfront
- DTI – Vast majority were Class 2 & 3 (DTI between 20-40%)
- Realised losses are defined as losses on mortgages including accrued interest to a maximum period of 3 months

Simplified Structure Diagram



Source: Transaction documents

Provisional Collateral

Pool Characteristics

Outstanding Principal Balance (EUR)	3,999,999,969	**Regional concentration (%)**	
Average Current Loan per Borrower (EUR)	218,329	Zuid-Holland	26.9
Number of Borrowers	18,321	Noord-Holland	21.6
Seasoning (Months)	20	Noord-Brabant	11.7
Loan to Value (LTV) (%)			
WA OLTMV (%)	102.4	**Lien Position (%)**	
WA CLTMV (%)	101.9	First & subsequent ranking	100
WA Indexed CLTMV (%)	97.4		
Mortgage Characteristics		Jumbo (%)	4.3
Interest-Only (%)	54.5		
Life Insurance (%)	33.8	Performing Loans (%)	100
Savings	2.3	DTI (%)	28.9
Others (%)	9.3		
Interest Rate Type (%)			
Fixed Rate (%)	78.5		
WA Interest Rate (%)	4.33		
Interest Index (EURIBOR)			

Source: Fitch, Postbank