

## ARENA 2011-I B.V.

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

Class of Notes	Principal Amount	Issue Price	Interest rate until step up	Interest rate after step up	Rating (Moody's/S&P)	First Optional Redemption Date	Final Maturity Date
Senior Class A1 Notes	€147,000,000	100%	1.05% margin above three month Euribor	2.10% margin above three month Euribor	Aaa/AAA (sf)	December 2015	December 2042
Senior Class A2 Notes	€497,000,000	100%	1.45% margin above three month Euribor	2.90% margin above three month Euribor	Aaa/AAA (sf)	December 2015	December 2042
Mezzanine Class B Notes	€18,200,000	100%	Three month Euribor	Three month Euribor	Aa1/A- (sf)	December 2015	December 2042
Mezzanine Class C Notes	€16,100,000	100%	Zero % per annum	Zero % per annum	Aa2/NR (sf)	December 2015	December 2042
Mezzanine Class D Notes	€14,000,000	100%	Zero % per annum	Zero % per annum	A2/NR (sf)	December 2015	December 2042
Junior Class E Notes	€7,700,000	100%	Zero % per annum	Zero % per annum	Baa1/NR (sf)	December 2015	December 2042
Subordinated Class F Notes	€10,500,000	100%	Zero % per annum	Zero % per annum	NR	N/A	December 2042

On or about 27 January 2011 (the **Closing Date**), Arena 2011-I B.V. (the **Issuer**) will issue notes (the **Notes**) in the classes set out above.

This prospectus (**Prospectus**) has been approved by the Netherlands Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*) (**AFM**) as a prospectus issued in compliance with Directive 2003/71/EC (the **Prospectus Directive**) and the relevant implementing rules in the Netherlands (*Wet op het Financieel Toezicht*, the **Wft**).

Application has been made for the Notes (other than the Subordinated Class F Notes) to be admitted to trading on NYSE Euronext in Amsterdam (**Euronext Amsterdam**) effective per the Closing Date.

The Notes will carry the floating rates of interest as set out above, payable quarterly in arrear on each 17<sup>th</sup> day of each March, June, September and December, commencing on 17 March 2011 (or, if such day is not a Business Day, the next succeeding Business Day, unless such day falls in the next succeeding calendar month in which case the Business Day immediately preceding such 17th day). **The Mezzanine Class C Notes, the Mezzanine Class D Notes, the Junior Class E Notes and the Subordinated Class F Notes will bear interest at a rate of zero % per annum.** See further *Condition 4 (Interest)*.

The principal assets from which the Issuer will make payments on the Notes is a pool of residential mortgage receivables originated by the Seller, legal title of which will be acquired by the Issuer on the Closing Date. See the section *Summary of the Final Pool* for more information on the pool. The Notes will be the obligations of the Issuer only and not of any other person.

For information on optional and mandatory redemption of the Notes, see the section *Transaction Overview – Overview of the Parties and principal features of the transaction* and *Condition 6 (Redemption)*.

Ratings will be assigned to the Mortgage-Backed Notes by Moody's Investors Service Limited (**Moody's**) and by Standard & Poor's Credit Market Services Europe Limited (**S&P** and, together with Moody's, the **Rating Agencies**) as set out above. As of the date of this Prospectus, each of the Rating Agencies is established in the European Union and has applied for registration under Regulation (EU) No 1060/2009 (the **CRA Regulation**), although notification of the corresponding registration decision has not yet been provided by the relevant competent authority. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation unless the rating is provided by a credit rating agency operating in the European Union before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused. The assignment of ratings to the Notes or an outlook on these ratings is not a recommendation to invest in the Notes and may be revised, suspended or withdrawn at any time.

The Notes will be represented by global notes in bearer form. Interests in the global notes will in limited circumstances be exchangeable for notes in definitive form.

The Seller has undertaken to retain a material net economic interest of not less than 5% in the securitisation in accordance with Article 122a of Directive 2006/48/EC (as amended) (the **Capital Requirements Directive**). As at the Closing Date, such interest will in accordance with Article 122a paragraph (1) sub d) be comprised of an interest in the first loss tranche and, if necessary, other tranches having the same or a more severe risk profile than those sold to investors. The Seller has provided a corresponding undertaking with respect to the interest to be retained by it during the period wherein the Notes are outstanding to the Managers and to the Issuer in the Notes Purchase Agreement.

In addition to the information set out herein and forming part of this Prospectus, the Seller has undertaken to make available materially relevant data with a view to complying with Article 122a paragraph (7) of the Capital Requirements Directive, which can be obtained from the Seller upon request.

After the Closing Date, the Issuer will prepare quarterly investor reports wherein relevant information with regard to the Mortgage Loans and Mortgage Receivables will be disclosed publicly together with an overview of the retainment of the material net economic interest by the Seller.

Each prospective investor is required to independently assess and determine the sufficiency of the information described above for the purposes of complying with Article 122a and none of the Issuer, the Seller (in its capacity as the Seller and the Servicers), the Issuer Administrator nor the Managers makes any representation that the information described above is sufficient in all circumstances for such purposes. The Seller accepts responsibility for the information set out in this paragraph.

For definitions of capitalised terms, please refer to the section *Index of Defined Terms*. The language of this Prospectus is English. Certain legislative references and certain other terms have been cited in their original language in order that the correct (technical) meaning may be ascribed to them under applicable law.

The date of this Prospectus is 25 January 2011.

**Arranger**

**Rabobank International**

**Managers**

**Rabobank International**

**The Royal Bank of Scotland**

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## SUMMARY

The following is a summary of the principal features of the transaction described in this Prospectus, including the issue of the Notes. The information in this section does not purport to be complete. This summary should be read as an introduction to, and in conjunction with, and is qualified in its entirety by reference to, the detailed information appearing elsewhere in this Prospectus. Prospective Noteholders are advised to read carefully, and to rely solely on, the detailed information appearing elsewhere in this Prospectus and the Conditions and Relevant Documents referred to therein in making any decision whether or not to invest in any Notes. If a claim relating to the information contained in this Prospectus is brought before a competent court, the plaintiff investor may, subject to the legal requirement of the relevant member state of the European Economic Area, have to bear the costs of translating this Prospectus before the legal proceedings are initiated. Civil liability with respect to this summary will only attach to the Issuer if this summary is misleading, incorrect or inconsistent when read in such manner as indicated above.

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

### 1. RISKS

There are certain risk factors which prospective Noteholders should take into account. These risk factors relate to, *inter alia*, the fact that the obligations of the Issuer under the Notes are limited recourse obligations, whereby the Issuer has limited resources to meet such obligations (in particular receipt by it of funds under the Mortgage Receivables). Despite certain structural mitigants in respect of these risks, there remains, *inter alia*, a credit risk, liquidity risk, prepayment risk, maturity risk and interest-rate risk relating to the Notes. Moreover, there are structural and legal risks relating to the Mortgage Receivables (see the section *Risk Factors* below).

### 2. TRANSACTION OVERVIEW

The following is an overview of the transaction as illustrated by structure diagram elsewhere in this Prospectus (see paragraph 3 (*Structure Diagram*) below). The numbers below correspond to those in the diagram.

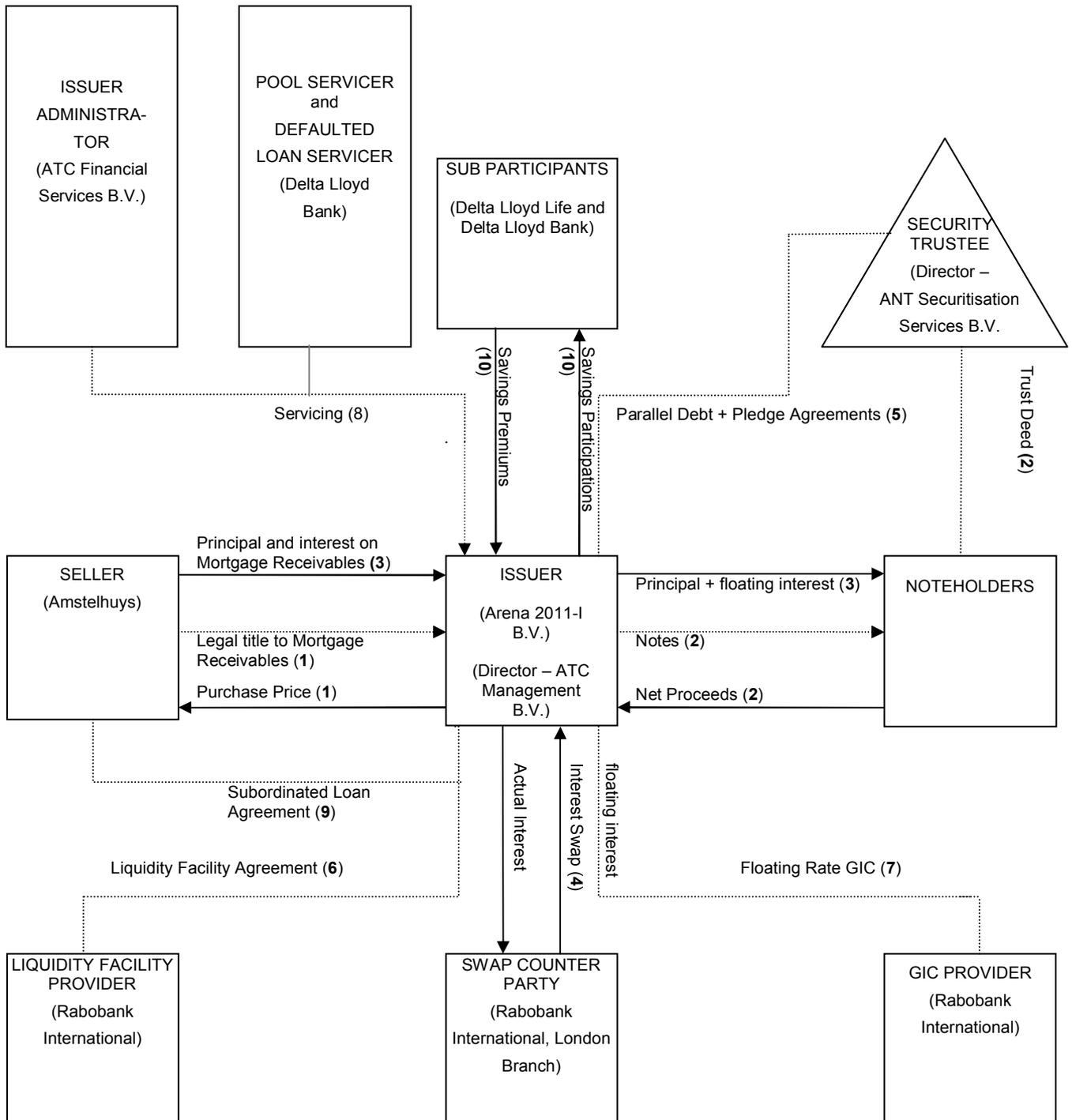
- (1) On or about 25 January 2011 the Issuer will enter into a mortgage receivables purchase agreement (the **Mortgage Receivables Purchase Agreement**) with the Seller and the Security Trustee. Pursuant to the Mortgage Receivables Purchase Agreement the Seller will sell and assign to the Issuer legal title to the Mortgage Receivables and the Beneficiary Rights relating thereto. The Mortgage Receivables consist of any and all rights of the Seller against certain Borrowers under certain loans secured by first-ranking, or first and sequentially lower-ranking mortgage rights over residential properties in the Netherlands. The transfer of legal title to the Mortgage Receivables and the Beneficiary Rights will take place on the Closing Date by means of a registered deed of assignment (the **Deed of Assignment**). The purchase price will consist of an initial purchase price and a deferred purchase price. The initial purchase price is payable on the Closing Date and amounts to EUR 708,037,820.71 (the **Initial Purchase Price**), provided that in respect of construction mortgage loans (*bouwhypotheken*) the Issuer will withhold an amount of EUR 648,043.78 until such amounts are disbursed by the Seller to the Borrowers. To the extent on Quarterly Payment Dates the revenues of Issuer exceeded its liabilities and an excess amount is available, such excess amount will be paid out to the Seller as a deferred purchase price instalment.
- (2) The Issuer will fund the Initial Purchase Price in part by issuing the Mortgage-Backed Notes. The Subordinated Class F Notes are issued to fund the Reserve Account. The Notes will be issued under a trust deed (the **Trust Deed**). The remaining part of the Initial Purchase Price (in respect of Participation-Linked Mortgage Loans and Bank Savings Mortgage Loans) will be paid by way of set-off of against the consideration payable to the Issuer of the Initial Participations by the Savings Insurance Company and the Bank Savings Participant (see the section *Sub-Participation Agreements* below).
- (3) On each Quarterly Payment Date the Issuer will pay interest and principal on the Notes in accordance with and subject to the Interest Priority of Payments and the Principal Priority of Payments (see the section *Credit Structure* below). The Notes may be redeemed prior to their Final Maturity Date in certain circumstances (see *Condition 6 (Redemption)* in the section *Terms and Conditions of the Notes* below). The obligations of the Issuer in respect of the Notes will rank below certain other obligations of the Issuer and the Classes of Notes rank in a certain priority amongst themselves, with the Senior Class A Notes ranking most senior, as more fully described herein in the sections *Credit Structure* and *Terms and Conditions of the Notes* below. The Trust Deed sets out the priority of the secured claims of the Secured Parties.

- (4) To hedge against differences between the rates of interest on the Mortgage Receivables and the floating rates applicable to the Mortgage-Backed Notes the Issuer will enter into an interest rate swap transaction as more fully described in the section *Credit Structure* below, with Rabobank International, London Branch (as the **Swap Counterparty**). The rate of interest (if any) payable by the Issuer on the Subordinated Class F Notes will not be hedged.
- (5) To meet its liabilities the Issuer is primarily dependent on receipt of principal and interest from the Borrowers under the Mortgage Loans, the receipt of funds under the Liquidity Facility Agreement and the receipt of funds under the Swap Agreement. The Issuer will secure its obligations under the Notes and towards the Secured Parties. The security is vested in favour of the Security Trustee as pledgee. Pursuant to a parallel debt agreement (the **Parallel Debt Agreement**) the Issuer owes the Security Trustee the same amounts it owes to the Noteholders and certain other transaction parties (such payment obligation being referred to as the **Parallel Debt**). The Parallel Debt is secured by a first-ranking right of pledge over the Mortgage Receivables and over certain other assets pursuant to two pledge agreements (the **Pledge Agreements**). Upon the occurrence of an event of default under the Notes, the Security Trustee may give notice to the Issuer that the amounts outstanding under the Notes (and under the Parallel Debt) are immediately due and payable and that it will enforce the Pledge Agreements. The Security Trustee will apply the amounts recovered upon enforcement of the Pledge Agreements in accordance with the Post-Enforcement Priority of Payments towards satisfaction of the amounts owed by the Issuer to the Noteholders and such other transaction parties (see the section *Credit Structure*).
- (6) The Issuer will enter into a liquidity facility agreement (the **Liquidity Facility Agreement**) with Rabobank International (as the Liquidity Facility Provider) on the Closing Date pursuant to which the Liquidity Facility Provider will agree to make available a 364-day committed facility under which the Issuer may in certain circumstances make drawings (**Liquidity Facility Drawings**) in case of a shortfall of the interest revenues (see the section *Credit Structure*).
- (7) The Issuer will enter into a guaranteed investment contract (the **Floating Rate GIC**) with Rabobank International (as the GIC Provider) and the Security Trustee on the Closing Date, pursuant to which the GIC Provider guarantees a certain interest rate determined by reference to EONIA with respect to the balance standing from time to time to the credit of all bank accounts maintained by the Issuer with the GIC Provider (other than the Liquidity Facility Stand-by Account).
- (8) The Issuer will enter into an issuer services agreement (the **Issuer Services Agreement**) under which (i) Delta Lloyd Bank as the pool servicer (the **Pool Servicer**) will – *inter alia* – (a) provide mortgage payment transactions and other services to the Issuer on a day-to-day basis in relation to the Mortgage Loans and the Mortgage Receivables, including, without limitation, the collection and recording of payments of principal, interest and other amounts in respect of the Mortgage Loans, and (b) prepare and provide the Issuer Administrator with certain statistical information regarding the Issuer as required by law for submission to the relevant governmental authorities, (ii) Delta Lloyd Bank as the defaulted loan servicer (the **Defaulted Loan Servicer** and together with the Pool Servicer, the **Servicers**) will agree to provide implementation of arrears procedures including the enforcement of mortgage rights and pledges and to provide information on the relevant Participation in the Participation-Linked Mortgage Receivables and the Bank Savings Mortgage Receivables, and (iii) the Issuer Administrator will agree (a) to provide certain administration, calculation and cash management services to the Issuer, and (b) to submit certain statistical information regarding the Issuer as referred to above to certain governmental authorities if and when requested (see further the sections *Issuer Services Agreement* and *Mortgage Underwriting and Mortgage Services* below).
- (9) Pursuant to a subordinated loan agreement (the **Subordinated Loan Agreement**), the Seller will on the Closing Date make available to the Issuer a subordinated loan, which will be used by the Issuer to pay certain initial costs and expenses in connection with the issue of the Notes.
- (10) Under participation-linked mortgage loans, universal life mortgage loans and bank savings mortgage loans, borrowers do not pay down principal until maturity of the loan. Under a participation-linked mortgage loan, the borrower pays a capital premium to the insurance company which the latter on-pays to the lender in exchange for an economic interest in the loan. The economic interest increases over time and the intention is that at maturity the built up capital is equal to the balance of the mortgage loan. At such time its economic interest is set-off against its obligation to pay out under the Insurance Policy. The Issuer will on the Closing Date enter into a savings mortgage sub-participation agreement, (the **Savings Mortgage Sub-Participation Agreement**) with Delta Lloyd Levensverzekering N.V. as the Savings Insurance Company. Pursuant to such agreement the Issuer will continue to receive premium payments from the Savings Insurance Company. The

premiums received by the Issuer will be used to repay principal on the Notes. The Savings Insurance Company will obtain a contractual participation right equal to the premiums passed on the Participation-Linked Mortgage Loans, plus a pro rata part of the accrued interest. Bank savings mortgage loans operate similarly, except that no insurance company is involved. Rather than paying principal, the borrower deposits cash on an account with a bank. The interest due on the balance is equal to the interest on the mortgage loan. The intention is that, at maturity, the built up balance is equal to the outstanding mortgage loan (part) and the two are set-off against each other. On the Closing Date, the Issuer will enter into a bank savings sub-participation agreement (the **Bank Savings Sub-Participation Agreement**). Under that agreement Delta Lloyd Bank, as the Bank Savings Participant, will acquire a participation in the relevant Bank Savings Mortgage Receivables. In exchange the Bank Savings Participant will pay to the Issuer the deposits received by it from the Borrowers under the Bank Savings Mortgage Loans. The Issuer will apply such amounts to redeem the Notes (see the section *Sub-Participation Agreements*).

### 3. STRUCTURE DIAGRAM

The numbers in the structure diagram below refer to paragraph 2 (*Transaction Overview*) above.



#### 4. THE KEY FEATURES OF THE NOTES

	<u>Senior Class A1 Notes</u>	<u>Senior Class A2 Notes</u>	<u>Mezzanine Class B Notes</u>	<u>Mezzanine Class C Notes</u>	<u>Mezzanine Class D Notes</u>	<u>Junior Class E Notes</u>	<u>Subordinated Class F Notes</u>
Principal Amount at Closing	€147,000,000	€497,000,000	€18,200,000	€16,100,000	€14,000,000	€7,700,000	€10,500,000
Interest rate up to but excluding first Optional Redemption Date	1.05 per cent. margin above three month Euribor	1.45 per cent. margin above three month Euribor	Three month Euribor	Zero per cent. p.a.	Zero per cent. p.a.	Zero per cent. p.a.	Zero per cent. p.a.
Interest rate from and including first Optional Redemption Date	2.10 per cent. margin above three month Euribor	2.90 per cent. margin above three month Euribor	Three month Euribor	Zero per cent. p.a.	Zero per cent. p.a.	Zero per cent. p.a.	Zero per cent. p.a.
Interest Accrual	Act/360						
First Optional Redemption Date	The Quarterly Payment Date falling in December 2015.						N/A
Quarterly Payment Dates	Quarterly in arrear on the 17th day of each March, June, September and December, subject to adjustment for non-business days.						
Final Maturity Date	The Quarterly Payment Date falling in December 2042.						
Denomination	€100,000						
Form	Bearer						
Listing	Euronext Amsterdam						N/A
ISIN	XS 0572336997	XS 0572338936	XS 0572343340	XS 0572345980	XS 0572347259	XS 0572348737	XS 0572350394
Common Code	057233699	057233893	057234334	057234598	057234725	057234873	057235039
Rating (Moody's/S&P)	Aaa/AAA (sf)	Aaa/AAA (sf)	Aa1/A- (sf)	Aa2/NR (sf)	A2/NR (sf)	Baa1/NR (sf)	NR

## RISK FACTORS

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

### RISK FACTORS REGARDING THE NOTES

#### Liabilities under the Notes, Limited Recourse

*The Notes will be the obligations of the Issuer only*

The Notes will be solely the obligations of the Issuer. The Notes will not be obligations or responsibilities of, or guaranteed by, any of the transaction parties (other than the Issuer). No person other than the Issuer will accept any liability whatsoever in respect of any failure by the Issuer to pay any amount due under the Notes.

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

The ability of the Issuer to meet its obligations in full to pay principal and interest on the Notes and its operating and administrative expenses will be dependent solely on:

- (i) receipts of payments under the Mortgage Receivables;
- (ii) the proceeds of the sale of any Mortgage Receivables;
- (iii) receipts under the Swap Agreement;
- (iv) receipts under the Sub-Participation Agreements;
- (v) amounts standing to the credit of the Reserve Account;
- (vi) receipts under the Liquidity Facility Agreement; and
- (vii) receipts of interest in respect of the balances standing to the credit of the Transaction Accounts.

The Issuer does not have other resources available. There can be no assurance that the Issuer will have sufficient funds to meet its payment obligations and expenses. If such funds are insufficient, the Issuer may not be able to repay the Noteholders in full.

*Noteholders have no petition rights and limited recourse against the Issuer*

Each of the Noteholders will only have recourse against the Issuer through the Security Trustee in accordance with the relevant Priority of Payments set out in this Prospectus and the Trust Deed. In case the Security has been fully enforced and the proceeds are insufficient to pay in full all amounts whatsoever due in respect of a Class of Notes, the Noteholders of such Class will have no further claim against the Issuer or the Security Trustee in respect of such amounts.

#### Credit Risk

The Issuer is subject to the risk of default in payment by the Borrowers and the failure by any of the Servicers to realise or recover sufficient funds under the arrears and default procedures in respect of the relevant Mortgage Loans in order to discharge all amounts due and owing by the relevant Borrowers under the relevant Mortgage Loans. This risk may affect the Issuer's ability to make payments on the Notes, but is mitigated to some extent by certain credit enhancement features which are described in the section *Credit Structure*. There is no assurance that these measures will protect the holders of any Class against all risks of losses.

#### Liquidity Risk

The Issuer is subject to the risk of a shortfall of funds on any Quarterly Payment Date as a result of payments being made late by Borrowers. This risk may adversely affect the Issuer's ability to make payments on the Notes. This risk is mitigated to some extent by the provision of liquidity pursuant to the Liquidity Facility Agreement and the Reserve Account. There can be no assurance that this mitigation will protect the Noteholder in full against this risk. See the section *Credit Structure*. Repayment of drawn amounts under the Liquidity Facility Agreement ranks higher than the Notes, subject to certain exceptions.

### **Considerations relating to yield and prepayments of the Mortgage Loans**

The yield to maturity of the Notes will depend on, among other things, the amount and timing of payment of principal and interest on the Mortgage Loans (including full and partial prepayments, foreclosure proceeds and repurchases by the Seller under the Mortgage Receivables Purchase Agreement due to breaches of representations and warranties) and the price paid by the holders of the Notes of each Class. The yield to maturity of the Notes of any Class may be adversely affected by, amongst other things, 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 interest rates, changes in tax law (including, but not limited to, amendments to mortgage interest tax deductibility) and local and regional economic conditions. No certainty can be given as to the level of prepayment that the Mortgage Loans may experience.

### **Risk that the Issuer will not exercise its right to redeem the Notes on an Optional Redemption Date**

There can be no assurance that the Issuer will redeem the Mortgage-Backed Notes on the first Optional Redemption Date or on any subsequent Optional Redemption Date pursuant to Condition 6(e). The exercise of such right will, *inter alia*, depend on the ability of the Issuer to have sufficient funds available for example through a sale of Mortgage Receivables. The Issuer shall first offer such Mortgage Receivables for sale to the Seller. The purchase price of the Mortgage Receivables will be calculated as described in the paragraph *Sale of Mortgage Receivables* in the section *Credit Structure* below and must be an amount which is not less than the aggregate of (a) the Principal Amount Outstanding of the Mortgage-Backed Notes and (b) an amount equal to any payment that may be due by the Issuer to the Swap Counterparty in connection with the termination of the Swap Agreement unless the Issuer has other available funds to make such payment to the Swap Counterparty. However, there is no guarantee that such a purchase of the Mortgage Receivables at such or any other price will take place.

### **Risk of early redemption as a result of Clean-Up Call Option, Regulatory Call Option and Redemption upon a Tax Change**

Should the Seller exercise its Clean-Up Call Option or its Regulatory Call Option on any Quarterly Payment Date, the Issuer will redeem the Mortgage-Backed Notes by applying the proceeds of the sale of the Mortgage Receivables towards redemption of the Notes in accordance with Condition 6(b) and subject to Condition 9(b) on such Quarterly Payment Date, whether falling before or after the first Optional Redemption Date. The Issuer will have the option to redeem the Mortgage-Backed Notes upon the occurrence of a Tax Change in accordance with Condition 6(f) and subject to Condition 9(b). If the Issuer exercises any of such options, the Mortgage-Backed Notes will be redeemed prior to the Final Maturity Date.

The Subordinated Class F Notes will only be subject to redemption in accordance with and subject to Condition 6(c) and Condition 9(b).

### **The Classes of Notes other than the Senior Class A Notes bear greater risk than the Senior Class A Notes**

The Classes of Notes, other than the Senior Class A Notes, are subordinated, meaning that Noteholders of any Classes of Notes with a lower payment priority bear a greater risk than any Class of Notes with a higher payment priority than such Class of Notes. To the extent set forth in Condition 9, payments on any Class of Notes are subordinated to payments of higher ranking Classes of Notes as more fully described herein under sections *Credit Structure* and *Terms and Conditions of the Notes* below.

The Senior Class A Notes comprise of the Senior Class A1 Notes and the Senior Class A2 Notes and the Senior Class A1 Notes and the Senior Class A2 Notes rank *pari passu* and *pro rata* without any preference or priority among all Notes of such Class in respect of the Security and payments of interest. Provided that no Enforcement Notice has been given, payments of principal on the Senior Class A Notes are applied firstly to the Senior Class A1 Notes and then to the Senior Class A2 Notes. To the extent that the Notes Redemption Available Amount is insufficient to redeem the Senior Class A1 Notes and/or the Senior Class A2 Notes in full when due in accordance with the Conditions for a period of fifteen days or more, this will constitute an Event of Default in accordance with Condition 10(a). The Senior Class A2 Notes do not therefore purport to provide credit enhancement to the Senior Class A1 Notes. If, on any date, the security for the obligations of the Issuer towards the Noteholders (the **Security**) is to be enforced and the proceeds of the enforcement would be insufficient to fully redeem the Senior Class A Notes in full, such loss will be borne, *pro rata* and *pari passu*, by the holders of the Senior Class A Notes. If the Senior Class A1 Notes have been redeemed (in part or in full) at such time, this will result in the Senior Class A2 Notes bearing a greater loss than that borne by the Senior Class A1 Notes.

If, upon default by the Borrowers, the Issuer does not receive the full amount due in respect of such Mortgage Loans from the Borrowers, Noteholders may receive by way of principal repayment on the Notes an amount less than the

Principal Amount Outstanding on 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 section *Credit Structure* below.

### **Interest Rate Risk**

The Issuer is exposed to the risk that the interest received on the Mortgage Loans is not sufficient to pay the interest on the relevant Mortgage-Backed Notes. This risk is mitigated by the 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 be equal to 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 by a court of competent jurisdiction, or (ii) any change in tax law, in both cases after the date of the Swap Agreement, the Swap Counterparty will, or there is a substantial likelihood that it will, be required to pay to the Issuer additional amounts for or on account of tax (a **Tax Event**), the Swap Counterparty may (with the consent of the Issuer) transfer its rights and obligations to another of its offices, branches, affiliates or any other person to avoid the relevant Tax Event.

The Swap Agreement will be terminable by one party if (i) an event of default (as defined therein) occurs in relation to the other party, (ii) it becomes unlawful for either party to perform its obligations under the Swap Agreement or (iii) an Enforcement Notice is served. Events of default in relation to the Issuer in the Swap Agreement 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 will terminate automatically on the earlier of the Final Maturity Date and the date on which the relevant Classes of Mortgage-Backed Notes have been redeemed or written-off in full in accordance with the Conditions. If the Swap Agreement terminates early, the Issuer will be exposed to changes in the relevant rates of interest. As a result, unless a replacement swap is entered into on terms similar to the Swap Agreement, the Issuer may have insufficient funds to make interest payments under the Mortgage-Backed Notes.

The interest (if any) on the Subordinated Class F Notes will not be hedged. The interest rate accrued on the Reserve Account may not be sufficient for the Issuer to pay interest (if any) on the Subordinated Class F Notes and it is not certain that the Notes Interest Available Amount will be sufficient to pay the accrued interest (if any) due on the Subordinated Class F Notes on a Quarterly Payment Date.

### **Absence of secondary market**

There is not, at present, any active and/or liquid secondary market for any Class of Notes. There can be no assurance that such market will develop, or if a secondary market will develop, that it will provide the holders of the Notes with liquidity or that such liquidity will continue. A decrease in liquidity of the Notes may cause an increase in the volatility associated with the price of the Notes. Investors may not be able to sell their Notes at prices that will provide them with a yield comparable to similar investments that have a developed secondary market.

### **Lack of liquidity in the secondary market may adversely affect the market value of the Notes**

As at the date of this Prospectus, the secondary market for mortgage-backed securities is experiencing significant disruptions resulting from reduced investor demand for such securities. This has had a material adverse impact on the market value of mortgage-backed securities and resulted in the secondary market for mortgage-backed securities experiencing very limited liquidity. These conditions may continue or worsen in the future.

Limited liquidity in the secondary market has had and may continue to have an adverse effect on the market value of mortgage-backed securities, especially those securities that are more sensitive to prepayment, credit or interest rate risk and those securities that have been structured to meet the investment requirements of limited categories of investors. Consequently, an investor in the Notes may not be able to sell or acquire credit protection on its Notes readily and market values of the Notes are likely to fluctuate and may be difficult to determine. Any of these fluctuations may be significant and could result in significant losses to an investor.

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

The security created in favour of the Security Trustee under the Trustee Receivables Pledge Agreement may be affected by, among other things, a decline in the value of the Mortgaged Assets. No assurance can be given that values of the Mortgaged Assets remained or will remain at the level at which they were on the date of origination of the related Mortgage Loans. In addition, a forced sale of the Mortgaged Assets may, compared to a private sale, result in a lower value of the Mortgaged Assets. A decline in value may result in losses to the Noteholders if such security is required to be enforced. The Seller will not be liable for any losses incurred by the Issuer in connection with the Mortgage Receivables.

### **Counterparties may default**

Counterparties to the Issuer under the Relevant Documents may not properly perform their obligations under the Relevant Documents, including the Seller, which may result in the Issuer not being able to meet its obligations under the Notes.

Due to the dependency on the performance of the relevant counterparties of their obligations in connection with this transaction, a deterioration of the credit quality of any of these counterparties might have an adverse effect on the rating of one or all Classes of the Mortgage-Backed Notes.

### **Noteholders may have exposure on the Security Trustee**

Any payments in respect of the Parallel Debt and any proceeds received by the Security Trustee are, in the case of the bankruptcy (*faillissement*) or (preliminary) suspension of payments (*surseance van betaling*) of the Security Trustee, not separated from the Security Trustee's other assets. The Secured Parties therefore have a credit risk on the Security Trustee. This credit risk has been mitigated by setting the Security Trustee up as a bankruptcy remote entity, however there remains a risk that the Security Trustee is declared bankrupt or is subjected to (preliminary) suspension of payments and as a consequence the Noteholders may not receive (full) payment from the Security Trustee in respect of the Parallel Debt or otherwise.

### **Implementation of and/or changes to the Basel II framework may affect the capital requirements and/or the liquidity of the Notes**

The Basel II framework has not been fully implemented in all participating countries. The implementation of the framework in relevant jurisdictions may affect the risk-weighting of the Notes for investors who are or may become subject to capital adequacy requirements that follow the framework.

It should also be noted that the Basel Committee has approved significant changes to the Basel II framework (such changes being commonly referred to as **Basel III**), including new capital and liquidity requirements intended to reinforce capital standards and to establish minimum liquidity standards for credit institutions. In particular, the changes refer to, amongst other things, new requirements for the capital base, measures to strengthen the capital requirements for counterparty credit exposures arising from certain transactions and the introduction of a leverage ratio as well as short-term and longer-term standards for funding liquidity (referred to as the Liquidity Coverage Ratio and the Net Stable Funding Ratio, respectively). Member States will be required to implement the new capital standards as from January 2013, the new Liquidity Coverage Ratio from January 2015 and the Net Stable Funding Ratio from January 2018. The European authorities have indicated that they support the work of the Basel Committee on the approved changes in general, and the European Commission's corresponding proposals to implement the changes (through amendments to the Capital Requirements Directive known as **CRD IV**) are expected to be presented by spring 2011. The changes approved by the Basel Committee may have an impact on incentives to hold the Notes for investors that are subject to requirements that follow the revised framework and, as a result, they may affect the liquidity and/or value of the Notes.

In general, investors should consult their own advisers as to the regulatory capital requirements in respect of the Notes and as to the consequences to and effect on them of any changes to the Basel II framework (including the Basel III changes described above) and the relevant implementing measures. No predictions can be made as to the precise effects of such matters on any investor or otherwise.

### **Regulatory initiatives may result in increased regulatory capital requirements and/or decreased liquidity in respect of the Notes**

In Europe, the U.S. and elsewhere there is increased political and regulatory scrutiny of the asset-backed securities industry. This has resulted in a raft of measures for increased regulation which are currently at various stages of implementation and which may have an adverse impact on the regulatory capital charge to certain investors in securitisation exposures and/or the incentives for certain investors to hold asset-backed securities, and may thereby affect the liquidity of such securities. Investors in the Notes are responsible for analysing their own regulatory position and none of the Issuer, the Arranger, the Managers or the Seller makes any representation to any prospective investor or purchaser of the Notes regarding the regulatory capital treatment of their investment on the Closing Date or at any time in the future.

In particular, investors should be aware of Article 122a of the Capital Requirements Directive which applies in general to newly issued asset-backed securities after 31 December 2010. Article 122a restricts an EU regulated credit institution from investing in asset-backed securities unless the originator, sponsor or original lender in respect of the relevant securitisation has explicitly disclosed to the EU regulated credit institution that it will retain, on an ongoing

basis, a net economic interest of not less than 5% in respect of certain specified credit risk tranches or asset exposures as contemplated by Article 122a. Article 122a also requires an EU regulated credit institution to be able to demonstrate that it has undertaken certain due diligence in respect of, amongst other things, its note position and the underlying exposures and that procedures are established for such activities to be conducted on an on-going basis. Failure to comply with one or more of the requirements set out in Article 122a will result in the imposition of a penal capital charge on the notes acquired by the relevant investor.

Article 122a applies in respect of the Notes. Investors should therefore make themselves aware of the requirements of Article 122a, where applicable to them, in addition to any other regulatory requirements applicable to them with respect to their investment in the Notes. With respect to the commitment of the Seller to retain a material net economic interest in the securitisation as contemplated by Article 122a and with respect to the information to be made available by the Issuer or another relevant party (or, after the Closing Date, by the Seller or the Issuer Administrator on the Issuer's behalf) in relation to the due diligence requirements under Article 122a, please see the statements set out in on page 2 of this Prospectus. Relevant investors are required to independently assess and determine the sufficiency of the information described above for the purposes of complying with Article 122a and none of the Issuer, the Seller, the Issuer Administrator, the Arranger nor the Managers makes any representation that the information described above is sufficient in all circumstances for such purposes.

There remains considerable uncertainty with respect to Article 122a and it is not clear what will be required to demonstrate compliance to national regulators. Investors who are uncertain as to the requirements that will need to be complied with in order to avoid the additional regulatory charges for non compliance with Article 122a should seek guidance from their regulator. Similar requirements to those set out in Article 122a are expected to be implemented for other EU regulated investors (such as investment firms, insurance and reinsurance undertakings and certain hedge fund managers) in the future.

Article 122a of the Capital Requirements Directive and any other changes to the regulation or regulatory treatment of the Notes for some or all investors may negatively impact the regulatory position of individual investors and, in addition, have a negative impact on the price and liquidity of the Notes in the secondary market.

#### **EU Savings Directive**

The EU has adopted an EU Directive 2003/48/EC regarding the taxation of savings income (the **EU Savings Directive**). The EU Savings Directive requires Member States to provide to the tax authorities of another Member State details of payments of interest and other similar income paid by a person to an individual or to certain other persons in another Member State, except that Belgium, Luxembourg and Austria are instead entitled to impose a withholding system for a transitional period unless during such period they elect otherwise. If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of tax were to be withheld from that payment pursuant to the EU Savings Directive, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note that they would not have been liable to pay in the absence of the imposition of such withholding tax. A number of third countries and territories including Switzerland have adopted similar measures to the EU Savings Directive. On 13 November 2008, the European Commission submitted to the European Council a proposal for amendments to the EU Savings Directive, which included a number of suggested changes which, if implemented, would broaden the scope of the requirements described above. This proposal (or an amended form thereof) has not yet been adopted by the European Council. The Issuer is required to maintain a Paying Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the EU Savings Directive. Noteholders who are in any doubt as to their position should consult their professional advisers.

#### **Eurosystem eligibility of the Senior Class A Notes**

The Senior Class A Notes are intended to be held in a manner which will allow Eurosystem eligibility. This means that the Senior Class A Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Senior Class A Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria. The Mezzanine Class B Notes, the Mezzanine Class C Notes, the Mezzanine Class D Notes, the Junior Class E Notes and the Subordinated Class F Notes are not intended to be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem.

#### **The Notes may not be a suitable investment for all investors**

The Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments but as a way to reduce risk or enhance yield with an understood, measured and appropriate addition of risk to their overall portfolios. A potential investor should not invest in notes

which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the investor's overall investment portfolio.

Potential investors in the Notes must therefore make an informed assessment of the Notes, based upon full knowledge and understanding of the facts and risks. A potential investor must determine the suitability of an investment in Notes in light of its own circumstances. In particular each potential investor should:

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the Notes and the merits of investing in the Notes and the information contained or incorporated by reference in this Prospectus;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, the significance of these risk factors and the impact the Notes will have on its overall investment portfolio;
- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including, but not limited to, where the currency for principal or interest payments is different from the investor's base currency;
- (d) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices in the financial markets (including, but not limited to, the risks associated thereof) as an investor who is not familiar with such behaviour is more vulnerable to any fluctuations in the financial markets generally; and
- (e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

#### **Notes in global form**

For so long as the Notes of a particular Class are represented by a Global Note, each person who is for the time being shown in the records of Euroclear or 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. 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. Therefore for payment of principal and interest, investors must look solely at the holder of the relevant Global Note.

#### **Conflict between Noteholders**

The Trust Deed contains provisions requiring the Security Trustee to have regard to the interests of holders of the highest ranking Class of Notes in case of a conflict between two or more Classes. Therefore, the rights of Noteholders of a Class of Notes ranking subordinated to the Senior Class A Notes are subordinated to the rights of Noteholders of Classes of Notes ranking higher than the Class of Notes of such Noteholder.

#### **Structural/legal Risk relating to the underlying assets**

There is a risk that the Issuer will not have the (full) benefit of the security over the Mortgaged Assets, the Borrower Insurance Pledges, an NHG Guarantee and/or the Beneficiary Rights. There is a risk a Borrower sets off amounts due to it by the Seller against its payment obligation under the Mortgage Loan. If a Borrower successfully invokes a right of set-off, the Seller is obliged to reimburse the Issuer for such shortfalls. However, there is a risk that the Seller does not comply with such obligation. In case of a default by an Insurance Company under an Insurance Policy, there is a risk that the Issuer does not benefit from the Insurance Policy and/or that the Issuer may not be able to collect the Mortgage Receivables, whether in part or in full, as a result of set-off or defences invoked by the Borrower. Should these risks materialise, the ability of the Issuer to perform its obligations under the Notes could be adversely affected. For a general discussion of these legal considerations see further the paragraphs *Risk that the Issuer does not have the benefit of the Security Rights*, *Risks related to Insurance Policies* and *Set-off by Borrowers may affect the proceeds under the Mortgage Receivables*.

#### **Changes of law**

The structure of the transaction and the issue of the Notes and the ratings which are to be assigned to the Mortgage-Backed Notes are based on the laws of the Netherlands in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible change to laws of the Netherlands or administrative practice in the Netherlands after the date of this Prospectus nor whether such change would adversely affect the ability of the Issuer to make payments under the Notes.

### **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 whatsoever nature are imposed by or on behalf of the Netherlands or any other jurisdiction or any political subdivision or any authority therein or thereof having power to tax, the Issuer or the Paying Agents (as applicable) 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 compensate the Noteholders for such withholding or deduction.

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

The ratings of each Class of the Mortgage-Backed Notes addresses the assessment made by the Rating Agencies of the likelihood of full and timely payment of interest and ultimate payment of principal on or before the Final Maturity Date.

A rating or an outlook on such rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation if in its judgement, the circumstances in the future so require. A deterioration of the credit quality of any of the Issuer's counterparties (including a reduction in the credit rating of any entity belonging to the same group as the Seller or the Swap Counterparty) might have an adverse effect on the rating of one or all Classes of the Mortgage-Backed Notes.

The Subordinated Class F Notes will not be rated.

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

### **Transfer of legal title to Mortgage Receivables - commingling risk**

Assignment of legal title to the Mortgage Receivables will be effected by means of a deed of assignment and registration thereof with the Division Enterprises of the Tax Department, without notification of the assignment to the debtors being required (*stille cessie*). The assignment will only be notified to the Borrowers upon the occurrence of a Notification Event in respect of the Seller.

Until notification of the assignment, the Borrowers under the Mortgage Loans can validly pay (*bevrijdend betalen*) to the Seller amounts in respect of the Mortgage Receivables and the Seller has undertaken to on-pay to the Issuer such amounts received by it. The Issuer thus has a credit risk against the Seller in respect of such amounts. In case of the Seller's bankruptcy, (preliminary) suspension of payments or emergency regulations (*noodregeling*) prior to making such payments, the Issuer has no proprietary right or right of preference in respect of such amounts. The Issuer will have a non preferred claim (*concurrente vordering*) against the Seller's estate in respect of amounts received by the Seller from the Borrower prior to its bankruptcy, (preliminary) suspension of payments or emergency regulations. In respect of amounts received after bankruptcy, (preliminary) suspension of payments or emergency regulations, but prior to notification of assignment of Mortgage Receivables, the Issuer would be a creditor of the estate (*boedelschuldeiser*) and would receive payments prior to (unsecured) creditors with ordinary claims, but after preferred creditors of the estate.

### **Risk that the Issuer does not have the benefit of the Security Rights**

Under Dutch law, as a rule mortgages and pledges are "accessory rights" (*afhankelijke rechten*) and as such automatically follow the receivables they secure. This means that upon assignment of a receivable, the assignee automatically gets the benefit of any security right which secures such receivable.

The Mortgages and Borrower Pledges securing the Mortgage Receivables qualify as so-called "all-monies" securities, securing all present and future receivables of the Seller, in general (*bankzekerheden*) (in case of the Mortgage Loans originated after 8 September 2005) or, in respect of Mortgage Loans originated prior to such date, under any and all present and future credit agreements up to a certain maximum (*kredietzekerheden*) (collectively **Bank Security Rights**).

In the past, uncertainty existed in Dutch legal literature as to whether a transfer or pledge of a receivable secured by Bank Security Rights results in a transfer of the Bank Security Rights, or a share therein, to the assignee.

However, like any other mortgage or pledge, a Bank Security Right is in principle an accessory right and in principle, the assignee will also become entitled to such Bank Security Right by operation of law. This principle is confirmed by the Supreme Court (HR 16 September 1988, NJ 1989, 10). In this decision, the Supreme Court ruled that the main rule is that a mortgage as an accessory right transfers together with the receivable it secures.

The exception to this rule is when the mortgage was stipulated as a strictly personal right. The Supreme Court held that it is a question of interpreting the relevant clause in the mortgage deed whether the definition of the secured receivable means that it exclusively vests in the original mortgagee as a strictly personal right, in deviation of the main rule. The

wording of the relevant mortgage deed constitutes *prima facie* evidence of whether the intention of the parties was to create the relevant Mortgage as a personal right, although it is not inconceivable that evidence to the contrary is brought forward.

The Seller represents and warrants in the Mortgage Receivables Purchase Agreement that the relevant mortgage or pledge contain either (a) no specific wording regarding the transfer of any right of mortgage or pledge securing the Mortgage Receivable or (b) an explicit confirmation that upon assignment of the relevant Mortgage Receivable, the Bank Security Rights will (partially follow pro rata) such Mortgage Receivable.

The Issuer has been advised that in the absence of circumstances giving an indication to the contrary, the Bank Security Rights (partially) follow the Mortgage Receivables as an accessory and ancillary right upon its assignment, but that there is no case law explicitly supporting this advice.

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

If the Bank Security Rights have indeed (partially) followed the Mortgage Receivables upon their assignment, the Security Rights would be co-owned by the Issuer and the Seller and would secure both the Mortgage Receivables held by the Issuer (or the Security Trustee, as pledgee) and any claims (in respect of e.g. other loans to the same borrower) held by the Seller (the **Other Claims**) and certain risks relating to the enforcement and distribution of foreclosure proceeds apply.

#### *Ability to enforce*

If the Bank Security Rights are co-owned, the rules applicable to co-ownership (*gemeenschap*) apply. 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-owned rights. Certain acts, including acts concerning the day-to-day management (*beheer*) of the co-owned rights, may under Dutch law be transacted by each of the participants (*deelgenoten*) in the co-owned rights (without consent of the others). It is, however, uncertain whether the foreclosure of the security rights will be considered as day-to-day management, and, consequently, whether the consent of the Seller, or the Seller's bankruptcy trustee (in case of bankruptcy) or administrator (in case of (preliminary) suspension of payments or emergency regulations) may be required for such foreclosure. The Issuer has been advised that, if the Seller has no Other Claims, there is no reason to assume such consent would be withheld.

#### *Allocation of foreclosure proceeds*

The Seller will represent and warrant that on the Cut-off Date it had no Other Claims and it will undertake in the Mortgage Receivables Purchase Agreement that, until the Notes have been redeemed in accordance with the Conditions and the Issuer has no further obligation under any of the other Relevant Documents, it will repurchase and accept re-assignment of a Mortgage Receivable, if it obtains an Other Claim which is secured by the same Bank Security Rights as the Mortgage Receivable, including resulting from a Further Advance. If the Seller has no Other Claim at the time of foreclosure of the Bank Security Rights, the full foreclosure proceeds will de facto be available to satisfy the Mortgage Receivable. Should the Seller have any Other Claim against the Borrower at the time of foreclosure, the following applies.

The Seller, the Issuer and/or the Security Trustee (as applicable) will agree in the Mortgage Receivables Purchase Agreement that in case of foreclosure the share (*aandeel*) in each co-owned security interest of the Security Trustee and/or the Issuer will be equal to the Outstanding Principal Amount of the Mortgage Receivables, increased with interest and costs, if any, and the Seller's share will be equal to the Net Proceeds less the Outstanding Principal Amount in respect of the Mortgage Receivables, increased with interest and costs, if any. It is uncertain whether this arrangement will be enforceable against the Seller or, in case of bankruptcy, (preliminary) suspension of payments or emergency regulations, the Seller's bankruptcy trustee or administrator. The arrangement may also not be effective against the Borrower, in particular in respect of the Mortgage Receivables originated after 8 September 2005, as the form of mortgage deed used stipulates that the shares of the Seller and any assignee respectively will be *pro rata* the size of the claim they have against the Borrower.

#### *Compensation for breach*

The Seller, the Issuer and the Security Trustee will also agree that 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 of a breach by the Seller of its obligations in respect of this arrangement (including enforcing the Bank Security Rights notwithstanding the above arrangement) or if such

arrangement is dissolved, declared void, nullified or ineffective for any reason in respect of the Seller. Receipt of such amount by the Issuer and/or the Security Trustee is subject to the ability of the Seller to actually make such payments.

### **Risks related to Insurance Policies**

The Life Mortgage Loans and the Participation-Linked Mortgage Loans have the benefit of Life Insurance Policies and Participation-Linked Insurance Policies respectively (together the **Insurance Policies**). Investors should be aware that the Issuer may not (i) benefit from the Insurance Policies and/or (ii) be able to recover any amounts from the Borrower in case the relevant Insurance Company defaults in its obligations as further described in the paragraphs below. 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.

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

All rights of a Borrower under the Insurance Policies have been pledged to the Seller (the **Borrower Insurance Pledge**). The Issuer has been advised that it is probable that the right to receive payment, including the commutation payment (*afkoopsom*) under the Insurance Policies will be regarded by a Dutch court as a future right. Under Dutch law the pledge of a future right is not effective if the pledgor is declared bankrupt or is granted a suspension of payments or been made subject to a debt restructuring scheme pursuant to the Dutch Bankruptcy Act (*Failissementswet*), prior to the moment such right coming into existence. Consequently, it is uncertain whether such right of pledge will be effective. The same uncertainty applies to any rights of pledge on the rights of the relevant Borrower in connection with the Investment Accounts to the extent the rights of the Borrower qualify as future claims, such as options (*opties*) (the **Borrower Investment Pledge**) and any rights of pledge on the rights of the relevant Borrower in connection with the Bank Savings Accounts (the **Borrower Bank Savings Deposit Pledge** and together with the Borrower Insurance Pledge and the Borrower Investment Pledge, the **Borrower Pledges**).

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

In addition to the Borrower Insurance Pledge, either:

- (a) the Seller has been appointed by the Borrower or, as the case may be, has appointed itself (if necessary, irrevocably authorised by the relevant Borrower) as beneficiary under the Insurance Policies (the **Beneficiary Rights**); or
- (b) another person has been appointed by the Borrower, but the relevant Insurance Company is authorised by such beneficiary to pay out the insurance proceeds to the Seller in satisfaction of the relevant Mortgage Receivable (the **Borrower Insurance Proceeds Instruction**).

#### *Beneficiary Rights*

As explained below, it is uncertain whether the Issuer will have the benefit of the Beneficiary Rights. In respect of the Beneficiary Rights of the Seller, under Dutch law it is uncertain whether the Beneficiary Rights will follow the Mortgage Receivables upon assignment thereof. Therefore, the Beneficiary Rights will themselves be assigned by the Seller to the Issuer and pledged by the Issuer to the Security Trustee. However, the Issuer has been advised that it is uncertain whether this assignment and pledge will be effective.

Insofar as the transfer of the Beneficiary Rights is ineffective, the Issuer and the Security Trustee will enter into a beneficiary waiver agreement (the **Beneficiary Waiver Agreement**) with the Seller and the Savings Insurance Company under which the Seller will:

- (a) subject to the condition precedent (*opschortende voorwaarde*) of the occurrence of a Notification Event, waive its rights as beneficiary under the Insurance Policies with the Savings Insurance Company and appoint as first beneficiary (i) the Issuer subject to the dissolving condition (*ontbindende voorwaarde*) of a Trustee Notification Event and (ii) the Security Trustee under the condition precedent of the occurrence of a Trustee Notification Event. It is, however, uncertain whether such waiver and/or appointment will be effective; and
- (b) to cover against the risk that the conditional waiver and appointment are (indeed) not effective the Seller and the Savings Insurance Company (but only in respect of Insurance Policies with the Savings Insurance Company) will in the Beneficiary Waiver Agreement undertake that they will use their best efforts upon the occurrence of a Notification Event to obtain the co-operation from all relevant parties, in particular the Borrowers, (a) to terminate the appointment of the Seller as beneficiary under the Insurance Policies and (b) to appoint as first beneficiary under the Insurance Policies up to the relevant Outstanding Principal Amount of the relevant Mortgage Receivable (i) the Issuer subject to the dissolving condition of a Trustee Notification Event and (ii) the Security Trustee under the condition precedent of the occurrence of a Trustee Notification Event.

It is noted that all receivables under the relevant Insurance Policies have been pledged and notification thereof has been made to the relevant Insurance Company. To the extent the waiver is effective but the appointment is not and the Borrower consequently will have become the beneficiary, the Borrower's rights will in principle (see above) be covered by the Borrower Insurance Pledge.

#### *Borrower Insurance Proceeds Instruction*

In the scenario in which a Borrower Insurance Proceeds Instruction has been given, the Seller and the Savings Insurance Company (but only in respect of Insurance Policies with the Savings Insurance Company) will in the Beneficiary Waiver Agreement undertake to use their best efforts following a Notification Event to withdraw the Borrower Insurance Proceeds Instruction in favour of the Seller and to issue such instruction up to the relevant Outstanding Principal Amount of the relevant Mortgage Receivable in favour of (i) the Issuer subject to the dissolving condition of a Trustee Notification Event and (ii) the Security Trustee under the condition precedent of the occurrence of a Trustee Notification Event, and to obtain the co-operation from all relevant Borrowers and the relevant beneficiary where required.

The termination and appointment of a beneficiary under the Insurance Policies and the withdrawal and the issue of the Borrower Insurance Proceeds Instruction will require the co-operation of all relevant parties involved, including the relevant Life Insurance Company and the Borrowers. It is uncertain whether such co-operation will be forthcoming.

If all of the above measures are ineffective, any proceeds under the Insurance Policies will be payable to the Seller or to another beneficiary rather than to the Issuer or the Security Trustee, as the case may be, up to the amount of any claims the Seller may have on the relevant Borrower. If the proceeds are paid to the Seller, it will, pursuant to the Mortgage Receivables Purchase Agreement, be obliged to pay the amount involved to the Issuer or the Security Trustee, as the case may be. If the proceeds are paid to the Seller and the Seller does not pay such amount to the Issuer or the Security Trustee, as the case may be, e.g. in case of bankruptcy, (preliminary) suspension of payments or emergency regulations of the Seller, or if the proceeds are paid to another beneficiary instead of the Issuer or the Security Trustee, as the case may be, this may result in the amount paid under the Insurance Policies not being applied in reduction of the relevant Mortgage Receivables. This may lead to the Borrower invoking set-off or defences against the Issuer or, as the case may be, the Security Trustee for the amounts so received by the Seller or another beneficiary, as the case may be. See risk factor *Risk of set-off or defences in case of insolvency of any of the Insurance Companies*, which may adversely affect the payment of the Notes.

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

The Issuer is exposed to the risk of receiving reduced amounts due to set-off rights of the Borrowers. As a result of a successful invocation of a right of set-off, the Mortgage Receivable would, partially or fully, be extinguished (*gaat teniet*). Set-off by Borrowers could thus lead to losses under the Notes.

Under Dutch law a debtor has a right of set-off if it has a claim which corresponds to its debt to the same counterparty and it is entitled to pay its debt as well as to enforce payment of its claim. Parties may contractually limit such statutory set-off right. The conditions applicable to the Mortgage Loans contractually prohibit set-off by the Borrowers. However, under Dutch law it is uncertain whether such prohibition (or waiver) included in general conditions will be enforceable. Should such prohibition (or waiver) be unenforceable, the Borrowers will have the statutory set-off rights described below in this paragraph.

A distinction should be made between (statutory) set-off prior to notification of assignment and set-off thereafter. Prior to notification, subject to the statutory requirements being met, each Borrower will be entitled to set-off amounts it owes in respect of the Mortgage Loan with amounts the Seller owes to such Borrower. Amounts due by the Seller could, *inter alia*, result from current account balances held or deposits made with the Seller or from (investment) services, including in connection with Investment Mortgage Loans, for which the Seller is responsible or held liable. After notification of assignment to a Borrower, the Borrower will also have set-off rights vis-à-vis the Issuer, provided that (i) the legal requirements for set-off are met (see above) and (ii) either (a) the counterclaim of the Borrower against the Seller results from the same legal relationship as the relevant Mortgage Loan or (b) the counterclaim of the Borrower does not result from the same legal relationship but has been originated (*opgekomen*) and become due and payable (*opeisbaar*) prior to notification of the assignment to the relevant Borrower. The question whether a court will conclude that the Mortgage Loan and the claim of the Borrower on the Seller result from the same legal relationship will depend on all relevant facts and circumstances involved.

In case notification of the assignment of the Mortgage Receivables is made after the bankruptcy, (preliminary) suspension of payments or emergency regulations of the Seller having become effective, it is defended in Dutch legal literature that the Borrower will, irrespective of the notification of the assignment, continue to have the broader set-off

rights afforded to it under the Dutch Bankruptcy Act. Under the Dutch Bankruptcy Act a person who is both debtor and creditor of the bankrupt entity can set-off its debt with its claim, if each claim (i) came into existence prior to the moment that the bankruptcy becomes effective or (ii) resulted from transactions with the bankrupt entity concluded prior to the bankruptcy becoming effective. A similar provision applies in case of (preliminary) suspension of payments or emergency regulations.

The Mortgage Receivables Purchase Agreement provides that if a Borrower sets off amounts due to it by the Seller or in respect of interest and premium deposits (*rente- en premiedepots*) against the relevant Mortgage Receivable the Seller will pay to the Issuer an amount equal to the difference between the amount which the Issuer would have received in respect of the relevant Mortgage Receivable if no set-off had taken place and the amount actually received by the Issuer in respect of such Mortgage Receivable. Furthermore, the Seller will represent and warrant in the Mortgage Receivables Purchase Agreement that no deposits have been accepted from any of its Borrowers (except for (i) certain amounts of interest and premium deposits (*rente- en premiedepots*) held by the Savings Insurance Company of which the aggregate amount does not exceed euro 60,000 and (ii) the aggregate Construction Amounts), and that it currently does not have any current account relationship with its Borrowers. Furthermore, the Seller will covenant in the Mortgage Receivables Purchase Agreement that it will not accept any deposits from a Borrower and it will not enter into a current account relationship with a Borrower.

For specific set-off issues relating to Life Mortgage Loans, Savings Mortgage Loans and Bank Savings Mortgage Loans, reference is made to the paragraph *Set-off risks and defences relating to Insurance Policies, Investment Mortgage Loans and Bank Savings Mortgage Loans* below.

### **Set-off risks and defences relating to counterclaims under Insurance Policies, Investment Mortgage Loans and Bank Savings Mortgage Loans**

#### *General*

As described above in (Risk Factor) *Set-off by Borrowers may affect the proceeds under the Mortgage Receivables*, in order for a Borrower to have a successful claim on the grounds of set-off, a Borrower would (i) first need to successfully argue that the waiver of its set-off right is invalid and (ii) would then need to successfully argue that the Dutch law requirements for set-off have been met. As described above, one of these requirements is that the Borrower should have a claim against the same counterparty. However, the Insurance Policies are contracts between any of the Insurance Companies and the Borrowers on the one hand and the Mortgage Receivables are claims of the Seller on the relevant Borrower on the other hand. Therefore, in order to invoke a right of set-off the Borrowers would have to establish that the Borrower was led to believe that he was not entering into two separate relationships but one interrelated relationship. The Borrower's defence in such case is likely to focus on information provided by or on behalf of the Seller which may have led the Borrower to (erroneously) believe that he was not entering into two relationships.

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

#### *Risk of set-off and defences by Borrowers in case of insolvency of any of the Insurance Companies*

In respect of Life Mortgage Loans and Participation-Linked Mortgage Loans, the intention is that at maturity the principal proceeds of the Insurance Policy can be used to repay the Mortgage Loan in whole or in part following pay out by the Insurance Company. It is possible that any of the Insurance Companies does not (fully) pay out the proceeds (e.g. in case it is declared bankrupt or has become subject to emergency regulations). If the Borrower is then requested to repay the Mortgage Loan in full, the Borrower may try to invoke set-off rights and defences purporting to establish that

an amount equal to the lost proceeds is deducted from the Mortgage Receivable it owes to the Issuer. A successful claim could lead to losses under the Notes.

*Set-off or defences regarding Life Mortgage Loans*

In respect of Life Mortgage Loans with Life Insurance Policies taken out by a Borrower with a Life Insurance Company, the Issuer has been advised that if (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 a Borrower Insurance Pledge granted on the rights under such policy in favour of the Seller and (ii) the Mortgage Loan and the Life Insurance Policy are not offered as one product or under one name and (iii) the Borrowers are free to enter into a life insurance policy with any insurance company and (iv) none of the Life Insurance Companies is a group entity (within the meaning of article 2:24b of the Netherlands Civil Code) of the Seller, it is unlikely that a court would honour set-off defences of the Borrowers. However, should any of the aforementioned elements under (i) up to and including (iv) not be met, the Issuer has been advised that the risk will be higher.

In respect of Life Mortgage Loans between the Seller and a Borrower with a Life Insurance Policy between the Savings Insurance Company and such Borrower, whereby the other elements set out above are met, 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 if the Borrowers will not be able to recover their claims under their Life Insurance Policies. However, it should be noted that this will depend on the factual circumstances at the time of origination of such Life Mortgage Loans (excluding the Life Mortgage Loans with the option of a Savings Element). If the Life Mortgage Loans to which Life Insurance Policies with the Savings Insurance Company is connected are marketed as a package offered as one product under one name and without clear distinction being made between the Seller as provider of the Life Mortgage Loans and the Savings Insurance Company as insurer under the Life Insurance Policies, which may, as the Issuer has been informed, be the case, the Issuer has been advised that the possibility can certainly not be disregarded (*kan zeker niet worden uitgesloten*) that the courts will honour set-off or defences by Borrowers, as described above, if in case of bankruptcy or emergency regulations of the Savings Insurance Company the Borrowers will not be able to recover their claims under their Life Insurance Policies, however, this will depend on the factual circumstances at the time of origination of such Life Mortgage Loans.

*Set-off or defences regarding Participation-Linked Mortgage Loans*

In respect of Participation-Linked Mortgage Loans between the Seller and a Borrower with a Participation-Linked Insurance Policy the Issuer has been advised that in view, *inter alia*, of the close connection between (i) the Participation-Linked Mortgage Loan and the Participation-Linked Insurance Policy, there is a considerable risk (*een aanmerkelijk risico*) that such a set-off or defence would be successful. In view hereof, on the Closing Date, the Savings Insurance Sub-Participation Agreement will be entered into between the Issuer, the Security Trustee, the Seller and the Savings Insurance Company. All Participation-Linked Mortgage Receivables will be subject to the Savings Insurance Sub-Participation Agreement.

Moreover, the Savings Insurance Sub-Participation Agreement will provide that if (i) in respect of a Participation-Linked Mortgage Loan, a Borrower invokes a defence, including but not limited to a right of set-off or counterclaim against any person in respect of such Participation-Linked Mortgage Loan or if, for whatever reason, the Savings Insurance Company does not pay the insurance proceeds when due and payable, whether in full or in part, under the relevant Participation-Linked Insurance Policy and (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 Participation-Linked Mortgage Receivable, and, as a consequence thereof, the Issuer will not have received any amount which was outstanding prior to such event in respect of such Participation-Linked Mortgage Receivable, the Savings Insurance Participation of the Savings Insurance Company in respect of such Participation-Linked 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 default to pay. The amount of the Savings Insurance Participation is equal to the amount of Savings Premiums received by the Issuer plus the accrued yield on such amount (see the section *Sub-Participation Agreements* below), provided that the Savings Insurance Company will have paid all Savings Premiums received from the relevant Borrowers to the Issuer. Therefore, normally the Issuer would not suffer any damages if the Borrower would invoke any such right of set-off or defences, if and to the extent that the amount for which the Borrower would invoke set-off or defence does not exceed the amount of the relevant Savings Insurance Participation. The amount for which the Borrower can invoke set-off or defences may, depending on the circumstances, exceed the amount of the relevant Savings Insurance Participation.

For the avoidance of doubt, the Savings Insurance Sub-Participation Agreement does not apply to Life Mortgage Loans to which a Life Insurance Policy with a Unit-Linked Alternative is connected.

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

The Seller has represented that under the investment mortgage loans (*beleggingshypotheken*) (the **Investment**

**Mortgage Loans**) the securities are purchased by the Seller for the account of the Borrowers and these securities are held in custody by an admitted institution of Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V. in accordance with the Securities Giro Act (*Wet Giraal Effectenverkeer*, the **Wge**) or, if they do not qualify to be held in accordance with the Wge, by a separate depository vehicle in accordance with Section 6:18 of the Further Regulation on Conduct Supervision of Financial Enterprises (*Nadere regeling gedragstoezicht financiële ondernemingen Wft*). However, if this is not the case and the investments were to be lost, this may lead to the Borrowers trying to invoke set-off rights or defences against the Issuer on similar grounds as discussed under the paragraph *Risk of set-off and defences by Borrowers in case of insolvency of any of the Insurance Companies* below and the paragraph *Risks related to offering of Investment Mortgage Loans and Life Insurance Policies*.

#### *Risk of set-off or defences in case of Mortgage Receivables resulting from Bank Savings Mortgage Loans*

Each Bank Savings Mortgage Loan has the benefit of the balance standing to the credit of the relevant Bank Savings Account which is held with the Bank Savings Participant. In respect of the balances standing to the credit of the Bank Savings Account, it is the intention that at the maturity of the relevant Bank Savings Mortgage Loan, such balances will be used to repay the relevant Bank Savings Mortgage Loan, whether in full or in part. If the Bank Savings Participant is no longer able to meet its obligations in respect of the relevant Bank Savings Account, for example as a result of bankruptcy, this could result in the balance standing to the credit of the relevant Bank Savings Account either not, or only partly, being available for application in reduction of the Mortgage Receivable resulting from the relevant Bank Savings Mortgage Loan. This may lead to the Borrower trying to invoke set-off rights and defences against the Seller, the Issuer or the Security Trustee, as the case may be, which may result in the Mortgage Receivables being, fully or partially, extinguished (*tenietgaan*) or not being recovered for other reasons, which could lead to losses under the Notes.

The analysis for such set-off or defences by Borrowers is similar to the risk described in the paragraph *Risk of set-off or defences in case of insolvency of Insurance Companies* above under the paragraph *Set-off or defences regarding Participation-Linked Mortgage Loans* and, consequently, in our opinion there is a considerable risk (*een aanmerkelijk risico*) that such a set-off or defence would be successful. In view hereof, on the Closing Date, the Bank Savings Sub-Participation Agreement will be entered into, which will be materially in the same form as the Savings Insurance Sub-Participation Agreement, except that the Bank Savings Sub-Participation Agreement is entered into between the Issuer, the Security Trustee and the Bank Savings Participant (see also the section *Sub-Participation Agreements* below). Therefore, normally the Issuer would not suffer any damages if the Borrower would invoke any such right of set-off or defences, if and to the extent that the amount for which the Borrower would invoke set-off or defence does not exceed the amount of the relevant Bank Savings Participation. The amount for which the Borrower can invoke set-off or defences may, depending on the circumstances, exceed the amount of the relevant Bank Savings Participation.

#### **Risks related to investment advice**

In the case of Investment Mortgage Loans, certain services, for example investment advice to the Borrowers, are provided for which the Seller may be responsible or held liable. A Borrower may hold the Seller liable for any damages if it does not meet its obligations towards such Borrower, including its services as investment adviser. In particular liability could arise if the value of the Investment Portfolio is not sufficient to repay the Investment Mortgage Loan at maturity. This may lead to set-off by the Borrower under the Mortgage Receivable (see the paragraph *Set-off by Borrowers may affect the proceeds under the Mortgage Receivables*) and thus to losses under the Notes.

#### **Risks related to Construction Amounts**

Pursuant to the Mortgage Conditions, the Borrowers have the right to request to withhold the Construction Amount to be paid out if certain conditions are met. The aggregate amount of the Construction Amounts on (the opening of business of) 31 October 2010 (the **Cut-off Date**) is euro 648,043.78. The Issuer and the Seller will agree in the Mortgage Receivables Purchase Agreement that the Issuer is entitled to withhold from the Initial Purchase Price an amount equal to such aggregate Construction Amount. Such amount will be deposited on the Construction Account. On each Mortgage Payment Date the Issuer will release from the Construction Account such part of the Initial Purchase Price which equals the difference between the aggregate Construction Amount and the balance standing to the credit of the Construction Account and pay such amount to the Seller.

Pursuant to the Mortgage Conditions, Construction Amounts have to be paid out within 12 months (for refurbishments) or 24 months (for newly built properties) after the relevant Mortgage Loan has been granted. However, the Seller may agree with a Borrower to extend the relevant period for a maximum of 6 months. After such period, any remaining Construction Amounts will (i) if the relevant remaining Construction Amount is less than EUR 7,500 be paid out by the Seller to the relevant Borrower and consequently the remaining part of the Initial Purchase Price will be paid out by the Issuer to the Seller and (ii) if the relevant remaining Construction Amount exceeds EUR 7,500 be set-off against the relevant Mortgage Receivable up to the amount of such Construction Amount. The Issuer shall have no further obligation towards the Seller to pay the remaining part of the Initial Purchase Price in such case and any balance

standing to the credit of the Construction Account will be transferred to the Issuer Collection Account and form part of the Notes Redemption Available Amount.

If any of the events set forth in items (d) and (e) of the definition of the Notification Events has occurred, the Issuer will no longer be under the obligation to pay such remaining part of the Initial Purchase Price. See the section *Mortgage Receivables Purchase Agreement* below.

Under Dutch law the distinction between 'existing' (*bestaande*) receivables and 'future' (*toekomstige*) receivables is relevant. If receivables are to be regarded as future receivables, an assignment and/or pledge thereof will not be effective to the extent the receivable comes into existence after or on the date on which the assignor or, as the case may be, the pledgor has been declared bankrupt, granted a (preliminary) suspension of payments or subjected to emergency regulations. If, however, receivables are to be considered as existing receivables, the assignment and/or pledge thereof are not affected by the bankruptcy, (preliminary) suspension of payments, or emergency regulations of the assignor/pledgor. The Issuer has been advised that based on case law and Dutch legal literature uncertainty remains whether on the basis of the applicable terms and conditions that part of the Mortgage Receivables relating to the Construction Amount can be considered to be existing receivables. It could be argued that such part of the Mortgage Loan comes into existence only when and to the extent the Construction Amount is paid out. If the part of the Mortgage Receivable relating to the Construction Amount is to be regarded as a future receivable, the assignment and/or pledge of such part will not be effective if the Construction Amount is paid out on or after the date on which the Seller is declared bankrupt or is granted a (preliminary) suspension of payments or subjected to emergency regulations. In that event, the Issuer will have no further obligation to pay to the Seller the remaining part of the Initial Purchase Price.

#### **Risk related to the value of investments under Investment Mortgage Loans or Life Insurance Policies**

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

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

Apart from the general obligation of contracting parties to provide information, there are several provisions of Dutch law applicable to offerors of financial products, such as Investment Mortgage Loans and Mortgage Loans to which Life Insurance Policies are attached. In addition, several codes of conduct apply on a voluntary basis. On the basis of these provisions, offerors of these products and intermediaries in these products have a duty, *inter alia*, to provide customers with accurate, complete and non-misleading information about the product, the costs and the risks involved. These requirements have become more strict over time. A breach of these requirements may lead to a claim for damages from a Borrower on the basis of breach of contract or tort. In addition the relevant contract may be dissolved (*ontbonden*) or nullified (*vernietigd*) or a Borrower may claim set-off or defences against the Seller or the Issuer (or the Security Trustee). The merits of such claims will, to a large extent, depend on the manner in which the product was marketed and the promotional material provided to the Borrower. Depending on the relationship between the offeror and any intermediary involved in the marketing and sale of the product, the offeror may be liable for actions of the intermediaries which have led to a claim. The offeror may be held liable for the advice given by an intermediary, even though the offeror has no control over the intermediary. The risk of such claims being made increases if the value of investments made under Life Insurance Policies or the Investment Mortgage Loans is not sufficient to redeem the relevant Mortgage Receivables.

With respect to these risks, the Seller has informed the Issuer as follows. On the topic of transparency (particularly with respect to costs) of unit-linked insurance policies (such as part of the Life Insurance Policies) in the past years there has been public debate and investigation relating to (individual) unit-linked insurance policies. Unit-linked insurance products were developed and launched in the 1990s when stock markets – compared with stock prices in the past – were strong and continuing to grow. With unit-linked insurance products, gains in securities markets benefited the policyholder and as such were very popular. However, as markets began to stagnate and decline beginning in 2007, unit-linked insurance products became less advantageous compared to traditional life insurance as lower returns were passed on to policyholders. In September 2006, a large group of policyholders and consumer organisations began to investigate the lack of transparency of the structure of these contracts (particularly in respect of costs). A mediation process initiated by the AFM at the beginning of 2007 led to the recommendation in March 2008 that Dutch insurers compensate customers for excessive costs, and that insurers retroactively cap the costs of the policies.

As a result of the AFM investigation and complaints from consumer groups, the Group, thus including Delta Lloyd Life, sought to reach an out-of-court settlement of these complaints. In September 2008, the Group became the first Dutch insurer to reach an agreement with consumer organisations on compensation for policyholders of individual unit-linked products. The Group has given and will give effect to this agreement in its payouts at the end of the term of the existing policies. Individual policyholders are not bound by the agreement. Any of them could still decide to sue and

claim a higher amount from Delta Lloyd Life if they disagree with the agreement or with the way the Group has given or will give effect to it.

In view of the above, if Life Insurance Policies connected to Investment Mortgage Loans and/or Life Mortgage Loans would be dissolved or nullified, this would affect the collateral granted to secure these Mortgage Loans (the Borrower Investment Pledge, the Borrower Insurance Pledge and the Life Beneficiary Rights respectively). The Issuer has been advised that, depending on the particular circumstances involved, in such case the Life Mortgage Loans or the Investment Mortgage Loans connected to such Life Insurance Policies can also be dissolved or nullified. Even if the Mortgage Loan is not affected, the Borrower may invoke set-off or defences against the Issuer. The analysis in that situation is similar to the situation in the event of bankruptcy or emergency regulations having been instituted against the Insurance Companies (see the paragraph *Risk of set-off or defences in case of insolvency of Insurance Companies*), except if the Seller is liable itself, whether jointly with the insurer or separately, vis-à-vis the Borrower. In this situation, depending on the involvement of the Seller in the marketing and sale of the insurance policy, set-off or defences against the Issuer may be invoked, which will probably only become relevant if the insurer and/or the Seller will not indemnify the Borrower.

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

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

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

#### **Risk that the mortgage rights on long lease cease to exist**

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

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

When granting 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 the Mortgage Loan may have a maturity that is longer than the term of the long lease, provided that certain conditions are met. 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 for the long lease, (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.

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

In the Netherlands, subject to a number of conditions, mortgage loan interest payments are partly or wholly deductible from the income of the Borrowers for income tax purposes. The period allowed for deductibility is restricted to a term of 30 years and it only applies to mortgage loans secured by owner occupied properties. As from 2005, it is also no longer allowed, after a refinancing, to deduct interest on any equity extractions. It is, however, uncertain if and to what extent the deductibility of mortgage loan interest payments will remain in force and for how long. Should there be a change to such deductibility and the right to deduct mortgage loan interest payment for income tax purposes, this may

*inter alia* have an effect on the house prices and the rate of recovery and, depending on the changes in treatment of existing mortgage loans, may result in an increase of defaults, prepayments and repayments.

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

All Mortgage Receivables resulting from (or any loan parts forming part of a Mortgage Loan) which are stated to have the benefit of a guarantee under the *Nationale Hypotheek Garantie* (the **NHG Guarantee**) as set forth in the list of loans attached as Schedule 1 to the Mortgage Receivables Purchase Agreement (the **NHG Mortgage Receivables**) will have the benefit of an NHG Guarantee. Pursuant to the terms and conditions (*voorwaarden en normen*) of the NHG Guarantee the *Stichting Waarborgfonds Eigen Woningen* (**WEW**) has no obligation to pay any loss (in whole or in part) incurred by a lender after a private or a forced sale of the mortgaged property if such lender has not complied with the terms and conditions of the NHG Guarantee. The Seller will on the Closing Date represent and warrant that (i) each NHG Guarantee connected to a Mortgage Loan constitutes legal, valid and binding obligations of the WEW, enforceable in accordance with its terms, (ii) all terms and conditions applicable to the NHG Guarantee at the time of origination of the Mortgage Loan were complied with, and (iii) the Seller is not aware of any reason why any claim under any NHG Guarantee should not be met in full and in a timely matter. Furthermore, it will covenant that if a Mortgage Loan no longer has the benefit of a NHG Guarantee as a result of any action taken or omitted to be taken by the Seller or any of the Servicers, the Seller shall purchase and accept re-assignment of the relevant NHG Mortgage Receivable on the Mortgage Payment Date immediately following the date on which the Seller or any of the Servicers has become aware or has been notified hereof.

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

### **Rating of the Dutch State**

The rating of the Mortgage-Backed Notes by the Rating Agencies takes into account the NHG Guarantee granted in connection with each of the NHG Mortgage Loans. The NHG Guarantee is ultimately guaranteed by the Dutch State (see the section *NHG Guarantee Programme*) which is currently rated 'Aaa' by Moody's, 'AAA' by S&P and 'AAA' by Fitch Ratings Ltd (**Fitch**). In the event that the Netherlands State ceases to be rated 'Aaa' by Moody's, 'AAA' by S&P and/or 'AAA' by Fitch, this may result in a review by the Rating Agencies of the Mortgage-Backed Notes and could potentially result in a corresponding downgrade of the Mortgage-Backed Notes.

### **Licence requirement under the Wft**

Under the Wft, as a general rule a special purpose vehicle which services (*beheert*) and administers (*uitvoert*) loans granted to consumers such as the Issuer, must have a licence under the Wft. As the Mortgage Loans are granted to consumers, the Issuer must also have a licence under the Wft. However, an exemption from the licence requirement is available, if the special purpose vehicle outsources the servicing of the loans and the administration thereof to an entity holding a licence under the Wft. The Issuer has outsourced the servicing and administration of the Mortgage Loans to the Pool Servicer and the implementation of arrears procedures to the Defaulted Loan Servicer, Delta Lloyd Bank as the Pool Servicer and the Defaulted Loan Servicer holds a licence as a bank under the Wft and the Issuer thus benefits from the exemption. However, if the appointment of Delta Lloyd Bank as the Pool Servicer and/or the Defaulted Loan Servicer under the Issuer Services Agreement is terminated, the Issuer will need to outsource the servicing and administration of the Mortgage Receivables to another licensed entity or it needs to apply for and hold a licence itself. In the latter case, the Issuer will have to comply with the applicable requirements under the Wft. If such appointment(s) under the Issuer Services Agreement is (are) terminated and the Issuer has not outsourced the servicing and administration of the Mortgage Loans to a licensed entity and does not hold a licence itself, the Issuer will have to terminate its activities and settle (*afwickelen*) its existing agreements. This may result, among others, in early redemption of the Notes.

## IMPORTANT INFORMATION

**THE NOTES WILL BE OBLIGATIONS OF THE ISSUER ONLY. THE NOTES WILL NOT BE OBLIGATIONS OF, OR THE RESPONSIBILITY OF, OR GUARANTEED BY, ANY PERSON OTHER THAN THE ISSUER. IN PARTICULAR, THE NOTES WILL NOT BE OBLIGATIONS OF, OR THE RESPONSIBILITY OF, OR GUARANTEED BY, ANY OF THE TRANSACTION PARTIES (OTHER THAN THE ISSUER) OR ANY COMPANY IN THE SAME GROUP OF COMPANIES AS ANY OF THE TRANSACTION PARTIES (OTHER THAN THE ISSUER). NO LIABILITY WHATSOEVER IN RESPECT OF ANY FAILURE BY THE ISSUER TO PAY ANY AMOUNT DUE UNDER THE NOTES SHALL BE ACCEPTED BY ANY OF THE TRANSACTION PARTIES (OTHER THAN THE ISSUER), OR ANY COMPANY IN THE SAME GROUP OF COMPANIES AS THE TRANSACTION PARTIES (OTHER THAN THE ISSUER).**

**YOU SHOULD REVIEW AND CONSIDER THE DISCUSSION UNDER THE SECTION *RISK FACTORS* BEGINNING ON PAGE 9 IN THIS PROSPECTUS BEFORE YOU PURCHASE ANY NOTES.**

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

All references in this document to euro, Euro, EUR and € refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

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 safekeeper 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 not earlier than 40 calendar 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 form (with coupons attached) as described in the Conditions. The expression **Global Notes** means the Temporary Global Note of each Class and the Permanent Global Note of each Class and the expression **Global Note** means each Temporary Global Note or each Permanent Global Note, as the context may require.

The Senior Class A Notes are intended to be held in a manner which will allow Eurosystem eligibility. This means that the Senior Class A Notes are intended upon issue to be deposited with one of the International Central Securities Depositories (the **ICSDs**) as common safekeeper and does not necessarily mean that the Senior Class A Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria. The Mezzanine Class B Notes, the Mezzanine Class C Notes, the Mezzanine Class D Notes, the Junior Class E Notes and the Subordinated Class F Notes are not intended to be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem.

Each of Euroclear and Clearstream, Luxembourg will record the beneficial interests in the Global Notes (**Book-Entry Interests**). Book-Entry Interests in the Global Notes will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear or Clearstream, Luxembourg, and their respective participants.

**By acquiring the Notes, the Noteholders shall be deemed to have knowledge of, to accept and to 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.**

THE DISTRIBUTION OF THIS PROSPECTUS AND THE OFFERING OF THE NOTES IN CERTAIN JURISDICTIONS MAY BE RESTRICTED BY LAW. NO REPRESENTATION IS MADE BY ANY OF THE TRANSACTION PARTIES THAT THIS PROSPECTUS MAY BE LAWFULLY DISTRIBUTED, OR THAT THE NOTES MAY BE LAWFULLY OFFERED, IN COMPLIANCE WITH ANY APPLICABLE REGISTRATION OR OTHER REQUIREMENTS IN ANY SUCH JURISDICTION, OR PURSUANT TO AN EXEMPTION AVAILABLE THEREUNDER, AND NONE OF THEM ASSUMES ANY RESPONSIBILITY FOR FACILITATING ANY SUCH DISTRIBUTION OR OFFERING. IN PARTICULAR, SAVE FOR OBTAINING THE APPROVAL OF THIS PROSPECTUS AS A PROSPECTUS FOR THE PURPOSES OF THE PROSPECTUS DIRECTIVE BY THE AFM, NO ACTION HAS BEEN OR WILL BE TAKEN BY ANY OF THE TRANSACTION PARTIES WHICH WOULD PERMIT A PUBLIC OFFERING OF THE NOTES OR DISTRIBUTION OF THIS PROSPECTUS IN ANY JURISDICTION WHERE ACTION FOR THAT PURPOSE IS REQUIRED. ACCORDINGLY, THE NOTES MAY NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, AND NEITHER THIS PROSPECTUS NOR ANY ADVERTISEMENT OR OTHER OFFERING MATERIAL MAY BE DISTRIBUTED OR PUBLISHED, IN ANY JURISDICTION, EXCEPT UNDER CIRCUMSTANCES THAT WILL RESULT IN COMPLIANCE WITH ANY APPLICABLE LAWS AND REGULATIONS. PERSONS INTO WHOSE POSSESSION THIS PROSPECTUS COMES ARE REQUIRED BY THE ISSUER, THE ARRANGER AND THE MANAGERS TO INFORM THEMSELVES ABOUT AND TO OBSERVE ANY SUCH RESTRICTIONS.

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT, THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER RELEVANT JURISDICTION AND INCLUDE NOTES

IN BEARER FORM THAT ARE SUBJECT TO UNITED STATES TAX LAW REQUIREMENTS. THE NOTES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT IN CERTAIN TRANSACTIONS PERMITTED BY US TAX REGULATIONS AND REGULATIONS UNDER THE SECURITIES ACT (SEE THE SECTION *PURCHASE AND SALE*. THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE US SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION OR ANY OTHER REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THIS OFFERING ON ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

NONE OF THE ISSUER OR THE ARRANGER MAKES ANY REPRESENTATION TO ANY PROSPECTIVE INVESTOR OR PURCHASER OF THE NOTES REGARDING THE LEGALITY OF INVESTMENT THEREIN BY SUCH PROSPECTIVE INVESTOR OR PURCHASER UNDER APPLICABLE LEGAL INVESTMENT OR SIMILAR LAWS OR REGULATIONS.

THE INFORMATION CONTAINED IN THIS PROSPECTUS WAS OBTAINED FROM THE ISSUER, THE SELLER AND THE OTHER SOURCES IDENTIFIED HEREIN. NO ASSURANCE CAN BE GIVEN BY THE ARRANGER OR THE MANAGERS AS TO THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION AND THE ARRANGER AND THE MANAGERS HAVE NOT SEPARATELY VERIFIED SUCH INFORMATION. NONE OF THE ARRANGER OR THE MANAGERS MAKES ANY REPRESENTATION, EXPRESS OR IMPLIED, OR ACCEPTS ANY RESPONSIBILITY, WITH RESPECT TO THE ACCURACY OR COMPLETENESS OF ANY OF THE INFORMATION IN THIS PROSPECTUS.

NO PERSON IS AUTHORISED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION IN CONNECTION WITH THE OFFERING OR SALE OF THE NOTES OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORISED BY THE ARRANGER, THE ISSUER, THE SELLER OR ANY OF THE OTHER TRANSACTION PARTIES OR ANY OF THEIR RESPECTIVE AFFILIATES OR ADVISERS.

NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE OR ALLOTMENT MADE IN CONNECTION WITH THE OFFERING OF THE NOTES SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION OR CONSTITUTE A REPRESENTATION THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AT ANY TIME SUBSEQUENT TO THE DATE OF THIS PROSPECTUS. NEITHER THE ISSUER NOR ANY OTHER PARTY HAS ANY OBLIGATION TO UPDATE THIS PROSPECTUS, AFTER COMPLETION OF THE OFFER OF THE NOTES.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE TERMS OF THIS OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE CONTENTS OF THIS PROSPECTUS SHOULD NOT BE CONSTRUED AS PROVIDING LEGAL, BUSINESS, ACCOUNTING OR TAX ADVICE. EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN LEGAL, BUSINESS, ACCOUNTING AND TAX ADVISERS PRIOR TO MAKING A DECISION TO INVEST IN THE NOTES. THIS PROSPECTUS SHOULD BE REVIEWED BY EACH PROSPECTIVE PURCHASER AND ITS LEGAL, REGULATORY, TAX, ACCOUNTING, INVESTMENT AND OTHER ADVISORS. PROSPECTIVE PURCHASERS WHOSE INVESTMENT AUTHORITY IS SUBJECT TO LEGAL RESTRICTIONS SHOULD CONSULT THEIR LEGAL ADVISORS TO DETERMINE WHETHER AND TO WHAT EXTENT THE NOTES CONSTITUTE LEGAL INVESTMENTS FOR THEM.

THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER OF, OR AN INVITATION BY OR ON BEHALF OF, THE ISSUER, THE SELLER OR THE ARRANGER OR ANY OF THEM TO SUBSCRIBE FOR OR PURCHASE ANY OF THE NOTES IN ANY JURISDICTION WHERE SUCH ACTION WOULD BE UNLAWFUL AND NEITHER THIS PROSPECTUS, NOR ANY PART THEREOF, MAY BE USED FOR OR IN CONNECTION WITH ANY OFFER TO, OR SOLICITATION BY, ANY PERSON IN ANY JURISDICTION OR IN ANY CIRCUMSTANCES IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORISED OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION.

## RESPONSIBILITY STATEMENTS

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

The Seller is responsible solely for the information contained in the following sections of this Prospectus: *Overview of the Dutch Residential Mortgage Market, Amstelhuys and Delta Lloyd, Description of the Mortgage Loans, NHG Guarantee Programme, Summary of the Final Pool and Mortgage Loan Underwriting and Mortgage Services of Amstelhuys*. To the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case) the information contained in such sections is in accordance with the facts and does not omit anything likely to affect the import of such information. The Seller is not responsible for information contained in any other section than the sections mentioned above, and consequently does not assume any liability with respect to the information contained in any other section. Any information from third-parties contained and specified as such in aforementioned sections has been accurately reproduced and as far as the Seller is aware and is able to ascertain from information published by such third parties, does not omit anything likely to render the reproduced information inaccurate or misleading. The Seller accepts responsibility accordingly.

Stater is responsible solely for the information contained in the section *Stater Nederland B.V.* of this Prospectus and not for the information contained in any other section and consequently, Stater does not assume any liability in respect of the information contained in any other section other than *Stater Nederland B.V.* To the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case), the information contained in the section *Stater Nederland B.V.* is in accordance with the facts and does not omit anything likely to effect the import of such information. Stater accepts responsibility accordingly.

### **Market and industry data**

Market data and other statistical information used in this Prospectus is based on a number of sources, including independent industry publications, government publications, reports by market research firms or other independent publications (each an **Independent Source**).

The most recent available information from Independent Sources has been included in this Prospectus. Some data are based on good faith estimates, which are derived in part from a review of internal surveys of Delta Lloyd, as well as the Independent Sources. Although these Independent Sources are believed to be reliable, the information has not independently been verified and its accuracy and completeness cannot be guaranteed.

The information in this Prospectus that has been sourced from Independent Sources has been accurately reproduced and, as far as this could be ascertained from the information published by the relevant Independent Source, no facts have been omitted which would render the reproduced information inaccurate or misleading.

### **Incorporation by reference**

This Prospectus is to be read in conjunction with the articles of association of the Issuer which are deemed to be incorporated by reference herein (see the section *General Information* below). This Prospectus shall be read and construed on the basis that such document is incorporated in and forms part of this Prospectus.

## KEY PARTIES AND OVERVIEW OF PRINCIPAL FEATURES

The following is an overview of the key transaction parties and the principal features of the issue of the Notes and should be read in conjunction with detailed information presented elsewhere in this Prospectus. Capitalised terms used but not defined herein have the meaning given thereto elsewhere in this Prospectus.

### KEY PARTIES:

<b>Issuer:</b>	Arena 2011-I B.V., incorporated under the laws of the Netherlands as a private company with limited liability ( <i>besloten vennootschap met beperkte aansprakelijkheid</i> ) under number B.V. 1620588 and registered with the Commercial Register of the Chamber of Commerce of Amsterdam under number 51378973. The entire issued share capital of the Issuer is owned by the Shareholder.
<b>Seller:</b>	Amstelhuys N.V. ( <b>Amstelhuys</b> ), incorporated under the laws of the Netherlands as a public company with limited liability ( <i>naamloze vennootschap met beperkte aansprakelijkheid</i> ).
<b>Savings Insurance Company:</b>	Delta Lloyd Levensverzekering N.V. ( <b>Delta Lloyd Life</b> ) incorporated under the laws of the Netherlands as a public company with limited liability.
<b>Bank Savings Participant:</b>	Delta Lloyd Bank N.V. ( <b>Delta Lloyd Bank</b> ), incorporated under the laws of the Netherlands as a public company with limited liability. Delta Lloyd Bank is an indirectly wholly-owned subsidiary of Delta Lloyd N.V.
<b>Pool Servicer:</b>	Delta Lloyd Bank. The Pool Servicer will appoint Stater Nederland B.V., incorporated under the laws of the Netherlands as a private company with limited liability, as its sub-mpt provider to provide certain of the services.
<b>Defaulted Loan Servicer:</b>	Delta Lloyd Bank.
<b>Issuer Administrator:</b>	ATC Financial Services B.V., incorporated under the laws of the Netherlands as a private company with limited liability.
<b>Subordinated Loan Provider:</b>	Amstelhuys.
<b>Security Trustee:</b>	Stichting Security Trustee Arena 2011-I, established under the laws of the Netherlands as a foundation ( <i>stichting</i> ) and registered with the Commercial Register of the Chamber of Commerce of Amsterdam.
<b>Shareholder:</b>	Stichting Holding Arena 2011-I, established under the laws of the Netherlands as a foundation and registered with the Commercial Register of the Chamber of Commerce of Amsterdam.
<b>Directors:</b>	ATC Management B.V., the sole director of the Issuer and the Shareholder and ANT Securitisation Services B.V., the sole director of the Security Trustee.
<b>Liquidity Facility Provider:</b>	Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., established under the laws of the Netherlands as a cooperation ( <i>coöperatie</i> ) having its offices at Croeselaan 18, 3521 CB Utrecht, the Netherlands ( <b>Rabobank International</b> ).

<b>Swap Counterparty:</b>	Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., established under the laws of the Netherlands as a cooperation ( <i>coöperatie</i> ), acting through its London branch, at Thames Court, 1, Queenhite, London, EC4V 3RL, United Kingdom ( <b>Rabobank International, London Branch</b> ).
<b>Floating Rate GIC Provider:</b>	Rabobank International.
<b>Principal Paying Agent:</b>	Deutsche Bank AG, London Branch ( <b>Deutsche Bank, London Branch</b> or the <b>Principal Paying Agent</b> ), incorporated under the laws of Germany as a company with limited liability, acting through its London Branch.
<b>Paying Agent:</b>	Deutsche Bank AG, Amsterdam Branch ( <b>Deutsche Bank, Amsterdam Branch</b> or the Paying Agent and together with the Principal Paying Agent, the <b>Paying Agents</b> ), incorporated under the laws of Germany as a company with limited liability, acting through its Amsterdam Branch.
<b>Reference Agent:</b>	Deutsche Bank, London Branch.
<b>Common Safekeeper:</b>	In respect of the Senior Class A Notes, Clearstream, Luxembourg and in respect of the Notes (other than the Senior Class A Notes), Deutsche Bank AG, London Branch (each in such capacity, a <b>Common Safekeeper</b> ).
<b>Listing Agent:</b>	Rabobank International.
<b>Arranger:</b>	Rabobank International.
<b>Managers:</b>	Rabobank International and The Royal Bank of Scotland plc.
<b>Rating Agencies:</b>	Moody's Investors Service Limited ( <b>Moody's</b> ) and Standard & Poor's Credit Market Services Europe Limited ( <b>S&amp;P</b> and, together with Moody's, the <b>Rating Agencies</b> ).

## PRINCIPAL FEATURES

### THE NOTES:

	Senior Class A1 Notes	Senior Class A2 Notes	Mezzanine Class B Notes	Mezzanine Class C Notes	Mezzanine Class D Notes	Junior Class E Notes	Subordinated Class F Notes
Principal Amount at Closing	€147,000,000	€497,000,000	€18,200,000	€16,100,000	€14,000,000	€7,700,000	€10,500,000
Issue Price	100%	100%	100%	100%	100%	100%	100%
Rating (Moody's/S&P)	Aaa/AAA (sf)	Aaa/AAA (sf)	Aa1/A- (sf)	Aa2/NR (sf)	A2/NR (sf)	Baa1/NR (sf)	NR
Issue Date	27 January 2011.						
Listing	Euronext Amsterdam.						N/A
Denomination	€ 100,000.						
Form	Bearer form and in case of Definitive Notes serially numbered with coupons attached.						
Status and ranking	<p>Notes rank <i>pari passu</i> and <i>pro rata</i> without any preference or priority among Notes of the same Class in respect of the Security proceeds and payments of principal and interest. Payments of principal and interest on a Class of Notes are subordinated to, <i>inter alia</i>, payments of principal and interest on Class(es) of Notes ranking senior to such Class, with the Classes of Notes ranking in decreasing seniority in alphabetical order. However, the Senior Class A1 Notes and the Senior Class A2 Notes rank <i>pari passu</i> and <i>pro rata</i> without any preference or priority among all Notes of such Classes in respect of the Security and payments of interest (not principal). See further the section <i>Terms and Conditions of the Notes</i> below.</p> <p>The Subordinated Class F Noteholders do not have the right to receive any amount pursuant to the Principal Priority of Payments.</p>						
Interest rate up to but excluding first Optional Redemption Date	1.05 per cent. margin above three month Euribor	1.45 per cent. margin above three month Euribor	Three month Euribor	Zero per cent. p.a.	Zero per cent. p.a.	Zero per cent. p.a.	Zero per cent. p.a.
Interest rate after first Optional Redemption Date if the Notes of any Class have not been redeemed in full	2.10 per cent. margin above three month Euribor	2.90 per cent. margin above three month Euribor	Three month Euribor	Zero per cent. p.a.	Zero per cent. p.a.	Zero per cent. p.a.	Zero per cent. p.a.
Interest Periods and accrual	Each successive quarterly 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 March 2011. The interest will be calculated on the basis of the actual days elapsed in a Floating Rate Interest						

	Period divided by a year of 360 days.	
First Optional Redemption Date	The Quarterly Payment Date falling in December 2015.	
Optional Redemption	<p>On the first Optional Redemption Date and each subsequent Quarterly Payment Date (each an <b>Optional Redemption Date</b>), the Issuer has the option, in accordance with Condition 6(e), to redeem all (not some only) of the Mortgage-Backed Notes at their respective Principal Amount Outstanding on such date less, in respect of the Junior Class E Notes, the Mezzanine Class D Notes, the Mezzanine Class C Notes and the Mezzanine Class B Notes, any Principal Shortfall allocated to such Class(es), subject to and in accordance with the Conditions. See also <i>Sale of Mortgage Receivables</i> in the section <i>Credit Structure</i> below.</p> <p>The Subordinated Class F Notes are subject to redemption in accordance with and subject to Condition 6(c) and Condition 9(b).</p>	
Mandatory Redemption	<p>The Issuer will apply the Notes Redemption Available Amount to (partially) redeem the Mortgage-Backed Notes on each Quarterly Payment Date, provided that no Enforcement Notice has been given, and at their respective Principal Amount Outstanding sequentially in the following order:</p> <p>(i) <i>first</i>, the Senior Class A1 Notes, until fully redeemed and,</p> <p>(ii) <i>second</i>, the Senior Class A2 Notes, until fully redeemed,</p> <p>(iii) <i>third</i>, the Mezzanine Class B Notes, until fully redeemed,</p> <p>(iv) <i>fourth</i>, the Mezzanine Class C Notes, until fully redeemed,</p> <p>(v) <i>fifth</i>, the Mezzanine Class D Notes, until fully redeemed; and</p> <p>(vi) <i>sixth</i>, the Junior Class E Notes.</p> <p>The Subordinated Class F Notes are subject to redemption in accordance with and subject to Condition 6(c) and Condition 9(b).</p>	
Other Redemption in Full Events	Redemption for tax reasons.	Applies to Mortgage-Backed Notes. Redemption if, in short, 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 tax change after the Closing Date. See <i>Condition 6(f) (Redemption – Redemption for tax reasons)</i> and <i>Condition 9(b) (Subordination and limited recourse – Principal)</i> . See also the paragraph <i>Sale of Mortgage Receivables</i> in the section <i>Credit Structure</i> below.
	Redemption following exercise by the Seller of the Regulatory Call and/or the Clean-Up Call.	See <i>Condition 6(b) (Redemption – Mandatory Redemption of the Mortgage-Backed Notes)</i> .
Quarterly Payment Dates	Quarterly in arrear on the 17th day of each March, June, September and December, subject to adjustment for non-Business Days (see <i>Condition 4 (Interest – Interest Periods and Payment Dates)</i> ).	
Final Maturity Date	The Quarterly Payment Date falling in December 2042 (redemption of the Notes to take place at their respective Principal Amount Outstanding subject to and in accordance with the Conditions, in particular Condition 9(b)).	
Observations Senior Class A Notes	To the extent that the Notes Redemption Available Amount or the Notes Interest Available Amount is insufficient to redeem the Senior Class A1 Notes and/or the Senior Class A2 Notes in full or pay interest when due in accordance with the Conditions for a period of fifteen days or more, this will constitute an Event of Default in accordance with	

	<p>Condition 10(a). The Senior Class A2 Notes do not therefore purport to provide credit enhancement to the Senior Class A1 Notes. If, on any date, the Security is to be enforced and the proceeds of the enforcement would be insufficient to redeem the Senior Class A Notes in full, such loss will be borne, <i>pro rata</i> and <i>pari passu</i>, by the holders of the Senior Class A Notes. If the Senior Class A1 Notes have been redeemed (in part or in full) at such time, this will result in the Senior Class A2 Notes bearing a greater loss than that borne by the Senior Class A1 Notes.</p>
Events of Default	<p>As fully set out in Condition 10, which broadly include:</p> <p>(i) Non-payment by the Issuer of principal or interest in respect of the Class A Notes;</p> <p>(ii) Breach of contractual obligations by the Issuer under the Relevant Documents which is materially prejudicial to the interests of the then most senior Class of Notes; and</p> <p>(iii) Bankruptcy or (preliminary) suspension of payments of the Issuer.</p>
Withholding Tax	<p>All payments by the Issuer in respect of the Notes will be made without withholding of or deduction for, or on account of any present or future taxes, duties, assessments or charges of whatsoever nature imposed or levied by or on behalf of the Netherlands, any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or charges are required by law. In that event, the Issuer will make the required withholding or deduction of such taxes, duties, assessments or charges for the account of the Noteholders, as the case may be, and shall not pay any additional amounts to such Noteholders. In particular, but without limitation, no additional amounts shall be payable in respect of any Note presented for payment, where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to the European Union Directive on the taxation of savings that was adopted on 3 June 2003 or any law implementing or complying with, or introduced in order to conform to, such Directive.</p>
Method of payment	<p>For so long as the Notes are represented by a Global Note, payments of principal and interest will be made in euro to a common safekeeper for Euroclear and Clearstream, Luxembourg, for the credit of the respective accounts of the Noteholders (see the section <i>The Global Notes</i> below).</p>
Security for the Notes, limited recourse and non-petition	<p>The Notes will be (indirectly) secured, through the Security Trustee, by (i) a first ranking right of pledge granted by the Issuer to the Security Trustee over the Mortgage Receivables and the Beneficiary Rights relating thereto and (ii) a first ranking right of pledge vested by the Issuer in favour of the Security Trustee over the Issuer's rights under or in connection with the Mortgage Receivables Purchase Agreement, the Swap Agreement, the Sub-Participation Agreements, the Issuer Services Agreement, the Liquidity Facility Agreement and the Floating Rate GIC and in respect of the Transaction Accounts.</p> <p>Following delivery of an Enforcement Notice, (i) the amount payable to the Noteholders and the other Secured Parties will be limited to the amounts available for such purpose to the Security Trustee which, inter alia, will consist of amounts recovered by the Security Trustee on the Mortgage Receivables and the Beneficiary Rights and amounts received by the Security Trustee as creditor under the Mortgage Receivables Purchase Agreement and the Parallel Debt Agreement and (ii) payments to the Secured Parties will be made in accordance with the Priority of Payments upon Enforcement. See the section <i>Risk Factors</i> and for a more detailed description the section <i>Description of Security</i> below.</p> <p>The Noteholders and the other Secured Parties may, in principle, not institute, inter alia, insolvency proceedings against the Issuer. See <i>Condition 11 (Enforcement)</i>.</p>
Use of proceeds of the Notes	<p>The Issuer will use part of the net proceeds from the issue of the Mortgage-Backed Notes to pay to the Seller (part of) the Initial Purchase Price for the Mortgage Receivables to be purchased on the Closing Date, pursuant to the Mortgage Receivables Purchase Agreement.</p> <p>An amount equal to the aggregate Construction Amount will be withheld from the Initial Purchase Price by the Issuer and be deposited on the Construction Account. See the section <i>Mortgage Receivables Purchase Agreement</i> below.</p> <p>The Issuer will credit the net proceeds from the issue of the Subordinated Class F Notes to the Reserve Account. See the section <i>Credit Structure</i> below.</p>

Governing law	The Notes, and any non-contractual obligations arising out of or in relation to the Notes, will be governed by and construed in accordance with the laws of the Netherlands.
Selling restrictions	There are selling restrictions in relation to the European Economic Area, the United Kingdom, the United States, Italy, France and such other restrictions as may be required in connection with the offering and sale of Notes. See the section <i>Purchase and Sale</i> below.

## THE MORTGAGE RECEIVABLES:

### Mortgage Receivables:

Under the provisions of a mortgage receivables purchase agreement dated 25 January 2011 (the **Mortgage Receivables Purchase Agreement**) between the Seller, the Issuer and the Security Trustee, the Issuer will purchase and on the Closing Date accept the assignment of any and all rights of the Seller against certain borrowers (the **Borrower**) under or in connection with certain selected Mortgage Loans (the **Mortgage Receivables**).

The Issuer will be entitled to the proceeds of the Mortgage Receivables from (and including) the Cut-off Date.

The Mortgage Receivables resulting from Interest-only Mortgage Loans are referred to as the **Interest-only Mortgage Receivables**, the Mortgage Receivables resulting from Linear Mortgage Loans are referred to as the **Linear Mortgage Receivables**, the Mortgage Receivables resulting from Annuity Mortgage Loans are referred to as the **Annuity Mortgage Receivables**, the Mortgage Receivables resulting from Savings Mortgage Loans are referred to as the **Savings Mortgage Receivables**, the Mortgage Receivables resulting from Bank Savings Mortgage Loans will hereinafter be referred to as the **Bank Savings Mortgage Receivables**, the Mortgage Receivables resulting from Life Mortgage Loans will hereinafter be referred to as the **Life Mortgage Receivables** and the Mortgage Receivables resulting from Investment Mortgage Loans will hereinafter be referred to as the **Investment Mortgage Receivables**, respectively.

The Mortgage Receivables have the characteristics that demonstrate the capacity to produce funds to service any payments due and payable under the Notes.

### Mortgage Loans:

The Mortgage Receivables will result from mortgage loans (or part thereof) secured by a first-ranking mortgage right or first and sequentially lower ranking mortgage rights, over (i) a real estate (*onroerende zaak*), (ii) an apartment right (*appartementsrecht*) and/or (iii) a long lease (*erfpacht*), together with real estate and apartment rights (the **Mortgaged Assets**), each situated in the Netherlands, and entered into by the Seller with the relevant Borrowers which meet the criteria set forth in the Mortgage Receivables Purchase Agreement and which will be selected prior to or on the Closing Date (the **Mortgage Loans**).

See for a description of the various Mortgage Loan types the section *Description of the Mortgage Loans*.

### Beneficiary Rights:

The Seller has the benefit of the Beneficiary Rights, which entitle the Seller to receive the final payout (*einduitkering*) under the relevant Insurance Policies, which payment is to be applied towards redemption of the relevant Mortgage Receivables. Under the Mortgage Receivables Purchase Agreement, the Seller will assign, to the extent legally possible and required, such Beneficiary Rights to the Issuer and the Issuer will accept such assignment.

### NHG Guarantees:

The Mortgage Receivables which have the benefit of guarantees under the

*Nationale Hypotheek Garantie (NHG Guarantees)* will hereinafter be referred to as the **NHG Mortgage Receivables**. See further the sections *Description of the Mortgage Loans* and *NHG Guarantee Programme*.

**Repurchase of Mortgage Receivables:**

Under the Mortgage Receivables Purchase Agreement the Seller has undertaken to repurchase and accept re-assignment of a Mortgage Receivable on the Mortgage Payment Date immediately following any of the following events:

- (i) 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 the Mortgage Loan Criteria, are untrue or incorrect in any material respect and the Seller has not within 30 calendar days of having knowledge of such breach or receipt of written notice thereof from the Issuer or the Security Trustee remedied the matter giving rise thereto or if such matter is not capable of being remedied on the immediately succeeding Mortgage Payment Date; or
- (ii) the Seller has obtained any Other Claim(s) vis-à-vis any Borrower including resulting from a further advance under the Mortgage Loan, which is to be secured by the mortgage right which also secures the Mortgage Receivable (the **Further Advance**); or
- (iii) the Seller agrees with a Borrower to either (a) amend the terms of the 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 Mortgage Loan continues to meet each of the Mortgage Loan Criteria and the representations and warranties of the Mortgage Receivables Purchase Agreement, unless such amendment is made as part of the enforcement procedures to be complied with upon a default by the Borrower under the relevant Mortgage Loan or is otherwise made as part of a restructuring or renegotiation of the relevant Mortgage Loan due to a deterioration of the credit quality of the Borrower of such Mortgage Loan, or (b) grant a further loan with a construction amount, whether or not to be secured by the same mortgage right as the Mortgage Receivable of such Borrower (the **Further Construction Loan**) on the immediately succeeding Mortgage Payment Date; or
- (iv) the Seller agrees with a Borrower to switch a Participation-Linked Mortgage Loan or a Bank Savings Mortgage Loan into (a part of) any type of Mortgage Loan other than a Participation-Linked Mortgage Loan or a Bank Savings Mortgage Loan on the immediately succeeding Mortgage Payment Date; or
- (v) the NHG Mortgage Receivable no longer has the benefit of the NHG Guarantee as a result of action taken or omitted to be taken by the Seller or any of the Servicers.

The repurchase price will be calculated as described in the paragraph *Sale of Mortgage Receivables* under the section *Credit Structure* below.

**Repurchase options:**

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

On each Quarterly Payment Date, the Seller has the option but not the obligation to repurchase the Mortgage Receivables upon the occurrence of a Regulatory Change (the **Regulatory Call Option**). A **Regulatory Change** will

be a change which is (a) published on or after the Closing Date in (i) the Basel Capital Accord promulgated by the Basel Committee on Banking Supervision (the **Basel Accord**), and the European Parliament legislative resolution of 22 April 2009 on the amended proposal for a directive of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (the **Solvency II Framework Directive**) or (ii) the international, European or Dutch regulations, rules and instructions (which includes rules on solvency requirements) (the **Bank Regulations**) applicable to the Seller (including any change in the Bank Regulations enacted for purposes of implementing a change to the Basel Accord) or (iii) the manner in which the Basel Accord, Basel II Accord, the Solvency II Framework Directive or such Bank Regulations are interpreted or applied by the Basel Committee on Banking Supervision or by any relevant competent international, European or national body (including any relevant international, European or Dutch Central Bank or other competent regulatory or supervisory authority) and (b) in the opinion of the Seller, has the effect of adversely affecting the rate of return on capital of the Seller or increasing the cost or reducing the benefit to the Seller with respect to the transaction contemplated by the Notes.

If (i) 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, (a **Tax Change**) and (ii) the Issuer will have sufficient funds available on a Quarterly Payment Date to discharge all amounts of principal and interest due in respect of each Class of Mortgage-Backed Notes and any amounts required to be paid in priority to or *pari passu* with each Class of Mortgage-Backed Notes in accordance with the Trust Deed, the Issuer has the option to redeem the Mortgage-Backed Notes in whole but not in part, on any Quarterly Payment Date at their Principal Amount Outstanding in accordance with Condition 6(f) and subject to, in respect of the Mezzanine Class B Notes, Mezzanine Class C Notes, Mezzanine Class D Notes, the Junior Class E Notes and the Subordinated Class F Notes, Condition 9(b). No Class of Mortgage-Backed Notes may be redeemed under such circumstances unless all Classes of Mortgage-Backed Notes, (or such of them as are then outstanding) are also redeemed in full at the same time. See under Sale of Mortgage Receivables in the section *Credit Structure* below.

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

The Subordinated Class F Notes will be subject to redemption in accordance with and subject to Condition 6(c) and Condition 9(b).

**Sub-Participation Agreements:**

On the Closing Date, the Issuer will enter into a sub-participation agreement (the **Savings Insurance Sub-Participation Agreement**) with the Savings Insurance Company.

Furthermore, on the Closing Date, the Issuer will enter into a sub-participation agreement with the Bank Savings Participant (the **Bank Savings Sub-**

**Participation Agreement**, and together with the Savings Insurance Sub-Participation Agreement, the **Sub-Participation Agreements**).

Under the Savings Insurance Sub-Participation Agreement, the Savings Insurance Company undertakes to pay to the Issuer an amount equal to all Savings Premiums received by it under the relevant Savings Insurance Policy in exchange for a contractual participation (the **Savings Insurance Participation**) in respect of the associated Participation-Linked Mortgage Loan which participation equals, in short, the aggregate Savings Premiums paid onwards to the Issuer increased with a pro rata part of the interest paid by the Borrower in respect of the associated Mortgage Loan. The Savings Insurance Company undertakes to pay to the Issuer all amounts received by it as Savings Premiums.

In exchange, the Savings Insurance Company will be entitled to receive from the Issuer the Savings Insurance Participation Redemption Available Amount (as defined in the section *Sub-Participation Agreements* below).

The Savings Insurance Participation calculated as per the Cut-off Date amounts to euro 3,170,675.36. See further the section *Sub-Participation Agreements*.

Under the Bank Savings Sub-Participation Agreement, the Bank Savings Participant will acquire participations in the relevant Bank Savings Mortgage Receivables in return for payment by the Bank Savings Participant to the Issuer of an amount equal to the deposits made under the Bank Savings Mortgage Loans. In return, the Bank Savings Participant is entitled to receive the Bank Savings Participation Redemption Available Amount (as defined in the section *Sub-Participation Agreements* below) from the Issuer.

The amount of the relevant participation (the **Bank Savings Participation**, and together with the Savings Insurance Participation, the **Participation**) with respect to a Bank Savings Mortgage Receivable consists of the initial participation at the Closing Date or, as the case may be, the relevant Mortgage Payment Date (which is equal to the sum of all amounts received as Monthly Bank Savings Deposit Instalments and accrued interest) (a) up to but excluding the Cut-off Date in the case of the Closing Date, for the entire pool being an aggregate amount of euro 4,815,398.17, or (b) the first day of the month in which the relevant Mortgage Payment Date falls in case of a switch from any type of Mortgage Loan other than a Bank Savings Mortgage Loan into a Bank Savings Mortgage Loan, by the Bank Savings Participant increased on a monthly basis with the sum of (i) the Monthly Bank Savings Deposit Instalments received by the Bank Savings Participant in respect of the relevant Mortgage Loan and paid to the Issuer, and (ii) a *pro rata* part, corresponding to the Bank Savings Participation in the relevant Bank Savings Mortgage Receivable, of the interest paid by the Borrower in respect of such Bank Savings Mortgage Receivable.

See further the section *Sub-Participation Agreements* below.

#### **Construction Amounts:**

Pursuant to the Mortgage Conditions, a Borrower has the right to request that a part of the Mortgage Loan will be withheld and will be applied towards construction of or improvements to the Mortgaged Asset. Such amounts including any interest accrued thereon (the **Construction Amount**) will only be paid to the Borrower in case certain conditions are met. The aggregate amount of the Construction Amounts on the Cut-off Date is euro 648,043.78. The Issuer and the Seller will agree in the Mortgage Receivables Purchase Agreement that the Issuer will be entitled to withhold from the Initial Purchase Price an amount equal to the aggregate Construction Amount on the Cut-off Date. Such amount will be deposited in the Construction Account. On each Mortgage Payment Date, the Issuer will release from the Construction Account such part of the Initial Purchase Price which equals the amount by which the

aggregate Construction Amount has been reduced during the preceding Quarterly Calculation Period and pay such amount to the Seller.

Pursuant to the Mortgage Conditions, Construction Amounts have to be paid out within 12 months (for refurbishments) or 24 months (for newly built properties) after the relevant Mortgage Loan has been granted. However, the Seller may agree with a Borrower to extend the relevant period for a maximum of 6 months. After such period, any remaining Construction Amounts will (i) if the relevant remaining Construction Amount is less than EUR 7,500 be paid out by the Seller to the relevant Borrower and consequently the remaining part of the Initial Purchase Price will be paid out by the Issuer to the Seller and (ii) if the relevant remaining Construction Amount exceeds EUR 7,500 be set-off against the relevant Mortgage Receivable up to the amount of such Construction Amount in which case the Issuer shall have no further obligation towards the Seller to pay the remaining part of the relevant Initial Purchase Price and the relevant balance standing to the credit of the Construction Account will be transferred to the Issuer Collection Account and form part of the Notes Redemption Available Amount.

If any of the events set forth in items (d) and (e) of the definition of the Notification Events has occurred, the Issuer will no longer be under the obligation to pay such remaining part of the Initial Purchase Price. See the section *Mortgage Receivables Purchase Agreement* below.

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

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

#### **CASH-FLOW STRUCTURE:**

##### **Priority of Payments:**

See the section *Credit Structure* below.

##### **Liquidity Facility:**

On the Closing Date, the Issuer will enter into a liquidity facility agreement with a maximum term of 364 days with the Liquidity Facility Provider (the **Liquidity Facility Agreement**) under which the Issuer will be entitled to make drawings in order to meet certain shortfalls in its available revenue receipts. Any such amounts drawn will be debited from an account maintained with the Liquidity Facility Provider (the **Liquidity Facility Account**) and credited to the Issuer Collection Account. See the section *Credit Structure* below.

##### **Seller Collection Account:**

The Seller maintains an account with The Royal Bank of Scotland N.V. (the **Seller Collection Account**) to which collections of all amounts of interest, prepayment penalties and principal received under the Mortgage Loans will be paid. The Seller has outsourced the administration of the Seller Collection Account to Stater Nederland B.V.

##### **Transaction Accounts:**

The Issuer shall maintain the following accounts with the Floating Rate GIC Provider (together the **Transaction Accounts**):

- (i) an account to which, *inter alia*, on a monthly basis all amounts from the Seller Collection Account will be transferred by the Seller or by Stater Nederland B.V. on its behalf (the **Issuer Collection Account**);

- (ii) an account to which on the Closing Date an amount corresponding to the aggregate Construction Amount will be credited (the **Construction Account**). The Construction Account will only be debited for (i) payments to the Seller in accordance with the Mortgage Receivables Purchase Agreement, and (ii) transfer to the Issuer Collection Account in case the Issuer has no obligation to pay any such part of the Initial Purchase Price (as described in *Construction Amounts* above);
- (iii) an account to which if, at any time, the Issuer will be required to make a Liquidity Facility Stand-by Drawing, the amount so drawn will be credited (the **Liquidity Facility Stand-by Account**). See the section *Credit Structure* below; and
- (iv) an account into which the Issuer will pay the proceeds of the Subordinated Class F Notes (the **Reserve Account**). The purpose of the Reserve Account will be to enable the Issuer to meet the Issuer's payment obligations under items (a) to (o) (inclusive) in the Interest Priority of Payments in the event that the Notes Interest Available Amount is not sufficient to meet such payment obligations on a Quarterly Payment Date. If and to the extent that the Notes Interest Available Amount on any Quarterly Payment Date exceeds the aggregate amounts payable under items (a) to (o) (inclusive) in the Interest Priority of Payments (as set forth in the section *Credit Structure*), such excess amount will be used to deposit in or, as the case may be, to replenish the Reserve Account by crediting such amount to the Reserve Account up to the Reserve Account Required Amount. The **Reserve Account Required Amount** shall on any Quarterly Payment Date be equal to (i) 1.5 per cent. of the aggregate Principal Amount Outstanding of the Mortgage-Backed Notes on the Closing Date, or (ii) zero, on the Quarterly Payment Date on which the Mortgage-Backed Notes have been or are to be redeemed in full, subject to and in accordance with the Conditions.

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

On the Quarterly Payment Date on which all amounts of principal due in respect of the Mortgage-Backed Notes have been or will be paid, any amount remaining to be standing to the credit of the Reserve Account will on such date 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, if applicable including for redemption of principal of the Subordinated Class F Notes.

**Floating Rate GIC:**

The Issuer, the Security Trustee and the Floating Rate GIC Provider will enter into a guaranteed investment contract (the **Floating Rate GIC**) on the Closing Date, under which the Floating Rate GIC Provider will agree to pay a guaranteed rate of interest determined by reference to EONIA minus a margin on the balances standing from time to time to the credit of the Transaction Accounts (other than the Liquidity Facility Stand-by Account). The Issuer will undertake pursuant to the Trust Deed not to withdraw or apply amounts from the Transaction Accounts other than in accordance with the Trust Deed.

**Subordinated Loan:**

On the Closing Date, the Issuer will enter into a subordinated loan agreement (the **Subordinated Loan**) with the Subordinated Loan Provider for an amount of euro 2,750,000. The proceeds of the Subordinated Loan will be used to pay certain start-up costs and expenses incurred by the Issuer in connection with the issue of the Notes.

**Swap Agreement:**

On the Closing Date, the Issuer will enter into a swap agreement including a Credit Support Annex with the Swap Counterparty to mitigate the risk of differences between the rates of interest to be received by the Issuer on (a) the Mortgage Receivables and the interest received on the Issuer Collection Account and (b) the floating rates of interest payable by the Issuer on the relevant Class of Mortgage-Backed Notes (such agreement between the Issuer and the Swap Counterparty or its successor(s) or a replacement swap counterparty, the **Swap Agreement**) (as described in *Credit Structure* under *Interest Rate Hedging* below).

The interest (if any) on the Subordinated Class F Notes will not be hedged.

**OTHER:**

**Issuer Services Agreement:**

Under an issuer services agreement to be entered into on the Closing Date (the **Issuer Services Agreement**) between the Issuer, the Pool Servicer, the Defaulted Loan Servicer, the Issuer Administrator and the Security Trustee, (i) the Pool Servicer will agree to (a) provide mortgage payment transactions and other services as agreed in the Issuer Services Agreement in relation to the Mortgage Receivables, and (b) prepare and provide the Issuer Administrator with certain statistical information regarding the Issuer and/or the Mortgage Receivables as required by law for submission to the relevant governmental authorities 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 Receivables, (ii) the Defaulted Loan Servicer will agree to implement arrears procedures including, if applicable, the enforcement of mortgages (see further the section *Mortgage Loan Underwriting and Mortgage Services of Amstelhuys* below), and (iii) the Issuer Administrator will agree (a) 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, and (b) to submit certain statistical information regarding the Issuer as referred to above to certain governmental authorities if and when requested.

**Management Agreements:**

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

**Parallel Debt Agreement:**

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

## 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 floating or fixed, subject to a reset from time to time. On the Cut-off Date the weighted average interest rate of the Mortgage Loans is expected to be 4.75 per cent. Interest rates vary between individual Mortgage Loans. The range of interest rates is described further in the section *Summary of the Final Pool*.

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

### **Cash Collection Arrangement**

Payments by the Borrowers of interest and scheduled principal under the Mortgage Loans are due on the first day of each month, interest being payable in arrear. All payments made by Borrowers will be made into the Seller Collection Account maintained with The Royal Bank of Scotland N.V. (the **Seller Collection Account Provider**). This account is not pledged to any party other than to the Seller Collection Account Provider pursuant to the applicable terms and conditions. This account will also be used for the collection of moneys paid in respect of mortgage loans other than Mortgage Loans and in respect of any other moneys belonging to the Seller.

If (i) the rating of the short-term, unsecured and unguaranteed debt obligations of the Seller Collection Account Provider falls below P-1 by Moody's or (ii) the rating of the long-term, unsecured and unguaranteed debt obligations of the Seller Collection Account Provider falls below either (x) BBB by S&P (if the short-term, unsecured and unsubordinated debt obligations are also rated at least as high as A-1 by S&P) or (y) BBB+ by S&P (if the short-term, unsecured and unsubordinated debt obligations are not rated, or are rated below A-2 by S&P) (the **Seller Collection Requisite Rating**), the Seller will, within thirty (30) calendar days, in order to maintain the then current rating assigned to the Mortgage-Backed Notes, either: (i) ensure that payments to be made in respect of amounts received on the Seller Collection Account relating to the Mortgage Receivables will be guaranteed by a party having at least the Seller Collection Requisite Rating in accordance with the guarantee criteria of S&P, or (ii) (a) open an escrow account in the name of the Issuer, for the Issuer's own account, with a party having at least the Seller Collection Requisite Rating, and (b) transfer to the escrow account an amount equal to the highest single amount of principal, interest and prepayment penalties received since the Closing on the Issuer Collection Account during one Mortgage Calculation Period, or (iii) implement any other actions to maintain the then current ratings assigned to the Mortgage-Backed Notes.

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) the Pool Servicer shall transfer all amounts of principal, interest, prepayment penalties and interest penalties received by the Seller in respect of the Mortgage Receivables during the immediately preceding Mortgage Calculation Period to the Issuer Collection Account.

For these purposes a **Mortgage Calculation Period** is the period commencing on (and including) the first day of a calendar month and ending on (and including) the last day of such calendar month and the first Mortgage Calculation Period will commence on (and include) the Cut-off Date and end on (and include) the last calendar day of January 2011.

### **Transaction Accounts**

#### *Issuer Collection Account*

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

The Issuer Administrator will identify all amounts paid into the Issuer 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 Notes Redemption Available Amount or Notes Interest Available Amount and credited to a principal ledger (the **Principal Ledger**) or a revenue ledger (the **Revenue Ledger**), as the case may be.

Payments may be made from the Issuer Collection Account other than on a Quarterly Payment Date only to satisfy (i) amounts due to third parties (other than pursuant to the Relevant Documents) and payable in connection with the Issuer's business, (ii) amounts due under the Sub-Participation Agreements, (iii) the repayment of any Liquidity Facility Stand-by Drawing in accordance with the Liquidity Facility Agreement, and (iv) the payment to the Swap Counterparty of any Tax Credit. In addition, the Issuer may pay any termination payment to the Swap Counterparty on any date other than a Quarterly Payment Date provided that the Issuer has received such amount as initial swap payment from the relevant replacement swap counterparty (see *Swap Agreement* below).

#### *Construction Account*

The Issuer will maintain with the Floating Rate GIC Provider the Construction Account, to which an amount corresponding to the aggregate Construction Amount relating to the Mortgage Receivables will be credited on the Closing Date. Payments may be made from the Construction Account on a Quarterly Payment Date only to satisfy payment by the Issuer to the Seller of (part of) the Initial Purchase Price as a result of the distribution of (part of) the Construction Amount by the Seller to the relevant Borrowers. In addition, the Construction Account will be debited with the amount Borrowers have set-off against the relevant Mortgage Receivables in connection with the Construction Amounts and as a result of which the Issuer has no further obligation to pay (such part of) the Initial Purchase Price. Such debited amount will be transferred to the Issuer Collection Account and form part of the Notes Redemption Available Amount. The interest accrued and received on the Construction Account shall be for the benefit of the Seller and paid to the Seller outside the Priorities of Payments.

#### *Reserve Account*

The Issuer will maintain with the Floating Rate GIC Provider the Reserve Account, to which the net proceeds of the Subordinated Class F Notes will be credited. Amounts credited to the Reserve Account will be available on any Quarterly Payment Date to meet items (a) to (o) (inclusive) of the Interest Priority of Payments in the event that the Notes Interest Available Amount is not sufficient to meet such payment obligations on a Quarterly Payment Date, before application of any funds drawn under the Liquidity Facility Agreement.

If and to the extent that the Notes Interest Available Amount on any Quarterly Payment Date exceeds the aggregate amounts payable under items (a) to (o) (inclusive) in the Interest Priority of Payments, such excess amount will be used to deposit in or, as the case may be, to replenish the Reserve Account by crediting such amount to the Reserve Account up to the Reserve Account Required Amount. The Reserve Account Required Amount shall on any Quarterly Payment Date be equal to (i) 1.5 per cent. of the aggregate Principal Amount Outstanding of the Mortgage-Backed Notes on the Closing Date, or (ii) zero, on the Quarterly Payment Date on which the Mortgage-Backed Notes have been or are to be redeemed in full, subject to and in accordance with the Conditions.

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

On the Quarterly Payment Date on which all amounts of principal due in respect of the Mortgage-Backed Notes have been or will be paid, any amount remaining to be standing to the credit of the Reserve Account will on such date 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, if applicable including for redemption of principal of the Subordinated Class F Notes.

#### *Liquidity Facility Stand-by Account*

If the Issuer is required to draw a Liquidity Facility Stand-by Drawing, it shall credit such amount to the Liquidity Facility Stand-by Account maintained with the Floating Rate GIC Provider. Amounts so credited to the Liquidity Facility Stand-by Account may be utilised by the Issuer in the same manner as a drawing under the Liquidity Facility Agreement. See paragraph *Liquidity Facility* below for further details.

### *Downgrade of the Floating Rate GIC Provider*

If at any time the Floating Rate GIC Provider's (i) short-term unsecured, unsubordinated and unguaranteed debt obligations are assigned a rating of less than P-1 by Moody's or (ii) long-term unsecured unsubordinated and unguaranteed debt obligations are assigned a rating of less than either (x) A by S&P (if the short-term, unsecured and unsubordinated debt obligations are also rated at least as high as A-1 by S&P) or (y) A+ by S&P (if the short-term, unsecured and unsubordinated debt obligations are not rated, or are rated below A-1 by S&P) (the **Requisite Rating**) or such rating is withdrawn the Floating Rate GIC Provider will within 20 calendar days obtain a third party, acceptable to the Rating Agencies, to guarantee the obligations of the Floating Rate GIC Provider in accordance with the guarantee criteria of S&P. If the Floating Rate GIC Provider fails to do so, the Issuer will transfer the balances of the Transaction Accounts to an alternative bank with the Requisite Rating within 30 calendar days after such downgrade or to obtain a third party, acceptable to the Rating Agencies, to guarantee the obligations of the Floating Rate GIC Provider in accordance with the guarantee criteria of S&P.

### *Swap Collateral Account*

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 maintained with an entity having at least the Requisite Rating in which the collateral in the form of cash provided by the Swap Counterparty will be held in accordance with the Credit Support Annex. If any collateral in the form of securities is provided, the Issuer will be required to open a custody account with an entity having at least the Requisite Rating in which such securities will be held. Such account will not be subject to a security right in favour of the Security Trustee. 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, a net amount is owed by the Swap Counterparty to the Issuer, in which case, the collateral may be applied towards satisfaction of such amount in accordance with the Swap Agreement.

**Excess Swap Collateral** means an amount equal to the value of any collateral transferred and accrued 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 as at the date of termination of the Swap Agreement which the Swap Counterparty is otherwise entitled to have returned to it under the Swap Agreement.

Any Excess Swap Collateral shall be transferred directly to the Swap Counterparty (outside of any Priority of Payments). The same applies for any tax credit, allowance, set-off or repayment from the tax authorities of any jurisdiction obtained by the Issuer relating to any deduction or withholding giving rise to a payment made by the Swap Counterparty in accordance with the Swap Agreement, the cash benefit in respect of which shall be paid by the Issuer to the Swap Counterparty pursuant to the terms of the Swap Agreement (**Tax Credit**).

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

Prior to the delivery of an Enforcement Notice by the Security Trustee, the sum of the following amounts, calculated as at each fourth business day prior to each Quarterly Payment Date (a **Quarterly Calculation Date**) and which have been received by the Issuer during the Quarterly Calculation Period immediately preceding such Quarterly Calculation Date or to be received by the Issuer in relation to the relevant Quarterly Payment Date (items (i) up to and including (xiv) being hereafter referred to as the **Notes Interest Available Amount**):

- (i) as interest, including penalty interest, on the Mortgage Receivables, less, with respect to each Participation-Linked Mortgage Receivable and Bank Savings Mortgage Receivable, an amount equal to the amount of interest received in such Quarterly Calculation Period, multiplied by the quotient of the relevant Participation on the first calendar day of the relevant Mortgage Calculation Period divided by the Outstanding Principal Amount in respect of such Participation-Linked Mortgage Receivable or Bank Savings Mortgage Receivable on the first calendar day of the relevant Mortgage Calculation Period (the **Participation Fraction**);
- (ii) as interest accrued and received on the Issuer Collection Account, the Reserve Account and the Liquidity Facility Stand-by Account;
- (iii) as prepayment penalties and penalty interest under the Mortgage Receivables;
- (iv) as Net Proceeds on any Mortgage Receivables to the extent such proceeds do not relate to principal less, with respect to each Participation-Linked Mortgage Receivable and Bank Savings Mortgage Receivable, an amount equal to the amount of interest received multiplied by the relevant Participation Fraction;

- (v) as amounts to be drawn under the Liquidity Facility Agreement (other than Liquidity Facility Stand-by Drawings) and to be debited from the Liquidity Facility Account (other than with a view to repaying a Liquidity Facility Stand-by Drawing) on the immediately succeeding Quarterly Payment Date;
- (vi) as amounts to be drawn from the Reserve Account or the Liquidity-Facility Stand-by Account on the immediately succeeding Quarterly Payment Date;
- (vii) as amounts to be received from the Swap Counterparty under the Swap Agreement on the immediately succeeding Quarterly Payment Date, if any, excluding, (i) any collateral transferred pursuant to the Swap Agreement, (ii) any Tax Credit, (iii) Excess Swap Collateral and (iv) any amounts received upon early termination of the Swap Agreement;
- (viii) as amounts received in connection with a repurchase of Mortgage Receivables pursuant to the Mortgage Receivables Purchase Agreement, or any other amounts received pursuant to the Mortgage Receivables Purchase Agreement, to the extent such amounts do not relate to principal less, with respect to each Participation-Linked Mortgage Receivable and Bank Savings Mortgage Receivable, an amount equal to the amount of interest received multiplied by the relevant Participation Fraction;
- (ix) as amounts received under the Subordinated Loan Agreement;
- (x) as amounts received in connection with a sale of Mortgage Receivables pursuant to the Trust Deed to the extent such amounts do not relate to principal less, with respect to each Participation-Linked Mortgage Receivable and Bank Savings Mortgage Receivable, an amount equal to the amount of interest received multiplied by the relevant Participation Fraction, and to the extent such amounts relate to principal, but only such part that is in excess of the relevant Outstanding Principal Amount of the relevant Mortgage Receivable;
- (xi) as amounts received as post-foreclosure proceeds on the Mortgage Receivables;
- (xii) on the Quarterly Payment Date on which the Mortgage-Backed Notes will be or have been redeemed in full, (x) any (remaining) amounts standing to the credit of the Issuer Collection Account which are not included in items (i) up to and including (xi) and (xiii) on such Quarterly Payment Date and (y) any (remaining) amounts standing to the credit of the Reserve Account; and
- (xiii) as amounts to be drawn from the Swap Termination Payment Ledger to the extent (a) such amounts are required to meet items (f), (h), (j), (l) and (n) of the Interest Priority of Payments and (b) required to make an initial swap payment to a replacement swap counterparty; **less**
- (xiv) on the first Quarterly Payment Date of each year, the highest of (i) an amount equal to 10 per cent. of the annual operational expenses in the immediately preceding calendar year in accordance with items (a), (b) and (c) of the Interest Priority of Payments, but only to the extent the amount of such expenses is not directly related to the Issuer's assets and/or liabilities, and (ii) an amount of euro 2,500;

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

- (a) *first*, in or towards satisfaction, *pro rata*, according to the respective amounts thereof, of the fees or other remuneration due and payable to the Directors in connection with the Management Agreements and any costs, charges, liabilities and expenses incurred by the Security Trustee under or in connection with any of the Relevant Documents;
- (b) *second*, in or towards satisfaction, *pro rata*, according to the respective amounts thereof of fees and expenses due and payable to the Servicers and the Issuer Administrator under the Issuer Services Agreement;
- (c) *third*, in or towards satisfaction, *pro rata*, according to the respective amounts thereof, (i) of any amounts due and payable to third parties under obligations incurred in the Issuer's business (other than under the Relevant Documents), including, without limitation, in or towards satisfaction of sums due or provisions for any payment of the Issuer's liability, if any, to tax (to the extent such amounts cannot be paid out of item (xiv) of the Notes Interest Available Amount) and sums due to the Rating Agencies and fees and expenses of any legal advisor, auditor and/or accountant appointed by the Issuer and/or the Security Trustee, (ii) fees and expenses due to the Paying Agents and the Reference Agent under the Paying Agency Agreement, and (iii) the Liquidity

Facility Commitment Fee (as defined therein) under the Liquidity Facility Agreement to the Liquidity Facility Provider;

- (d) *fourth*, (i) in or towards satisfaction of any amounts due and payable to the Liquidity Facility Provider under the Liquidity Facility Agreement and to be credited to the Liquidity Facility Account, but excluding the Liquidity Facility Commitment Fee payable under (c) above and any gross-up amounts or additional amounts due under the Liquidity Facility and payable under (t) below, or (ii) following a Liquidity Facility Stand-by Drawing, in or towards satisfaction of amounts to be credited to the Liquidity Facility Stand-by Account;
- (e) *fifth*, in or towards satisfaction of amounts, if any, due but unpaid under the Swap Agreement (except for (I) any termination payment due or payable as a result of the occurrence of an Event of Default where the Swap Counterparty is the Defaulting Party or as a result of the occurrence of an Additional Termination Event relating to the credit rating of the Swap Counterparty (as such terms are defined in the Swap Agreement) (a **Swap Counterparty Default Payment**), (II) the Swap Subordinated Amount payable under (s) below, and (III) the payment to the Swap Counterparty of Excess Swap Collateral and/or any Tax Credit);
- (f) *sixth*, in or towards satisfaction *pro rata* and *pari passu*, according to the respective amounts thereof, of all amounts of interest due or accrued but unpaid in respect of the Senior Class A1 Notes and the Senior Class A2 Notes;
- (g) *seventh*, in or towards making good any shortfall reflected in the Class A Principal Deficiency Ledger 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 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 (if any) due or accrued but unpaid on the Mezzanine Class C Notes;
- (k) *eleventh*, in or towards making good any shortfall reflected in the Class C Principal Deficiency Ledger until the debit balance, if any, on the Class C Principal Deficiency Ledger is reduced to zero;
- (l) *twelfth*, in or towards satisfaction of interest (if any) due or accrued but unpaid on the Mezzanine Class D Notes;
- (m) *thirteenth*, in or towards making good any shortfall reflected in the Class D Principal Deficiency Ledger until the debit balance, if any, on the Class D Principal Deficiency Ledger is reduced to zero;
- (n) *fourteenth*, in or towards satisfaction of interest (if any) due or accrued but unpaid on the Junior Class E Notes;
- (o) *fifteenth*, in or towards making good any shortfall reflected in the Class E Principal Deficiency Ledger until the debit balance, if any, on the Class E Principal Deficiency Ledger is reduced to zero;
- (p) *sixteenth*, in or towards satisfaction of any sums required to replenish the Reserve Account up to the amount of the Reserve Account Required Amount;
- (q) *seventeenth*, in or towards satisfaction of interest (if any) due or accrued but unpaid in respect of the Subordinated Class F Notes;
- (r) *eighteenth*, in or towards satisfaction of principal amounts due under the Subordinated Class F Notes on the relevant Quarterly Payment Date, including the Final Maturity Date;
- (s) *nineteenth*, in or towards satisfaction of the Swap Counterparty Default Payment and the Swap Subordinated Amount payable to the Swap Counterparty under the terms of the Swap Agreement;
- (t) *twentieth*, in or towards satisfaction of gross up amounts or additional amounts due, if any, to the Liquidity Facility Provider under the Liquidity Facility Agreement;
- (u) *twenty-first*, in or towards satisfaction of interest due or accrued but unpaid in respect of the Subordinated Loan;

- (v) *twenty-second*, in or towards satisfaction of principal due and payable but unpaid in respect of the Subordinated Loan; and
- (w) *twenty-third*, in or towards satisfaction of a Deferred Purchase Price Instalment to the Seller.

**Priority of Payments in respect of principal**

Prior to the delivery of an Enforcement Notice by the Security Trustee, the sum of the following amounts, calculated as at any Quarterly Calculation Date, as being received by the Issuer during the immediately preceding Quarterly Calculation Period or to be received by the Issuer in relation to the relevant Quarterly Payment Date (items (i) up to and including (ix) hereinafter referred to as the **Notes Redemption Available Amount**):

- (i) by means of 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 Participation-Linked Mortgage Receivable and Bank Savings Mortgage Receivable, the relevant Participation in such Participation-Linked Mortgage Receivable or Bank Savings Mortgage Receivable;
- (ii) as Net Proceeds on any Mortgage Receivable to the extent such proceeds relate to principal less, with respect to each Participation-Linked Mortgage Receivable and Bank Savings Mortgage Receivable, the relevant Participation in such Participation-Linked Mortgage Receivable or Bank Savings Mortgage Receivable;
- (iii) in connection with a repurchase of Mortgage Receivables, whether or not as a result of the exercise of the Clean-Up Call Option or the Regulatory Call Option, 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 Participation-Linked Mortgage Receivable and Bank Savings Mortgage Receivable, the relevant Participation in such Participation-Linked Mortgage Receivable or Bank Savings Mortgage Receivable;
- (iv) in connection with a sale of Mortgage Receivables pursuant to the Trust Deed to the extent such amounts relate to principal but up to the aggregate Outstanding Principal Amount of such Mortgage Receivables less, with respect to each Participation-Linked Mortgage Receivable and Bank Savings Mortgage Receivable, the relevant Participation in such Participation-Linked Mortgage Receivable or Bank Savings Mortgage Receivable;
- (v) as amount to be credited to the Principal Deficiency Ledger on the immediately succeeding Quarterly Payment Date in accordance with the Interest Priority of Payments;
- (vi) as Monthly Participation Increase pursuant to the relevant Sub-Participation Agreement and as consideration for the relevant Initial Participation;
- (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 Mortgage-Backed Notes on the preceding Quarterly Payment Date; and
- (ix) any amounts received on the Issuer Collection Account from the credit balance of the Construction Account in accordance with the Mortgage Receivables Purchase Agreement,

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

- (a) sequentially, *first*, in or towards satisfaction of principal amounts due under the Senior Class A1 Notes on the relevant Quarterly Payment Date until fully redeemed and, *second*, the Senior Class A2 Notes on the relevant Quarterly Payment Date until fully redeemed;
- (b) *second*, in or towards satisfaction of principal amounts due under the Mezzanine Class B Notes on the relevant Quarterly Payment Date until fully redeemed;
- (c) *third*, in or towards satisfaction of principal amounts due under the Mezzanine Class C Notes on the relevant Quarterly Payment Date until fully redeemed;

- (d) *fourth*, in or towards satisfaction of principal amounts due under the Mezzanine Class D Notes on the relevant Quarterly Payment Date until fully redeemed; and
- (e) *fifth*, in or towards satisfaction of principal amounts due under the Junior Class E Notes on the relevant Quarterly Payment Date until fully redeemed.

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

Following delivery of an Enforcement Notice any amounts collected by the Security Trustee under the Trust Deed, (other than amounts to be deducted therefrom, Excess Swap Collateral and Tax Credits and in respect of the Participations, which amounts will not be part of this Priority of Payments upon Enforcement) will be applied in the following order of priority (after deduction of costs incurred by the Security Trustee, which will include, *inter alia*, fees and expenses of the Rating Agencies and any legal advisor, auditor and accountant appointed by the Security Trustee) (and in each case only if and to the extent payments of a higher priority have been made in full) (the **Priority of Payments upon Enforcement**):

- (a) *first*, in or towards satisfaction, of the repayment of any Liquidity Facility Stand-by Drawing due and payable but unpaid under the Liquidity Facility Agreement;
- (b) *second*, in or towards satisfaction, *pro rata*, according to the respective amounts thereof, of (i) the fees or other remuneration due to the Directors in connection with the Management Agreements, (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 Servicers and the Issuer Administrator under the Issuer Services Agreement;
- (c) *third*, in or towards satisfaction of any amounts due and payable but unpaid under the Liquidity Facility Agreement but excluding any Liquidity Facility Stand-by Drawing payable under (a) above and including any gross-up amounts or additional amounts due under the Liquidity Facility Agreement;
- (d) *fourth*, in or towards satisfaction of amounts, if any, due but unpaid under the Swap Agreement (except for (I) any Swap Counterparty Default Payment, (II) any Swap Subordinated Amount payable under subparagraph (p) below, and (III) the payment to the Swap Counterparty of Excess Swap Collateral and/or any Tax Credit);
- (e) *fifth, pro rata and pari passu*, according to the respective amounts thereof, in or towards satisfaction of all amounts of interest due or accrued but unpaid in respect of the Senior Class A1 Notes and the Senior Class A2 Notes;
- (f) *sixth, pro rata and pari passu*, according to the respective amounts thereof, in or towards satisfaction of all amounts of principal and any other amount due but unpaid in respect of the Senior Class A1 Notes and the Senior Class A2 Notes;
- (f) *seventh*, in or towards satisfaction of all amounts of interest due or accrued but unpaid in respect of the Mezzanine Class B Notes;
- (g) *eighth*, in or towards satisfaction of all amounts of principal and any other amount due but unpaid in respect of the Mezzanine Class B Notes;
- (h) *ninth*, in or towards satisfaction of all amounts of interest (if any) due or accrued but unpaid in respect of the Mezzanine Class C Notes;
- (i) *tenth*, in or towards satisfaction of all amounts of principal and any other amount due but unpaid in respect of the Mezzanine Class C Notes;
- (j) *eleventh*, in or towards satisfaction of all amounts of interest (if any) due or accrued but unpaid in respect of the Mezzanine Class D Notes;
- (k) *twelfth*, in or towards satisfaction of all amounts of principal and any other amount due but unpaid in respect of the Mezzanine Class D Notes;

- (l) *thirteenth*, in or towards satisfaction of all amounts of interest (if any) due or accrued but unpaid in respect of the Junior Class E Notes;
- (m) *fourteenth*, in or towards satisfaction of all amounts of principal and any other amount due but unpaid in respect of the Junior Class E Notes;
- (n) *fifteenth*, in or towards satisfaction of all amounts of interest (if any) due or accrued but unpaid in respect of the Subordinated Class F Notes;
- (o) *sixteenth*, in or towards satisfaction of all amounts of principal and any other amount due but unpaid in respect of the Subordinated Class F Notes;
- (p) *seventeenth*, in or towards satisfaction of the Swap Counterparty Default Payment and the Swap Subordinated Amount payable to the Swap Counterparty under the terms of the Swap Agreement;
- (q) *eighteenth*, in or towards satisfaction of all amounts of interest due or accrued and principal due but unpaid in respect of the Subordinated Loan; and
- (r) *nineteenth*, in and towards satisfaction of any Deferred Purchase Price Instalment to the Seller.

### **Subordinated Loan**

On the Closing Date the Seller will make available to the Issuer the Subordinated Loan. The Subordinated Loan will be in an amount of euro 2,750,000 and will be used by the Issuer to pay certain initial costs and expenses in connection with the issue of the Notes.

### **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 the Mortgage-Backed Notes are redeemed in full on such Quarterly Payment Date, or (ii) the Final Maturity Date) to make drawings under the Liquidity Facility Agreement up to the Liquidity Facility Maximum Amount (as defined below). The Liquidity Facility Agreement is for a maximum term of 364 days. The commitment of the Liquidity Facility Provider is extendable at the request of the Issuer. Any drawing under the Liquidity Facility Agreement by the Issuer shall only be made on a Quarterly Payment Date if and to the extent that, after the application of amounts available on the Reserve Account and without taking into account any drawing under the Liquidity Facility, there is a shortfall in the Notes Interest Available Amount to meet items (a) to (n) (inclusive), but not items (g), (i), (k) and (m), in the Interest Priority of Payments in full on that Quarterly Payment Date, provided that no drawing may be made to meet item (h) if there is a debit balance on the Class B Principal Deficiency Ledger and no drawing may be made to meet item (j) if there is a debit balance on the Class C Principal Deficiency Ledger and no drawing may be made to meet item (l) if there is a debit balance on the Class D Principal Deficiency Ledger and no drawing may be made to meet item (n) if there is a debit balance on the Class E Principal Deficiency Ledger. Certain payments to the Liquidity Facility Provider will rank in priority in respect of payments and security to *inter alia* the Notes. If a Liquidity Facility Stand-by Drawing is to be repaid by the Issuer, such repayment shall be made by the Issuer from the Liquidity Facility Stand-by Account directly to the Liquidity Facility Provider (outside of the Interest Priority of Payments).

If, (a) 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 the Requisite Rating or any such rating is withdrawn, and (ii) within 30 calendar days of such downgrading the Liquidity Facility Provider is not replaced with an alternative Liquidity Facility Provider whose short-term unsecured, unsubordinated and unguaranteed debt obligations are assigned at least a rating equal to the Requisite Rating or alternatively the Liquidity Facility Provider has procured that a guarantee for its obligations in favour of the Issuer has been issued in accordance with the guarantee criteria of S&P, or (b) the Liquidity Facility Provider has refused to extend the Liquidity Facility Agreement upon the Issuer's request, or (c) the Issuer has requested that the Liquidity Facility Provider transfers its rights and obligations under the Liquidity Facility Agreement to a third party, and the Liquidity Facility Provider has not immediately been replaced with a liquidity facility provider having the Requisite Rating, the Issuer will be required forthwith to draw down the entirety of the undrawn portion under the Liquidity Facility Agreement (a **Liquidity Facility Stand-by Drawing**) and credit such amount to the Liquidity Facility Stand-by Account maintained with the Floating Rate GIC Provider. Amounts so credited to the Liquidity Facility Stand-by Account may be utilised by the Issuer in the same manner as a drawing under the Liquidity Facility Agreement.

For these purposes, **Liquidity Facility Maximum Amount** means, on each Quarterly Calculation Date, the higher of (i) 2.0 per cent. of the aggregate Principal Amount Outstanding of the Mortgage-Backed Notes, on such date or (ii) 1.5 per cent. of the aggregate Principal Amount Outstanding of the Mortgage-Backed Notes, on the Closing Date.

### **Principal Deficiency Ledger**

A Principal Deficiency Ledger comprising five sub-ledgers (the Class A Principal Deficiency Ledger, the Class B Principal Deficiency Ledger, the Class C Principal Deficiency Ledger, the Class D Principal Deficiency Ledger and the Class E Principal Deficiency Ledger) will be established by or on behalf of the Issuer in order to record Realised Losses (a **Principal Deficiency**).

An amount equal to any Realised Loss will be debited:

- (i) to the Class E Principal Deficiency Ledger (such debit items being credited at item (o) of the Interest Priority of Payments, to the extent any part of the Notes Interest Available Amount is available for such purpose) so long as the debit balance on such sub-ledger is less than the aggregate Principal Amount Outstanding of the Junior Class E Notes; and thereafter
- (ii) to the Class D Principal Deficiency Ledger (such debit items being credited at item (m) of the Interest Priority of Payments, to the extent any part of the Notes Interest Available Amount is available for such purpose) so long as the debit balance on such ledger is less than the aggregate Principal Amount Outstanding of the Mezzanine Class D Notes; and thereafter
- (iii) to the Class C Principal Deficiency Ledger (such debit items being credited at item (k) of the Interest Priority of Payments, to the extent any part of the Notes Interest Available Amount is available for such purpose) so long as the debit balance on such ledger is less than the aggregate Principal Amount Outstanding of the Mezzanine Class C Notes; and thereafter
- (iv) to the Class B Principal Deficiency Ledger (such debit items being credited at item (i) of the Interest Priority of Payments, to the extent any part of the Notes Interest Available Amount is available for such purpose) so long as the debit balance on such ledger is less than the aggregate Principal Amount Outstanding of the Mezzanine Class B Notes; and thereafter
- (v) to the Class A Principal Deficiency Ledger (in each case such debit items being credited at item (g) of the Interest Priority of Payments, to the extent any part of the Notes Interest Available Amount is available for such purpose).

The Senior Class A Notes comprise of the Senior Class A1 Notes and the Senior Class A2 Notes and the Senior Class A1 Notes and the Senior Class A2 Notes rank *pari passu* and *pro rata* without any preference or priority among all Notes of such Class in respect of the Security and payments of interest. Provided that no Enforcement Notice has been given, payments of principal on the Senior Class A Notes are applied firstly to the Senior Class A1 Notes and then to the Senior Class A2 Notes. To the extent that the Notes Redemption Available Amount is insufficient to redeem the Senior Class A1 Notes and/or the Senior Class A2 Notes in full when due in accordance with the Conditions for a period of fifteen calendar days or more, this will constitute an Event of Default in accordance with Condition 10(a). The Senior Class A2 Notes do not therefore purport to provide credit enhancement to the Senior Class A1 Notes. If, on any date, the Security is to be enforced and the proceeds of the enforcement would be insufficient to fully redeem the Senior Class A Notes in full, such loss will be borne, *pro rata* and *pari passu*, by the holders of the Senior Class A Notes. If the Senior Class A1 Notes have been redeemed (in part or in full) at such time, this will result in the Senior Class A2 Notes bearing a greater loss than that borne by the Senior Class A1 Notes.

**Realised Losses** means, on any Quarterly Payment Date, the sum of:

- (a) the balance between (i) the aggregate Outstanding Principal Amount in respect of Mortgage Receivables less, with respect to Participation-Linked Mortgage Receivables and the Bank Savings Mortgage Receivables, the relevant Participations, on which the Seller or the Defaulted Loan Servicer or the Issuer has foreclosed during the immediately preceding Quarterly Calculation Period, and (ii) the sum of (x) the Net Proceeds on such Mortgage Receivables other than Participation-Linked Mortgage Receivables and the Bank Savings Mortgage Receivables and (y) the Net Proceeds on such Participation-Linked Mortgage Receivable and Bank Savings Mortgage Receivables up to the amount of the relevant Participation-Linked Mortgage Receivable or Bank Savings Mortgage Receivables less the relevant Participations; and

- (b) with respect to Mortgage Receivables sold by the Issuer during the immediately preceding Quarterly Calculation Period, the balance, if any, between (x) the aggregate Outstanding Principal Amount, less with respect to such Participation-Linked Mortgage Receivable and Bank Savings Mortgage Receivables, the relevant Participations, and (y) the purchase price received in respect of such Mortgage Receivables to the extent relating to the principal less, with respect to Participation-Linked Mortgage Receivables and the Bank Savings Mortgage Receivables, the relevant Participations; and
- (c) with respect to the Mortgage Receivables in respect of which the Borrower has successfully asserted set-off or defences or to payments or (p)repaid any amounts, the amount by which the Mortgage Receivables have been extinguished (*teniet gegaan*) as a result thereof unless and to the extent such amount is received from the Seller or otherwise pursuant to any items (i) and (iii) of the Notes Redemption Available Amount.

### Interest Rate Hedging

The Mortgage Loan Criteria require that all Mortgage Receivables bear a floating rate 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. The margin on the Mortgage-Backed Notes will be reset on the first Optional Redemption Date. The Issuer will mitigate this interest rate exposure on the Mortgage-Backed Notes by entering into the Swap Agreement with the Swap Counterparty. The interest rate exposure in respect of the Subordinated Class F Notes will not be mitigated by the Swap Agreement.

Under the Swap Agreement, the Issuer will agree to pay on each Quarterly Payment Date the sum of:

- (a) the aggregate amount of interest on the Mortgage Receivables (for the avoidance of doubt, minus Construction Amounts) scheduled to be paid during the immediately preceding Mortgage Calculation Period less, with respect to each Participation-Linked Mortgage Receivable and each Bank Savings Mortgage Receivable, an amount equal to the scheduled interest multiplied by the relevant Participation Fraction (the **Scheduled Interest**); and
- (b) the interest accrued and received on the Issuer Collection Account; and
- (c) the aggregate amount of the penalty interest and any prepayment penalties received during the immediately preceding Mortgage Calculation Period; less
- (d) an excess margin of 0.50 per cent. per annum applied to the aggregate Principal Amount Outstanding of the Mortgage-Backed Notes (for the avoidance of doubt as reduced by any outstanding debit balances on the respective sub-ledgers of the Principal Deficiency Ledger) on the first calendar day of the relevant Floating Rate Interest Period divided by four (the **Excess Margin**); less
- (e) the estimated operating expenses set out in items (a) up to and including (c) of the Interest Priority of Payments payable during the relevant calendar year divided by four.

In addition, the Issuer will agree to pay on each Quarterly Payment Date an amount equal to the greater of (A) zero or (B) (i) the estimated operating expenses set out in items (a) up to and including (c) of the Interest Priority of Payments payable during the relevant calendar year divided by four on the first Quarterly Payment Date less (ii) the actual operating expenses set out in items (a) up to and including (c) of the Interest Priority of Payments payable during the relevant calendar year divided by four on such Quarterly Payment Date (the **Swap Subordinated Amount**).

The Swap Counterparty will agree to pay to the Issuer on each Quarterly Payment Date amounts equal to the scheduled interest due under the Mortgage-Backed Notes on such Quarterly Payment Date, and calculated by reference to the Rates of Interest applied to the Principal Amount Outstanding of the relevant Class of Notes (as reduced by any outstanding debit balances on the respective sub-ledgers of the Principal Deficiency Ledger, whereby in the event of a balance on the Class A Principal Deficiency Ledger, such balance will be subdivided between the Senior Class A1 Notes and the Senior Class A2 Notes *pro rata* by reference to the Principal Amount Outstanding of the Senior Class A1 Notes and the Senior Class A2 Notes) on the first calendar day of the relevant Floating Rate Interest Period.

### Adjustment of Swap Amounts

If on any Quarterly Payment Date, the amount of interest actually received and interest (including penalties) recovered on the Mortgage Receivables, less in case of a Participation-Linked Mortgage Receivable and a Bank Savings Mortgage Receivable, the amount received multiplied by the relevant Participation Fraction (the **Interest Received**), falls short of

Scheduled Interest, the payment obligation of the Issuer will be reduced with an amount equal to such shortfall. In such event the payment of the Swap Counterparty on such Quarterly Payment Date will be adjusted accordingly on a euro for euro basis. Such reduction could result in the Issuer not having sufficient funds available to meet its payment obligations in accordance with the priorities described above on such Quarterly Payment Date. For the avoidance of doubt, there will be no adjustment if the amount of Interest Received exceeds the amount of Scheduled Interest.

The Swap Agreement provides for payment netting in respect of payments to be made by the Issuer and the Swap Counterparty respectively on a Quarterly Payment Date and provides for close-out netting upon termination of the Swap Agreement.

The Swap Agreement will be documented under an ISDA Master Agreement. The Swap Agreement may be terminated in accordance with events of default and termination events commonly found in standard ISDA documentation for swap transactions. The Swap Agreement will be terminable by one party if (i) an applicable event of default or termination event occurs in relation to the other party, (ii) it becomes unlawful for either party to perform its obligations under the Swap Agreement, or (iii) an Enforcement Notice is served or all Notes are redeemed prior to the Final Maturity Date pursuant to Condition 6(b), (e) or (f) (an **Early Redemption Event**). Events of default under the Swap Agreement in relation to the Issuer will be limited to (i) non-payment under the Swap Agreement, and (ii) certain insolvency events. If the Swap Agreement is terminated as a result of an event of default in respect of the Issuer, the service of an Enforcement Notice or an Early Redemption Event, the Swap Counterparty will calculate the termination amount payable by or to the Issuer as a result of the termination of the Swap Agreement, in accordance with the terms of the Swap Agreement.

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

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

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

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

The Issuer may pay any termination payment to the Swap Counterparty on any date other than a Quarterly Payment Date provided that the Issuer has received such amount as initial swap payment from the relevant replacement swap counterparty.

Any amounts received by the Issuer from the Swap Counterparty, whether or not through application of any collateral, upon early termination of the Swap Agreement will be held on the Issuer Collection Account with a corresponding credit to a ledger known as the **Swap Termination Payment Ledger**. Amounts standing to the credit of the Swap Termination Payment Ledger will be available (i) to make an initial swap payment to a replacement swap counterparty on any date other than a Quarterly Payment Date or (ii) as part of the Notes Interest Available Amount if and to the extent (a) for so long as no such replacement swap counterparty is available at such time, such amount is required to satisfy items (f), (h), (j), (l) and (n) of the Interest Priority of Payments or (b) such amount is required to make an initial swap payment to a replacement swap counterparty on a Quarterly Payment Date. Any remaining amount standing to the Swap Termination Payment Ledger will be released and will form part of the Notes Interest Available Amount on the Quarterly Payment Date on which (i) a new swap agreement has been entered into and the initial swap payment, if any, has been paid or (ii) the Mortgage-Backed Notes have been redeemed in full.

### *Downgrade of Swap Counterparty*

If the Swap Counterparty ceases to have certain required ratings by the Rating Agencies, the Swap Counterparty will be required to take certain remedial measures which may include (i) the provision of collateral for its obligations under the Swap Agreement pursuant to the Credit Support Annex to the Swap Agreement entered into by the Issuer and the Swap Counterparty on the basis of the standard ISDA documentation (which provides for requirements relating to the providing of collateral by the Swap Counterparty), or (ii) arranging for its obligations under the Swap Agreement to be transferred to an entity with the required ratings, or (iii) procuring another entity with at least the swap required ratings to become joint-obligor in respect of its obligations under the Swap Agreement, or (iv) taking such other action as it may agree with the Rating Agencies. A failure to take such steps, subject to certain conditions, will give the Issuer the right to terminate the Swap Agreement.

Any Excess Swap Collateral will, when due pursuant to the Swap Agreement, be returned to such Swap Counterparty outside the Interest Priority of Payments or the Priority of Payments upon Enforcement. If the Issuer receives any Tax Credit resulting from the payment of any withholding tax by the Swap Counterparty, the Issuer shall pay the cash benefit of such Tax Credit to the Swap Counterparty outside the Interest Priority of Payments or the Priority of Payments upon Enforcement.

### **Sale of Mortgage Receivables**

The Issuer may not dispose of any Mortgage Receivables, except to comply with its obligations under the Notes in certain circumstances as further provided in the Trust Deed and in connection with a repurchase obligation of the Seller as provided in the Mortgage Receivables Purchase Agreement. If the Issuer decides to offer for sale (part of) the Mortgage Receivables it will first offer such Mortgage Receivables to the Seller. The Seller shall within a period of 15 business days from such offer inform the Issuer whether or not it wishes to repurchase the Mortgage Receivables. After such period, the Issuer may offer such Mortgage Receivables for sale to any third party.

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

Under the terms of the Trust Deed, the Issuer will have the right to sell and assign all but not some of the Mortgage Receivables on each Optional Redemption Date to a third party, provided in any case that the Issuer shall apply the proceeds of such sale to redeem the Mortgage-Backed Notes (see *Condition 6(e) (Redemption – Optional Redemption)* in the section *Terms and Conditions of the Notes* below).

The Issuer may only sell and assign all but not some of the Mortgage Receivables, provided that in accordance with Condition 6(e) the purchase price of such Mortgage Receivables shall be (1) sufficient to redeem the Senior Class A Notes at their Principal Amount Outstanding and the other Classes of Mortgage-Backed Notes at their Principal Amount Outstanding less the relevant Principal Shortfall, (2) sufficient to make any payment due by the Issuer to the Swap Counterparty in connection with the termination of the Swap Agreement unless the Issuer has other available funds to make such payment to the Swap Counterparty and (3) equal to at least the Outstanding Principal Amount of the relevant Mortgage Receivable, together with accrued interest due but unpaid and, if the Mortgage Receivables are repurchased by the Seller, any costs incurred by the Issuer in effecting and completing such sale and assignment, if any, except that with respect to Mortgage Receivables which are in arrears for a period exceeding 90 calendar 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 (a) the sum of the Outstanding Principal Amount, together with accrued interest due but unpaid, if any, and any other amount due under the Mortgage Conditions up to the relevant date of such sale or repurchase and (b) an amount equal to the foreclosure value of the Mortgaged Assets or, if no valuation report of less than 12 months old is available, the indexed foreclosure value plus any other collateral, including the relevant Participation, if any.

If the Mortgage Receivables are purchased by a third party, any costs incurred by the Issuer in effecting and completing the sale and assignment of the Mortgage Receivables, if any, will be for the account of such party, to the extent acceptable to such party.

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

On each Quarterly Payment Date, the Seller has the option to exercise the Clean-Up Call Option. The purchase price of the Mortgage Receivables will be calculated as described in the paragraph *Sale of Mortgage Receivables on an Optional Redemption Date* above. The proceeds of such sale shall be applied by the Issuer towards redemption of the Mortgage-Backed Notes in accordance with Condition 6(b) and subject to Condition 9(b).

*Sale of Mortgage Receivables if the Regulatory Call Option is exercised*

On each Quarterly Payment Date, the Seller has the option to exercise the Regulatory Call Option. The purchase price of the Mortgage Receivables will be calculated as described in the paragraph *Sale of Mortgage Receivables on an Optional Redemption Date* above. The proceeds of such sale shall be applied by the Issuer towards redemption of the Mortgage-Backed Notes in accordance with Condition 6(b) and subject to Condition 9(b).

*Sale of Mortgage Receivables for tax reasons*

If the Issuer exercises its option to redeem the Notes upon the occurrence of a Tax Change for tax reasons in accordance with Condition 6(f), the purchase price of such Mortgage Receivables will be calculated in the same manner as described in the paragraph *Sale of Mortgage Receivables on an Optional Redemption Date* above. The proceeds of such sale shall be applied by the Issuer towards redemption of the Mortgage-Backed Notes in accordance with Condition 6(f) and subject to Condition 9(b).

*Sale of Mortgage Receivables if the Seller is obliged to repurchase*

If the Seller is obliged to repurchase any Mortgage Receivable(s) pursuant to the Mortgage Receivables Purchase Agreement, the repurchase price of the Mortgage Receivables will be at least equal to (i) the Outstanding Principal Amount in respect of the relevant Mortgage Receivables together with any accrued interest up to but excluding the date of repurchase and re-assignment of the Mortgage Receivables, (ii) and reasonable costs relating thereto (including any costs incurred by the Issuer in effecting and completing such sale and re-assignment) and (iii) the amount (if any) due by the Issuer to the Swap Counterparty to the extent the repurchase results in the termination of the Swap Agreement, unless the Issuer has other available funds to make such payment to the Swap Counterparty. The proceeds of such sale shall be applied by the Issuer towards redemption of the Mortgage-Backed Notes in accordance with Condition 6(b) and subject to Condition 9(b).

## OVERVIEW OF THE DUTCH RESIDENTIAL MORTGAGE MARKET

*The information contained in this section has been derived from the Dutch Land Registry (Kadaster)*

The Netherlands has one of the most liberal mortgage markets in the EU. This has resulted in a wide range of mortgage products and a high degree of competition between mortgage providers. Dutch consumers have a wide range of choice in a mortgage market that has certain characteristics that it does not share with other mortgage markets in Europe. Historic practices, culture and most importantly tax legislation, especially that pertaining to the deductibility of mortgage loan interest, have shaped the Dutch residential mortgage market.

Over the recent years, outstanding mortgage loans have continued to increase, even though housing prices declined by a few per cent. The market is still supported by a gradual increase in the levels of owner-occupation and an environment of low mortgage interest rates. Chart 1 below shows that the level of outstanding residential mortgage debt in the Netherlands reached EUR 607 billion in the first quarter of this year (excluding mortgage loans on commercial property).

On 1 November 2010, the Netherlands Competition Authority (NMa) published the "Mortgage Rate Quick Scan", concluding that the margins on Dutch mortgage loans have been relatively high since mid 2009, both by historical standards and in comparison with neighbouring countries. This preliminary inquiry is part of a broader sector study of the level of competition on the mortgage market. The results of the more extensive follow-up sector study are expected to be published in the spring of 2011. At this stage, it is premature to draw any conclusions regarding study outcomes.

Last spring the financial markets supervisor (AFM) launched a plan designed to limit the risks on mortgage overhang debt. The proposal is to limit the mortgage amount to 112% of the purchase sum. This differs little from the current standard of 125% of the foreclosure value, assuming that the foreclosure value amounts to 90% of the purchase value (as is often the case). Thus far, the proposal mostly confirms prevailing practice. However, a new element is the compulsory redemption of the part of the mortgage loan that exceeds 100% of the purchase value within a period of seven years after origination. This proposal will likely enter into force during 2011, urging banks to be more cautious when it comes to issuing top mortgage loans. Furthermore, this may result in a tightening of the credit rules for customers buying a house.

The measure to push back the size of the mortgages to less than 100% of the foreclosure value within seven years, will give some downward pressure on the housing prices. As a consequence of the new measure, the monthly costs of a loan will, in case it exceeds the 100%, increase. And as a result the maximum mortgage, banks can and will provide, will be revised downwards. The new measure will however only effect those who intended to negotiate a mortgage of more than 100% of the foreclosure value and had no intention to bring the sum of the mortgage below the 100% level within seven years. This concerns mostly first time buyers on the housing market, as many current house owners have a positive loan-to-value ratio, due to an increase in house prices in the past.

Unlike the UK mortgage market in which mortgage loans (while evolving) remain predominantly floating rate, Dutch mortgage loans are predominantly of a fixed rate nature and typically are set for a period of between five (5) and ten (10) years. The historically low mortgage interest rate in 2005 has proved an additional incentive to opt for mortgage loans with a long-term fixed interest rate (up to as much as 30 years, which gives people almost life-long certainty). For this reason Dutch mortgage consumers are relatively well insulated against interest rate shocks.

Increased competition and the deregulation of the Dutch financial market have resulted in the development of tailor-made mortgage loans consisting of various parts and features. As a result of the credit crisis, the more risk seeking mortgage products were taken from the market. The mortgage products offered by lenders reflect the (until 2001) full tax deductibility of mortgage loan interest and have encouraged borrowers to defer repayment of principal for as long as possible. This is evidenced by relatively high loan to value ratios and the extensive use of non-amortising mortgage products, which give full tax benefits for the whole maturity of the mortgage loan without the need to redeem the mortgage loan. Borrowers often have considerable investments and savings available, but choose not to use such funds to acquire a house or to repay their mortgage loan, but instead to minimise their tax liabilities.

In the Netherlands, interest payments on home mortgage loans is in principle deductible against employment income. Income from "work and personal residence" (*inkomen uit werk en woning*) is taxed in "Box 1" at a maximum rate of 52% (for income in excess of EUR 54,367). The deductibility of interest on mortgage loans is limited to loans on the borrower's primary residence. The deductibility of mortgage loan interest payments is only allowed for periods of up to thirty (30) years.

As of 2004, the tax deductibility of mortgage loan interest payments has been restricted under the so-called Additional Borrowing regulation (*Bijleenregeling*). On the basis of this regulation, if a home owner acquires a new home and realises a profit on the sale of his old home, the home owner is considered to invest this net profit into the new home. Broadly speaking, the net profit is deducted from the value of the new home and mortgage loan interest deductibility is limited to the interest that relates to a maximum loan equal to the value of the new home less the net profit of the old home. Special rules apply to moving home owners that do not (immediately) sell their previous home.

Consequently, first time buyers now have an incentive never to pay off any part of their mortgage loan as this limits the amount they have to reinvest in their subsequent homes. This unintentional side effect of the new tax regulations can stimulate future mortgage production. On the other hand, the limitation of interest rate deductibility will probably have a downward impact on total mortgage debt in the medium to long term. Realised profits will have to be reinvested in the housing market, which will result in a larger share of home equity and a reduction in the total tax advantage

The new Dutch government which has taken office in October 2010 has decided to leave the tax deductibility of mortgage loan interest payments unchanged, creating more certainty about the government policy on the housing market and households' future financial burden. However, changes in tax deductibility by future government(s) cannot be ruled out.

The number of involuntary sales of residential property by public auction is traditionally very small in the Netherlands. Especially in the second half of the 1990s, when the demand for residential property was exceptionally strong, house sales by auction, even in case of a forced sale, almost never occurred or were required. Moreover, the 1990s were characterised by very good employment conditions and a continuing reduction of mortgage loan interest rates. In the years before the recent cooling-down of the housing market, the total number of foreclosures was therefore limited from two sides.

The relatively prolonged economic downturn of 2001 to 2005 led to a significant rise in the amount of mortgage payment arrears and correspondingly foreclosures (see Chart 5). The number of foreclosures in the Netherlands reported by the Land Registry (*Kadaster*) rose from 695 in 2002 to about 2000 foreclosures from 2005 onwards. This increase was mainly due to a structural change in the Dutch mortgage market during the 1990s. Instead of selling only single income mortgage loans, lenders were allowed to issue double income mortgage loans as well. Of course, whenever a relationship is less permanent than expected, a foreclosure is more likely to occur than it used to be. The effect of the recent credit crisis and the connected increase in unemployment had only a limited effect on the number of foreclosures, which grew by around 370 (12-months total) since the first quarter of 2008. This stands for an increase of less than 15% during the largest recession since the 1930s and even now mortgage loan payment deficiencies for the Netherlands are still the lowest in Europe. In the first half of 2010 there was in aggregate a slight drop in foreclosures compared to the same period last year. During this period the Land Registry (*Kadaster*) recorded 1,077 forced auctions – 50 less than for the same period last year. While this may not be an enormous difference, at least the upward trend has been broken.

Even though in a relative sense the increase in foreclosures in the Netherlands over the last years is substantial, the absolute number is still very low compared to the total number of residential mortgage loans outstanding. There are no precise data of the number of residential mortgage loans outstanding in the Netherlands. However, based on the published total amount of residential mortgage debt outstanding and the current average mortgage loan amount it is estimated that the total number of residential mortgage loans outstanding in the Netherlands exceeds 3 million. A total of around 2,200 foreclosures per year therefore corresponds with approximately 0.07% of the total number of residential mortgage loans outstanding.

In the unforeseen case that the number of foreclosures was to increase dramatically, this could have a negative effect on house prices. Decreasing house prices could in turn increase loss levels should a borrower default on its mortgage obligations, because the foreclosure proceeds would be decreasing as well.

However, the number of foreclosures (Chart 5 below) as a percentage of total house sales (Chart 2 below) still only amounts to 1.7% (as per the end of June 2010). This is too small a proportion to be of any real impact on the development of house prices. Furthermore, the Dutch housing market is characterised by a large discrepancy between demand and supply, which mitigated the negative effect of the economic recession on house prices. A lack of confidence among house buyers has, however, sapped momentum from the market. As a result the Dutch housing prices have declined a few per cent. From its highest point to its lowest point, the price decline amounted 6%. However, the decline in the number of sales has been halted: during the first half of 2010, almost 60,000 sales took place – over 2,000 more than in the same period last year. Sales figures are currently stabilising around 130,000 year-on-year. Although this is historically low, at least the downward trend has come to an end.

This stabilisation is reflected in the price development of second-hand (or existing) houses. The second-hand housing market indicator (PBK) of CBS/Land Registry showed 0.1% price growth in the third quarter of 2010 compared to the first quarter of 2010. Owing to the declining prices of previous quarters, prices have still declined year-on-year, although the rate of this decline has decreased markedly in recent quarters (from -4.4% to -0.6%).

Chart 1: Total mortgage debt  
Source: DNB, Rabobank

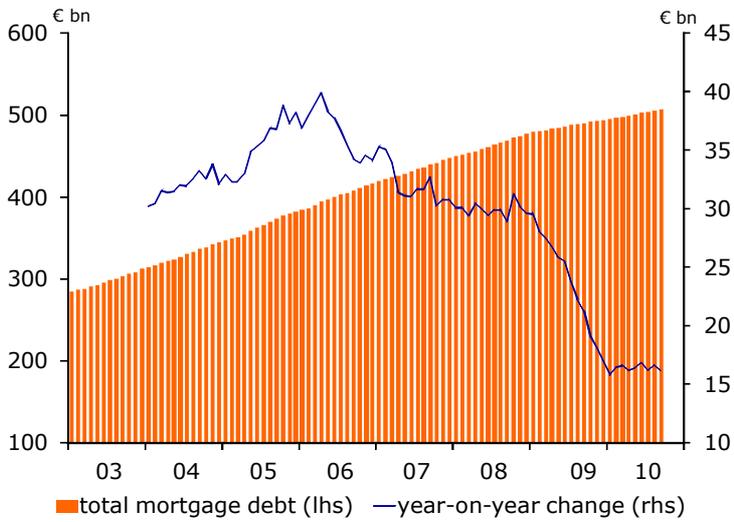


Chart 2: Number of residential real estate transactions  
Source: Land Registry, Rabobank

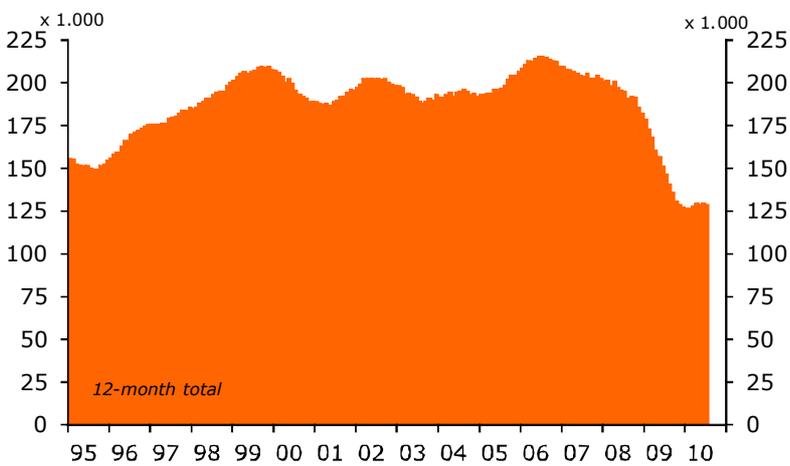


Chart 3: Change in price index  
Source: Statistics Netherlands/Land Registry, Rabobank

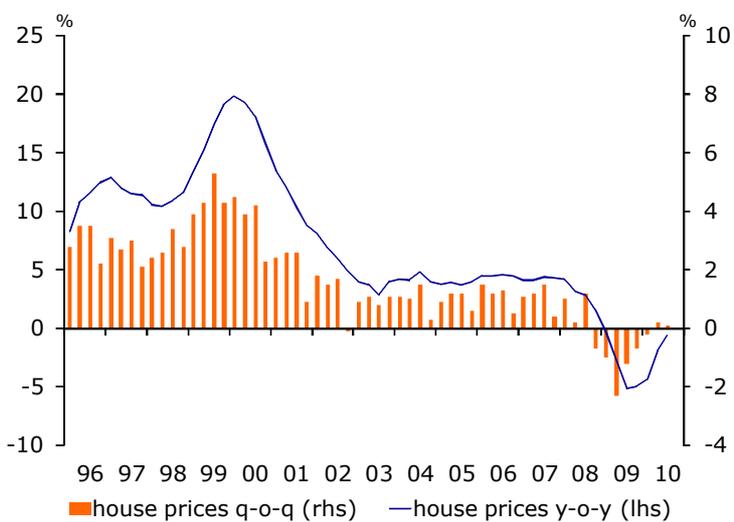


Chart 4: Development Dutch house prices  
 Source: Statistics Netherlands/Land Registry, Rabobank

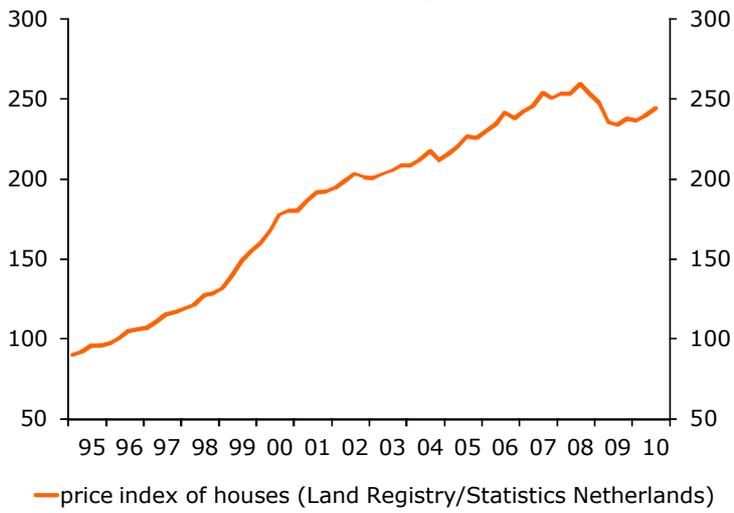
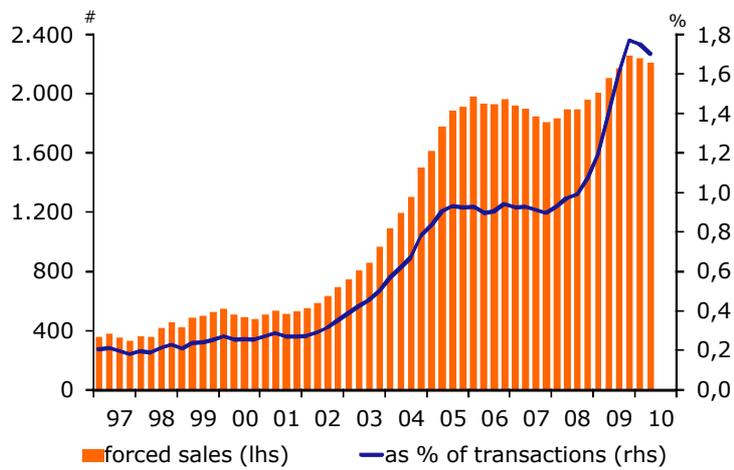


Chart 5: Number of foreclosures  
 Source: Land Registry, Rabobank



# AMSTELHUYNS AND DELTA LLOYD

## 1. INTRODUCTION

### Amstelhuys and its position in the Group

Amstelhuys is a wholly-owned subsidiary of Delta Lloyd N.V. (**Delta Lloyd**). Amstelhuys is fully consolidated in Delta Lloyd's annual accounts. On 7 July 1999 Delta Lloyd issued a statement of joint and several liability pursuant to Section 2:403 of the Netherlands Civil Code. As a result thereof, Delta Lloyd assumes joint and several liability for any liabilities arising from legal acts of Amstelhuys.

The statutory objectives of Amstelhuys are: (i) obtaining repayable funds within a closed circle and/or from professional market parties, (ii) granting (mortgage) loans to private persons and/or companies, (iii) whether or not together with other parties, incorporating, participating in, managing, financing of and providing services to undertakings in whatever form, (iv) acquiring and disposing of or encumbering of (portfolios of) (mortgage) loans, including but not limited to, in connection with securitisations, (v) giving guarantees and granting security rights or otherwise warranting the performance or jointly or otherwise binding the company to be liable for obligations of others, including but not limited to, subsidiaries, participations or other group companies of the company, as well performing any and all acts which are related or which may (directly or indirectly) be conducive to the above, including but not limited to, entering into repo transactions, forward rate agreements and other derivative contracts, all in the in the widest sense of the word.

Amstelhuys is not a bank and therefore is not licensed as such and its operations are not subject to the general prohibition of attracting repayable funds from outside a restricted circle from other parties than professional market parties. It holds a licence under the Wft as an offeror (*aanbieder*) of credit (*krediet*).

### The Group

Delta Lloyd and its subsidiaries (together with Delta Lloyd, the **Group**) is a financial services provider offering life insurance, general insurance, fund management and banking products and services with its targeted markets being the Netherlands and Belgium. In 2009, the Group recorded gross written premiums of €5,065 million. On 3 November 2009, Delta Lloyd obtained an official listing on NYSE Euronext in Amsterdam. On 1 October 2010, Delta Lloyd has been assigned a long-term credit rating of A- (negative outlook) by S&P.

The Group employs a multi-brand, multi-channel strategy in the Netherlands in order to position itself advantageously in different distribution channels and customer and pricing segments in the insurance market. The primary differences among the Group's three principal Dutch brands (Delta Lloyd, ABN AMRO Insurance and OHRA) result from the positioning, pricing, marketing and distribution of their products.

Through the Delta Lloyd brand, the Group targets retail and commercial customers in the middle to premium range of the life and general insurance markets, distributing primarily through independent intermediaries, which include independent financial advisers, underwriting agents (*volmacht*, with respect to general insurance), actuarial consulting firms (with respect to group life insurance) and brokers (together, **Intermediaries**). Through the ABN AMRO Insurance brand, the Group generally targets individuals, but has some group and commercial customers, in the middle range of the life and general insurance markets, leveraging the distribution network of ABN AMRO Bank. Through the OHRA brand, the Group offers commodity products in the life and general insurance markets, distributing primarily through direct channels such as call centres and the internet. In Belgium, the Group distributes its insurance products through Intermediaries, tied agents (agents which sell only products of the Group) and through its own network of bank branches.

The Group has extensive distribution networks with large customer bases in the Netherlands and Belgium, which it believes will provide the platform for the Group to continue to grow in those mature markets. In addition, the Group has maintained a strong capital position through the recent economic downturn. The Group seeks to grow through a combination of organic growth and targeted acquisitions.

The Group also has operations in Germany, but this is no longer a core market for the Group.

### History

The Group's history dates back to 1807. In that year, the *Hollandsche Societeit van Levensverzekeringen N.V.* was established, making the Group the oldest existing life insurer in continental Europe. *Hollandsche Societeit van*

Levensverzekeringen N.V. strengthened its position in the insurance and investment market by merging in 1967 with Amsterdamse Maatschappij van Levensverzekering N.V. The resulting entity, Delta, then merged with the general insurance company Nedlloyd to create Delta Lloyd in 1969.

Commercial Union, a UK-based insurer with an extensive international network, became Delta Lloyd's only shareholder in 1973, while Delta Lloyd retained operational independence and continued to operate under its own brand name in the Dutch market. Commercial Union merged with General Accident in 1998 to form CGU plc, which then merged with Norwich Union plc in 2000 to create CGNU plc, which was renamed Aviva plc (**Aviva**) in 2002.

Through various acquisitions and mergers in the Netherlands, Germany and Belgium and its joint venture with ABN AMRO Bank, the Group obtained its current form; being a financial services provider offering life insurance, general insurance, fund management and banking products and services. One of the most important mergers in this regard was the merger with Nuts OHRA Beheer B.V., a Netherlands-based direct insurance writer. Nuts OHRA Beheer B.V.'s shareholder, Vereniging NutsOhra (now called Stichting Fonds NutsOhra (**Fonds NutsOhra**)) became a shareholder at the time of the merger. Following the merger, Delta Lloyd had two shareholders, Aviva held 92% of the voting rights and Fonds NutsOhra held 8% of the voting rights. The merger allowed the combined company to begin to pursue its multi-brand, multi-channel distribution strategy in the Netherlands, as distribution expanded from Intermediaries (Delta Lloyd) to include also direct sales (OHRA).

## 2. BUSINESS LINES AND BANKING BUSINESS

### Business Lines

The table below shows the primary markets, products, distribution methods and other key features of the Group's business from a divisional point of view and how these activities map onto the four core business lines, which each represent a reporting segment in the financial statements:

Division	Geographical market	Business Line(s)	Primary distribution channel
Delta Lloyd Insurance	The Netherlands	Life Insurance, General Insurance	Intermediaries
ABN AMRO Insurance	The Netherlands	Life Insurance, General Insurance	Bancassurance, <sup>(1)</sup> Intermediaries
OHRA <sup>(2)</sup>	The Netherlands	Life Insurance, General Insurance	Direct
Delta Lloyd Asset Management	The Netherlands, Belgium, Germany	Fund Management	Retail: distributed by banks (not exclusive)  Institutional: dedicated sales force
Delta Lloyd Banking	The Netherlands	Banking	Intermediaries, direct
	Belgium	Banking	Branches, tied agents, direct
Delta Lloyd Belgium	Belgium	Life Insurance, General Insurance	Intermediaries, Bancassurance, tied agents
Delta Lloyd Germany	Germany	Life Insurance	Intermediaries, tied agents

(1) Meaning a bank's distribution network, including branches, call centres, financial centres and internet platforms.

(2) Including Delta Lloyd Groep Particuliere Schadeverzekeringen N.V., which is responsible for the Group's shared back office functions.

### Banking Business Line

The Group's banking business line offers a range of banking products and services in the Netherlands and Belgium. Its banking products and services in the Netherlands primarily include mortgage loans, as well as savings and "*bancaire lijfrente*" distributed through intermediaries and direct channels. In the Netherlands, the Group uses Amstelhuys (a

wholly-owned subsidiary of Delta Lloyd which is not included in the banking business line) as originator of most of its residential mortgage loans and as a funding vehicle.

### 3. UNAUDITED FINANCIAL INFORMATION

#### General financial information on the Group

	Six months ended 30 June					
	2010			2009		
	Gross written premiums	Net op. result <sup>(1)</sup>	Net result	Gross written premiums	Net op. result <sup>(1)</sup>	Net Result
	<i>(EUR million)</i>					
Life Insurance	2,017	120	719	1,937	129	224
General Insurance	875	49	70	830	40	-3
Fund Management	-	9	13	-	6	6
Banking	-	8	-2	-	4	-2
Other <sup>(2)</sup>	-	-	-	-	-	-
<b>Total</b>	<b>2,892</b>	<b>167</b>	<b>767</b>	<b>2,767</b>	<b>159</b>	<b>211</b>

	Year ended 31 December								
	2009			2008			2007		
	Gross written premiums	Net op. result <sup>(1)</sup>	Net result	Gross written premiums	Net op. result <sup>(1)</sup>	Net result	Gross written premiums	Net op. result <sup>(1)</sup>	Net result
	<i>(EUR million)</i>								
Life Insurance	3,642	243	-119	4,533	187	25	4,054	285	586
General Insurance	1,423	89	111	1,378	112	13	1,251	176	190
Fund Management	-	26	22	-	16	10	-	25	26
Banking	-	17	10	-	-7	-114	-	1	8
Other <sup>(2)</sup>	-	-9	-147	-	-	-85	-	-41	-23
<b>Total</b>	<b>5,065</b>	<b>366</b>	<b>-124</b>	<b>5,911</b>	<b>308</b>	<b>-153</b>	<b>5,305</b>	<b>446</b>	<b>787</b>

The table below shows the results for the Banking Group and Germany separately.

	Six months ended 30 June			Year ended 31 December		
	2010			2009		
	Gross written premiums	Net op. result <sup>(1)</sup>	Net result	Gross written premiums	Net op. result <sup>(1)</sup>	Net Result
	<i>(EUR million)</i>					
Banking - DL Banking Group	-	9	-2	-	19	10
Banking - Germany	-	-1	0	-	-2	0
Other - DL Banking Group	-	0	-3	-	3	-3
<b>Total</b>	<b>-</b>	<b>8</b>	<b>-5</b>	<b>-</b>	<b>20</b>	<b>7</b>

The tables below show the Group's breakdown of gross written premiums, net operational result and net result by business line for the six months ended 30 June 2010 and 2009 and the years ended 31 December 2009, 2008 and 2007:

- (1) Operational result as presented by the Group is a non-GAAP financial measure and is not a measure of financial performance under IFRS. Net operational result is operational result after tax and minority interests.
- (2) Other includes Group central costs and support services, as well as Amstelhuys (which is not consolidated with the Group's banking business line), together with any consolidation and elimination items. Also includes gains from the sale of Onderlinge Waarborgmaatschappij Centrale Zorgverzekeraars groep, and Onderlinge Waarborgmaatschappij CZ Groep Aanvullende Verzekering Zorgverzekeraar.

## Other Data and Key Ratios

The table below shows other data and key ratios for the Group for the six months ended 30 June 2010 and 2009 and for the years ended 31 December 2009 and 2008.

	Other data and key ratios (%)			
	Six months ended 30 June		Year ended 31 December	
	2010	2009	2009	2008
Assets under management <sup>(1)</sup>	71,240	69,726	67,799	61,620
Combined ratio	95.9%	99.1%	98.3%	96.5%
Operational Return on equity	8.6%	11.6%	11.6%	6.2%
Group solvency ratio (regulatory) <sup>(2)</sup>	178%	201%	201%	145%
Group solvency ratio (IFRS) <sup>(3)</sup>	301%	256%	256%	205%

(1) This is not an IFRS line item. Assets under management comprises all assets actively managed or administered by or on behalf of the Group including those funds managed by third parties.

(2) Group solvency ratio (regulatory) presents the Group's capital position on a regulatory basis as required under the Dutch Financial Supervision Act.

(3) Group solvency ratio (IFRS) presents the Group's capital position on an IFRS basis.

## Financial information on the Banking Business Line

### Mortgage loans

The majority of loans offered by the Group are mortgage loans. The banking business line also services mortgage loans originated by Amstelhuys.

Because interest payments on mortgage loans in the Netherlands are (partly or wholly) tax-deductible, interest-only mortgage loans and mortgage loans that combine interest-only loans with savings and investment features are most common.

The table below shows an overview of the Group's mortgage loan portfolio in the Netherlands serviced by the banking business line:

	As at 30 June	As at 31 December		
	2010	2009	2008	2007
Group mortgage loan portfolio in the Netherlands <sup>(1)</sup> (EUR billion)	10.7	10.5	9.5	9.0
No. of loans	54,700	53,620	50,689	48,939
No. of private sales	60	56	57	50
No. of foreclosures	12	22	22	36
No. of losses	51	53	38	32
Loss amount (EUR million)	1.80	1.50	1.40	1.12
Loss amount (bp of portfolio)	1.66	1.43	1.47	1.24

(1) Includes mortgage loans originated by Amstelhuys, but does not include EUR 109 million in mortgage loans to private banking customers, which are serviced by the private banking department in the Netherlands

The table below shows the percentage of arrears of the Group's mortgage loan portfolio in the Netherlands serviced by the banking business line as at 30 June 2009 and 31 December 2008:

Arrears <sup>(1)</sup>	As at		
	30 June 2010	31 December 2009	31 December 2008
	(%)	(%)	(%)
0 to 2 months	2.0	1.9	1.9
> 2 to 3 months	0.4	0.4	0.3
> 3 to 6 months	0.1	0.2	0.1
> 6 to 12 months	0.1	0.1	0.1
More than 12 months	0.0	0.0	0.0
Total arrears > 3 months	<b>0.2</b>	<b>0.3</b>	<b>0.2</b>

(1) Includes mortgage loans originated by Amstelhuys, but does not include EUR 109 million in mortgage loans to private banking customers, which are serviced by the private banking department in the Netherlands

The Group believes that the low rate of arrears is due to its strict underwriting policies and arrears management, combined with favourable regulations and prudent attitudes towards mortgage loans in general in the Netherlands. Over the past year, the Group has not significantly changed its underwriting criteria. However, the Group anticipates that in the current economic environment, arrears on the mortgage loan portfolio will likely increase.

In line with the Dutch market, the Group's average loan-to-value ratio for its mortgage loan portfolio in the Netherlands is relatively high as borrowers seek to benefit from certain tax advantages of Dutch mortgage loans.

## DESCRIPTION OF THE MORTGAGE LOANS

### Mortgage Loan Types

The Mortgage Loans (or any loan parts comprising a Mortgage Loan) may consist of any of the following types of redemption:

- (i) linear mortgage loans (*lineaire hypotheek*);
- (ii) annuity mortgage loans (*annuïteitenhypotheek*);
- (iii) interest-only mortgage loans (*aflossingsvrije hypotheek*);
- (iv) investment mortgage loans (*beleggingshypotheek*);
- (v) savings mortgage loans (*spaarhypotheek*);
- (vi) bank savings mortgage loans (*bankspaarhypotheek*);
- (vii) unit-linked mortgage loans (*unit-linked hypotheek*);
- (viii) universal life mortgage loans (*universeel levenhypotheek*);
- (ix) life mortgage loans with the option to choose between the Savings Element and the Unit-linked Alternative (*levenhypotheek*); and/or
- (x) traditional life and with an external insurance policy mortgage loans (*levenhypotheek op basis van traditioneel gemengde verzekering*).

Mortgage Loan Type	Description
<b>Linear Mortgage Loans:</b>	A portion of the Mortgage Loans (or parts thereof) will be in the form of linear mortgage loans ( <i>lineaire hypotheeken</i> , <b>Linear Mortgage Loans</b> ). 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.
<b>Annuity Mortgage Loans:</b>	A portion of the Mortgage Loans (or parts thereof) will be in the form of annuity mortgage loans ( <i>annuïteiten hypotheeken</i> , <b>Annuity Mortgage Loans</b> ). 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.
<b>Interest-only Mortgage Loans:</b>	A portion of the Mortgage Loans (or parts thereof) will be in the form of interest-only mortgage loans ( <i>aflossingsvrije hypotheeken</i> , <b>Interest-only Mortgage Loans</b> ). Under an Interest-only Mortgage Loan, the Borrower is only required to pay interest until maturity and is not required to pay principal until maturity. A bullet payment for the (remainder of the) principal is due upon maturity.
<b>Investment Mortgage Loans:</b>	A portion of the Mortgage Loans (or parts thereof) will be in the form of investment-based mortgage loans ( <i>beleggingshypotheeken</i> , <b>Investment Mortgage Loans</b> ). The Borrower is only required to pay interest until maturity and is not required to pay principal until maturity. The Borrower undertakes to invest, whether on a lump sum basis or on an instalment basis, by means of an <b>Investment Account</b> , defined amounts in (a) selected investment funds (the <b>Investment Portfolios</b> ), (b) placing these amounts in his Investment Account or (c) a combination of options a and b. A bullet payment for the (remainder of the) principal is due upon maturity. Depending on the type of Investment Mortgage Loan, it is envisaged that the Borrower pays (part of) either the bullet payment or (part of) the interest with funds which have been accumulated through investments. The Seller has represented that under the Investment Mortgage Loans, the securities are purchased on behalf of the relevant Borrower by the Seller for the account of the Borrowers and these securities are held in custody by an admitted institution of Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V. in accordance with the Wge or, if they do not qualify as such, by a separate depository vehicle in accordance with Section 6:18 of the Further Regulation on Conduct Supervision of Financial Enterprises ( <i>Nadere regeling gedragstoezicht financiële ondernemingen Wft</i> ). The Investment Accounts are pledged to the Seller. See <i>Risk of set-off or defences in respect of investments under Investment Mortgage</i>

*Loans* in the section *Risk Factors* above.

**Savings Mortgage Loans:**

A portion of the Mortgage Loans (or parts thereof) will be in the form of savings mortgage loans, which consist of savings mortgage loans (*spaarhypotheken*, hereinafter **Savings Mortgage Loans**) combined with an insurance policy (a **Savings Insurance Policy**) with the Savings Insurance Company. A Savings Insurance Policy is a combined risk and capital insurance policy taken out by the relevant Borrower with the Savings Insurance Company in connection with the relevant Savings Mortgage Loan. Under a Savings Mortgage Loan, the Borrower is only required to pay interest until maturity and is not required to pay principal until maturity. A bullet payment for the (remainder of the) principal towards redemption is due upon maturity of such Savings Mortgage Loan. In relation to the Savings Insurance Policies the savings part of the premium (the **Savings Premium**) is calculated in such a manner that, on an annuity basis, the proceeds of the Savings Insurance Policy due by the Savings Insurance Company to the relevant Borrower is equal to the amount due by the Borrower to the Seller at maturity. The Savings Insurance Policies are pledged to the Seller. See *Risk of set-off and defences by Borrowers in case of insolvency of any of the Insurance Companies* in *Risk Factors* above.

**Bank Savings Mortgage Loans:**

A portion of the Mortgage Loans (or parts thereof) will be in the form of bank savings mortgage loans (*bankspaarhypotheken* and hereinafter **Bank Savings Mortgage Loans**), which consist of Mortgage Loans combined with a blocked savings account (the **Bank Savings Account**) held with the Bank Savings Participant. Under a Bank Savings Mortgage Loan, the Borrower is only required to pay interest until maturity and is not required to pay principal until maturity. The Borrower undertakes to pay a monthly deposit in the Bank Savings Account (the **Monthly Bank Savings Deposit Instalment**). The Monthly Bank Savings Deposit Instalment is calculated in such a manner that, on an annuity basis, the balance standing to the credit of the Bank Savings Account (the **Bank Savings Deposit**) is equal to the amount due by upon maturity of the Bank Savings Mortgage Loan. The Bank Savings Deposit is pledged to the Seller. See *Risk of set-off defences with respect to Mortgage Receivables resulting from Bank Savings Mortgage Loans*.

**Life Mortgage Loans:**

A portion of the Mortgage Loans (or parts thereof) will be in the form of life mortgage loans (*levenhypotheken*, **Life Mortgage Loans**), i.e. Mortgage Loans which have the benefit of combined risk and capital insurance policies (**Life Insurance Policies**) taken out by Borrowers with (a) the Savings Insurance Company or (b) any insurance company established in the Netherlands, other than the Savings Insurance Company (a **Life Insurance Company** and together with the Savings Insurance Company, the **Insurance Companies**). Under a Life Mortgage Loan, the Borrower is only required to pay interest until maturity and is not required to pay principal until maturity. A bullet payment for the (remainder of the) principal is due upon maturity. The Life Insurance Policies connected to such Life Mortgage Loans are offered by a Life Insurance Company in several alternatives. The Borrower has the choice between (i) a guaranteed amount to be received when the Life Insurance Policy pays out, (ii) the Unit-Linked Alternative or (iii), a combination of (i) and (ii), in which case the Borrower has the option to switch between the Unit-Linked Alternative and the Savings Alternative. **Unit-Linked Alternative** means the alternative under which the amount to be received upon pay out of the Life Insurance Policy depends on the performance of certain investment funds chosen by the Borrower. **Savings Alternative** means the alternative under which a certain pre-agreed amount to be received upon pay out of the Life Insurance Policy with, in such case, the relevant Insurance Company and the Savings Premium thereof is calculated in such a manner that, on an annuity basis, the proceeds of the Savings Alternative is equal to the amount due by the Borrower to the Seller at maturity of (part of) the relevant Life Mortgage Loan. Life Mortgage Loans of which the relevant Borrower has opted for a Savings Alternative are referred to as **Life Mortgage Loans with a Savings Element**, and the Life Insurance Policies connected to such Life Mortgage Loans are referred to as **Life Insurance Policies with the Savings Alternative**. The Insurance Policies

are pledged to the Seller. See *Risk of set-off and defences by Borrowers in case of insolvency of any of the Insurance Companies* in *Risk Factors* above.

### **The Portfolio**

The Mortgage Receivables are governed by Dutch law and will be selected in accordance with the Mortgage Loan Criteria. For a description of the representations and warranties given by the Seller and for the Mortgage Loan Criteria reference is made to *Mortgage Receivables Purchase Agreement* below.

General information on the Mortgage Receivables can be obtained at [www.arenarmbs.nl](http://www.arenarmbs.nl).

### **Mortgaged Assets and certain characteristics**

The mortgage rights securing the Mortgage Loans are vested on:

- (i) real estate (*onroerende zaak*);
- (ii) an apartment right (*appartementsrecht*) and/or
- (iii) a long lease (*erfpacht*).

If a Mortgage Loan consists of one or more loan parts, the Seller will sell and assign and the Issuer shall purchase and accept the assignment of all rights associated with all, but not some, loan parts of such Mortgage Loan at the Closing Date. See also the section *Risk Factors* above.

The Mortgage Loans have a maturity up to a maximum of 30 years.

Savings accounts, (proceeds of) investments and Life Insurance Policies are always pledged to the Seller.

The final payout (*einduitkering*) under a Life Insurance Policy, as forms part of the types (vii) up to and including (x) will be determined on the basis of the return on the investments/savings made under such Life Insurance Policy and will thus not necessarily equal the bullet payment due upon maturity of the Mortgage Loan. The same applies with respect to the investments made in relation to Investment Mortgage Loans.

### **Product names**

These types of Mortgage Loans are offered by the Seller, *inter alia*, under the following product names:

- (a) EffectPlusHypotheek/WoonPlusHypotheek (Investment Mortgage Loans);
- (b) Hypotheek Totaal Plan (Savings Mortgage Loans);
- (c) ZekerPlusHypotheek (Bank Savings Mortgage Loans);
- (d) Meerkeuzeplan (Life Mortgage Loans with a policy with the Unit-Linked Alternative);
- (e) Financieel Vrijheidsplan (Life Mortgage Loans);
- (f) CombiPlusHypotheek (Life Mortgage Loans with a policy with a combination of the Unit-Linked Alternative and the Savings Element); and
- (g) Levenhypotheek op basis van traditioneel gemengde verzekering (Traditional Life Mortgage Loan and Life Mortgage Loan with an external Insurance Policy).

### **Investment Mortgage Loans ("EffectPlusHypotheek / WoonPlusHypotheek")**

Under an "EffectPlusHypotheek" the Borrower undertakes to invest, via an Investment Account, on an instalment basis or up front, defined amounts:

- (a) in selected Delta Lloyd, OHRA, Triodos, BNP Paribas, Robeco, Rolinco, Rorento, Kempen, Fortis, Lyxor and/or ING investment funds;
- (b) by keeping such amounts in the Investment Account; or
- (c) a combination of the above.

Borrowers are entitled to switch their investments among the investment funds and to and from the investment account. It is envisaged that (part of) the bullet payment upon maturity of the Mortgage Loan is made from the proceeds on the investments.

Under a "WoonPlusHypotheek", a Borrower is required to invest (part of) its own funds in the same manner as described above. The maximum principal of such Mortgage Loan is higher than the maximum principal allowed without such investment. It is envisaged that the proceeds of these investments are used by the Borrower to pay the interest due on that part of the principal exceeding the principal allowed based on his earnings.

### **Savings Mortgage Loans ("Hypotheek Totaal Plan")**

This type of loan offers the Borrower fixed monthly payments. These consist of interest on the principal and a savings/risk premium (*spaar/risico-premie*) for the Savings Insurance Policy taken out with the Savings Insurance Company. If mortgage interest rates have increased at the end of the chosen fixed-rate period, the interest charge on the principal will increase but the savings/risk premium will decrease and vice versa. The reinvestment rate on accumulated mortgage principal is guaranteed at the mortgage rate, as a result of which the payout at the end of such Savings Insurance Policy (or earlier if the Borrower deceases) equals the principal of the Mortgage Loan.

### **Bank Savings Mortgage Loans ("ZekerPlusHypotheek")**

The Borrower pays a monthly deposit in a tax-efficient Bank Savings Account (the **Monthly Bank Savings Deposit Instalment**) held with the Bank Savings Participant. The Monthly Bank Savings Deposit Instalment is calculated in such a manner that, on an annuity basis, the balance standing to the credit of the Bank Savings Account is equal to the amount due upon maturity of the Bank Savings Mortgage Loan. The balance standing to the credit of the Bank Savings Account is pledged to the Seller.

### **Unit-linked Mortgage Loans ("Meerkeuzeplan")**

The Borrower takes out a unit-linked Life Insurance Policy with the Savings Insurance Company. The Life Insurance Policy provides for an amount at maturity of the Life Insurance Policy (or earlier if the Borrower deceases). Investments under the Life Insurance Policy are made in Delta Lloyd ProfielMix investment funds, chosen by the Borrower.

### **Universal Life Mortgage Loans ("Financieel Vrijheidsplan")**

The Borrower takes out a very flexible Life Insurance Policy, which is effectively an improved unit-linked Life Insurance Policy, with the Savings Insurance Company, whereby monthly premiums on the Life Insurance Policy are invested in one of five Delta Lloyd ProfielMix investment funds.

### **Life Mortgage Loans with the option to choose between the Savings Element and the Unit-linked Alternative ("CombiPlusHypotheek")**

The Life Insurance Policy attached to this type of loan allows the Borrower to choose the apportionment between the Savings Element and the Unit-linked Alternative and to amend this apportionment prior to maturity of the Mortgage Loan.

### **Traditional life Mortgage Loans and Life Mortgage Loans with an external Insurance Policy ("levenhypotheek op basis van traditioneel gemengde verzekering")**

The Borrower takes out a Life Insurance Policy with an Insurance Company other than Delta Lloyd Life. The reinvestment rate on the accumulated premium on the Life Insurance Policy is not guaranteed.

## SUMMARY OF THE FINAL POOL

The numerical information set out below relates to the final pool of Mortgage Loans (the **Final Pool**) which was selected as of 31 October 2010. All amounts are in euro.

Under the Mortgage Receivables Purchase Agreement the Issuer shall purchase and on the Closing Date accept the assignment of the Mortgage Receivables resulting from the Mortgage Loans selected from the Final Pool (see the section *Mortgage Receivables Purchase Agreement* below).

The information set out below in relation to the portfolio of Mortgage Receivables relates to the Final Pool and may not necessarily correspond to that of the Mortgage Loans from which the Mortgage Receivables result that are actually sold on the Closing Date. After the Closing Date, the Mortgage Receivables will change from time to time as a result of amongst others repayment, prepayment, and repurchase of Mortgage Receivables.

All Mortgage Receivables selected and purchased by the Issuer shall comply with the Mortgage Loan Criteria on the Cut-off Date (see the section *Mortgage Receivables Purchase Agreement* below).

Outstanding Principal Balance	€	708,037,820.71
Outstanding Savings Balance	€	7,986,073.53
Net Outstanding Principal Balance (Net Loan)	€	700,051,747.18
Outstanding construction deposits	€	648,043.78
Number of Mortgages		2,978
Number of Mortgage Loan Parts		6,680
Average Loan Balance	€	237,756.15
Average Net Loan	€	235,074.46
WALT Foreclosure Value (%)		107.8
WA Seasoning (months)		20
WA Remaining Maturity (months)		328
WA Coupon		4.75
WA Remaining Period until Reset (months)		85

*Distribution of the Pool of Portfolio Mortgage Loans by Loan-to-foreclosure value*

	number of loans	Net outstanding	% of pool	WAC	WA LtFV	
a ltfv <= 25%	26	€ 2,142,692.63	0.31%		4.20	20
b 25% < ltfv <= 50%	97	€ 11,690,431.13	1.67%		4.08	39
c 50% < ltfv <= 60%	52	€ 8,571,126.90	1.22%		4.20	55
d 60% < ltfv <= 70%	80	€ 16,961,443.35	2.42%		4.09	66
e 70% < ltfv <= 80%	170	€ 34,586,382.16	4.94%		4.33	75
f 80% < ltfv <= 90%	218	€ 50,762,374.46	7.25%		4.42	85
g 90% < ltfv <= 100%	300	€ 69,002,252.89	9.86%		4.59	97
h 100% < ltfv <= 105%	141	€ 31,766,388.75	4.54%		4.84	103
i 105% < ltfv <= 110%	166	€ 40,748,357.72	5.82%		4.72	108
j 110% < ltfv <= 115%	221	€ 57,006,730.93	8.14%		4.77	112
k 115% < ltfv <= 120%	486	€ 122,312,834.83	17.47%		4.95	118
l 120% < ltfv <= 125%	1,021	€ 254,500,731.43	36.35%		4.90	123
Grand Total	2,978	€ 700,051,747.18	100.00%		4.75	108

*Distribution of the Pool of Portfolio Mortgage Loans by Loan Size*

	number of loans	Net outstanding	% of pool	WAC	WA LtFV	
a loan size <= 50,000	13	€ 504,747.92	0.07%		4.75	27
b 50,000 < loan size <= 100,000	94	€ 7,818,828.22	1.12%		4.55	54
c 100,000 < loan size <= 150,000	444	€ 57,925,948.96	8.27%		4.81	95
d 150,000 < loan size <= 200,000	758	€ 133,298,867.11	19.04%		4.88	106
e 200,000 < loan size <= 250,000	619	€ 138,986,864.92	19.85%		4.82	111
f 250,000 < loan size <= 300,000	428	€ 117,384,540.60	16.77%		4.77	112
g 300,000 < loan size <= 400,000	417	€ 144,607,471.11	20.66%		4.67	110
h 400,000 < loan size <= 500,000	156	€ 68,831,755.06	9.83%		4.65	112
i 500,000 < loan size <= 750,000	43	€ 25,424,733.42	3.63%		4.40	108
j 750,000 < loan size <= 1,000,000	6	€ 5,267,989.86	0.75%		3.82	100
Grand Total	2,978	€ 700,051,747.18	100.00%		4.75	108

*Distribution of the Pool of Portfolio Mortgage Loans by Interest Rates (specified on the basis of Loan Parts)*

	number of loan parts	Net outstanding	% of pool	WAC	WA LtFV	
a 0% < r <= 3%	20	€ 2,223,984.23	0.32%		2.95	94
b 3% < r <= 3.25%	128	€ 12,687,420.72	1.81%		3.07	86
c 3.25% < r <= 3.5%	372	€ 56,544,565.09	8.08%		3.49	79
d 3.5% < r <= 3.75%	667	€ 81,644,953.11	11.66%		3.61	112
e 3.75% < r <= 4%	235	€ 21,472,708.79	3.07%		3.90	109
f 4% < r <= 4.25%	201	€ 18,948,586.23	2.71%		4.16	109
g 4.25% < r <= 4.5%	485	€ 49,568,794.46	7.08%		4.42	108
h 4.5% < r <= 4.75%	493	€ 47,174,715.46	6.74%		4.63	107
i 4.75% < r <= 5%	564	€ 58,004,753.37	8.29%		4.91	111
j 5% < r <= 5.25%	1,563	€ 156,841,575.95	22.40%		5.17	111
k 5.25% < r	1,952	€ 194,939,689.77	27.85%		5.59	112
Grand Total	6,680	€ 700,051,747.18	100.00%		4.75	108

*Distribution of the Pool of Portfolio Mortgage Loans by Redemption Types (specified on the basis of Loan Parts)*

	number of loan parts	Net outstanding	% of pool	WAC	WA LtFV	
Annuity	98	€ 4,005,992.69	0.57%		4.38	107
Interest only	3,963	€ 444,493,479.20	63.49%		4.59	105
Linear	21	€ 1,087,235.25	0.16%		4.48	103
Savings/Life	437	€ 42,106,890.76	6.01%		4.82	112
Traditional life	388	€ 36,314,071.89	5.19%		4.34	113
Unit Linked	5	€ 321,780.00	0.05%		4.19	87
Universal Life	88	€ 11,281,668.81	1.61%		4.83	114
Savings	1,680	€ 160,440,628.58	22.92%		5.28	112
Grand Total	6,680	€ 700,051,747.18	100.00%		4.75	108

*Distribution of the Pool of Portfolio Mortgage Loans by Year of Origination (specified on the basis of Loan Parts)*

	number of loan parts	Net outstanding	% of pool	WAC	WA LtFV	
2003	90	€ 11,022,039.35	1.57%		5.09	111
2004	128	€ 12,980,356.80	1.85%		4.69	112
2005	289	€ 27,105,219.57	3.87%		4.00	109
2006	271	€ 27,588,035.19	3.94%		4.28	110
2007	206	€ 21,250,861.95	3.04%		4.73	107
2008	1,149	€ 117,905,146.50	16.84%		5.21	113
2009	2,227	€ 232,186,846.15	33.17%		4.77	104
2010	2,320	€ 250,013,241.67	35.71%		4.62	107
Grand Total	6,680	€ 700,051,747.18	100.00%		4.75	108

*Distribution of the Pool of Portfolio Mortgage Loans by Seasoning (specified on the basis of Loan Parts)*

	number of loan parts	Net outstanding	% of pool	WAC	WA LtFV	
a months <= 3	687	€ 74,344,310.25	10.62%		4.66	109
b 3 < months <= 6	571	€ 60,137,712.57	8.59%		4.64	108
c 6 < months <= 9	735	€ 77,931,877.58	11.13%		4.64	109
d 9 < months <= 12	1,003	€ 113,683,134.51	16.24%		4.53	103
e 12 < months <= 18	1,077	€ 117,132,718.72	16.73%		4.77	105
f 18 < months <= 24	625	€ 52,877,603.99	7.55%		5.27	106
g 24 < months	1,982	€ 203,944,389.56	29.13%		4.82	112
Grand Total	6,680	€ 700,051,747.18	100.00%		4.75	108

*Geographical Distribution of the Pool of Portfolio Mortgage Loans*

	number of loans	Net outstanding	% of pool	WAC	WA LtFV	
Drenthe	111	€ 23,215,337.45	3.32%		4.64	106
Flevoland	94	€ 20,007,582.43	2.86%		4.90	113
Friesland	85	€ 17,341,098.70	2.48%		4.58	112
Gelderland	343	€ 79,301,158.40	11.33%		4.77	107
Groningen	115	€ 22,194,890.68	3.17%		4.78	112
Limburg	110	€ 24,261,738.58	3.47%		4.73	108
Noord-Brabant	408	€ 99,157,517.29	14.16%		4.64	104
Noord-Holland	580	€ 144,650,423.17	20.66%		4.74	108
Overijssel	175	€ 38,773,887.27	5.54%		4.74	109
Utrecht	244	€ 63,134,588.66	9.02%		4.77	108
Zeeland	65	€ 13,796,930.73	1.97%		4.73	108
Zuid-Holland	597	€ 140,497,938.97	20.07%		4.82	109
Unknown	51	€ 13,718,654.85	1.96%		4.82	103
<b>Grand Total</b>	<b>2,978</b>	<b>€ 700,051,747.18</b>	<b>100.00%</b>		<b>4.75</b>	<b>108</b>

*Distribution of the Pool of Portfolio Mortgage Loans by Property Type*

	number of loans	Net outstanding	% of pool	WAC	WA LtFV	
Condominium	571	€ 105,907,243.26	15.13%		4.90	111
Condominium with garage	12	€ 2,415,737.75	0.35%		4.60	94
Single family house	2,177	€ 528,306,521.69	75.47%		4.75	108
Single family house with garage	218	€ 63,422,244.48	9.06%		4.52	103
<b>Grand Total</b>	<b>2,978</b>	<b>€ 700,051,747.18</b>	<b>100.00%</b>		<b>4.75</b>	<b>108</b>

*Distribution of the Pool of Portfolio Mortgage Loans by Age of the Main Borrower*

	number of loans	Net outstanding	% of pool	WAC	WA LtFV	
10-20	1	€ 163,820.88	0.02%		5.45	107
20-30	558	€ 106,754,290.28	15.25%		5.03	114
30-40	1,000	€ 255,812,802.19	36.54%		4.80	113
40-50	869	€ 222,194,054.80	31.74%		4.66	105
50-60	408	€ 89,784,741.91	12.83%		4.60	101
60-70	109	€ 20,057,886.22	2.87%		4.33	78
70-80	30	€ 5,127,652.56	0.73%		4.46	70
> 80	3	€ 156,498.34	0.02%		4.26	26
<b>Grand Total</b>	<b>2,978</b>	<b>€ 700,051,747.18</b>	<b>100.00%</b>		<b>4.75</b>	<b>108</b>

*Distribution of the Pool of Portfolio Mortgage Loans by Interest Reset Dates (specified on the basis of Loan Parts)*

	number of loan parts	Net outstanding	% of pool	WAC	WA LtFV	
2010	1,135	€ 149,367,650.83	21.34%		3.54	97
2011	224	€ 18,109,139.50	2.59%		3.92	111
2012	99	€ 9,472,908.55	1.35%		4.31	114
2013	119	€ 12,279,241.06	1.75%		4.96	112
2014	327	€ 33,158,715.77	4.74%		5.13	112
2015	393	€ 36,398,186.34	5.20%		4.68	111
2016	203	€ 20,308,324.90	2.90%		4.79	111
2017	167	€ 17,734,931.31	2.53%		4.86	110
2018	915	€ 92,749,928.11	13.25%		5.20	113
2019	1,370	€ 127,016,257.68	18.14%		5.44	109
2020	1,092	€ 114,443,399.75	16.35%		5.10	111
2021	26	€ 2,751,835.56	0.39%		4.48	108
2022	8	€ 607,346.45	0.09%		5.18	103
2023	42	€ 6,069,677.02	0.87%		5.23	115
2024	19	€ 1,816,260.00	0.26%		4.74	106
2025	52	€ 4,466,100.11	0.64%		4.40	100
2026	17	€ 2,040,502.36	0.29%		4.54	110
2027	24	€ 2,162,511.03	0.31%		5.01	107
2028	73	€ 7,477,805.13	1.07%		5.48	110
2029	10	€ 859,588.16	0.12%		5.57	101
2030	52	€ 6,673,895.54	0.95%		5.30	108
2034	4	€ 365,611.40	0.05%		5.32	116
2035	64	€ 7,527,259.12	1.08%		4.20	105
2036	31	€ 4,021,952.68	0.57%		4.38	108
2037	12	€ 1,440,058.95	0.21%		4.98	108
2038	107	€ 11,227,489.56	1.60%		5.37	106
2039	51	€ 4,469,029.06	0.64%		4.83	106
2040	44	€ 5,036,141.25	0.72%		5.05	114
<b>Grand Total</b>	<b>6,680</b>	<b>€ 700,051,747.18</b>	<b>100.00%</b>		<b>4.75</b>	<b>108</b>

*Distribution of the Pool of Portfolio Mortgage Loans by Employment Type*

	number of loans	Net outstanding	% of pool	WAC	WA LtFV	
Employed	2,653	€ 621,344,886	88.76%		4.78	109
Other	136	€ 23,694,498	3.38%		4.51	83
Self-employed	189	€ 55,012,363	7.86%		4.44	100
<b>Grand Total</b>	<b>2,978</b>	<b>€ 700,051,747.18</b>	<b>100.00%</b>		<b>4.75</b>	<b>108</b>

*Distribution of the Pool of Portfolio Mortgage Loans by Income*

	number of loans	Net outstanding	% of pool	WAC	WA LtFV
a income <= 10,000	3	352,349	0.05%		4.73 96
b 10,000 < income <= 20,000	17	2,076,270	0.30%		4.47 89
c 20,000 < income <= 30,000	174	22,536,511	3.22%		4.73 99
d 30,000 < income <= 40,000	539	86,537,313	12.36%		4.91 106
e 40,000 < income <= 50,000	586	113,860,009	16.26%		4.85 108
f 50,000 < income <= 60,000	507	111,667,606	15.95%		4.81 110
g 60,000 < income <= 70,000	421	107,605,263	15.37%		4.75 108
h 70,000 < income <= 80,000	281	85,784,315	12.25%		4.73 111
i 80,000 < income <= 90,000	166	54,680,983	7.81%		4.69 110
j 90,000 < income <= 100,000	114	42,339,934	6.05%		4.66 108
k 100,000 < income <= 250,000	168	71,651,442	10.24%		4.43 104
l 250,000 < income	2	959,752	0.14%		4.25 89
<b>Grand Total</b>	<b>2,978</b>	<b>€ 700,051,747.18</b>	<b>100.00%</b>		<b>4.75 108</b>

*Distribution of the Pool of Portfolio Mortgage Loans by Mortgage Loan Parts with the benefit of an NHG Guarantee (specified on the basis of Loan Parts)*

	number of loan parts	Net outstanding	% of pool	WAC	WA LtFV
NHG	2,162	€ 194,273,762.21	27.75%	4.80	106
NVT	4,518	€ 505,777,984.97	72.25%	4.73	108
<b>Grand Total</b>	<b>6,680</b>	<b>€ 700,051,747.18</b>	<b>100.00%</b>	<b>4.75</b>	<b>108</b>

# NHG GUARANTEE PROGRAMME

## NHG Guarantee

In 1960, the Netherlands government introduced the 'municipal government participation scheme', an open ended scheme in which both the Dutch State and the municipalities guaranteed, according to a set of defined criteria, residential mortgage loans made by authorized lenders to eligible borrowers to purchase a primary family residence. The municipalities and the Dutch State shared the risk on a 50/50 basis. If a municipality was unable to meet its obligations under the municipality guarantee, the Dutch State would make an interest free loan to the municipality to cover its obligations. The aim was to promote house ownership among the lower income groups.

Since 1 January 1995 *Stichting Waarborgfonds Eigen Woningen* (the **WEW**), a central privatised entity, is responsible for the administration and granting of the NHG Guarantee, under a set of uniform rules. The NHG Guarantee covers the outstanding principal, accrued unpaid interest and disposal costs. Irrespective of scheduled repayments or prepayments made on the mortgage loans, the NHG Guarantee reduces on a monthly basis by an amount which is equal to the monthly payments of principal as if the mortgage loan were being repaid on a thirty year annuity basis. Information on the WEW and the NHG Guarantee can be found on [www.nhg.nl](http://www.nhg.nl).

## Financing of the WEW

The WEW finances itself, *inter alia*, by a one-off charge to the borrower of 0.55 per cent. (as of 1 January 2010) of the principal amount of the mortgage loan. Besides this, the NHG scheme provides for liquidity support to the WEW from the Dutch State and the participating municipalities. Should the WEW not be able to meet its obligations under guarantees issued, the Dutch State will provide subordinated interest free loans to the WEW of up to 50 per cent. of the difference between the WEW's own funds and a pre-determined average loss level. Municipalities participating in the NHG scheme will provide subordinated interest free loans to the WEW of the other 50 per cent. of the difference. Both the "keep well" agreement (*achtervangovereenkomst*) between the Dutch State and the WEW and the "keep well" agreements between the municipalities and the WEW contain general "keep well" undertakings of the Dutch State and the municipalities to enable the WEW at all times (including in the event of bankruptcy, (preliminary) suspension of payments or liquidation (*ontbinding*) of the WEW) to meet its obligations under guarantees issued.

## The NHG Conditions

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

The specific terms and conditions for the granting of the NHG Guarantees, such as eligible income, purchasing or building costs etc., are set forth in published documents that will be subject to change from time to time.

The NHG scheme has specific rules for the level of credit risk that will be accepted. The creditworthiness of the applicant must be verified with the National Credit Register (*Bureau Krediet Registratie*) (**BKR**).

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

The mortgage conditions applicable to each mortgage loan should include certain provisions, among which the provision that any proceeds of foreclosure on the mortgage right and the right of pledge on the life insurance policy or the investment funds shall be applied firstly towards repayment of the mortgage loan guaranteed under the NHG scheme.

Furthermore, according to the NHG Conditions interest-only mortgage loans are allowed, provided that the interest-only part does not exceed 50 per cent. of the value of the property.

An NHG Guarantee can be issued up to a maximum amount of EUR 350,000 (as of 17 September 2009).

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

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

Within three (3) months of the private or forced sale of the property, the lender must make a formal request to the WEW for payment, using standard forms, which request must include all of the necessary documents relating to the original loan and the NHG Guarantee. After receipt of the claim and all the supporting details, WEW must make payment within two months. If the payment is late, provided the request is valid, WEW must pay interest for the late payment period.

In the event that a borrower fails to meet its obligation to repay the mortgage loan and no payment or no full payment is made to the lender under the NHG Guarantee by the WEW because of the lender's culpable negligence, the lender must act vis-à-vis the borrower as if the WEW were still guaranteeing the repayment of the mortgage loan during the remainder of the term of the mortgage loan. In addition, the lender is not entitled to recover any amounts due under the mortgage loan from the borrower in such case. This is only different if the borrower did not act in good faith with respect to his inability to repay the mortgage loan and has failed to render his full cooperation in trying to have the mortgage loan repaid to the lender to the extent possible.

### **Woonlastenfaciliteit**

Furthermore, the NHG Conditions contain provisions pursuant to which a borrower who is in arrears with payments under the existing mortgage loan may have the right to request the lender for a so-called *woonlastenfaciliteit* as provided for in the NHG Conditions (as of 17 September 2009). The aim of the *woonlastenfaciliteit* is to avoid a forced sale by means of a bridging facility (*overbruggingsfaciliteit*) to be granted by the relevant lender. The bridging facility is guaranteed by the WEW. The relevant borrower needs to meet certain conditions, including, *inter alia*, the fact that the financial difficulties are caused by a divorce, unemployment, disability or death of the partner.

# MORTGAGE LOAN UNDERWRITING AND MORTGAGE SERVICES OF AMSTELHUYS

## Introduction

The Mortgage Loans are originated by the Seller and are distributed through the channel of intermediaries including insurance brokers, banks, real estate agents and specialised mortgage brokers.

Delta Lloyd has entered into an agreement with a leading provider of activities consisting of mortgage payment transactions and ancillary activities, Stater Nederland B.V. (**Stater**), established on 1 January 1997. Pursuant to this agreement Stater provides the Group with origination systems and certain other activities (including mortgage payment transactions and ancillary activities). These systems and activities are used amongst others on a day-to-day basis by Delta Lloyd Bank in relation to the Seller's origination process and the administration of mortgage loans originated by the Seller.

Delta Lloyd's mortgage activities comprise all commercial activities leading to the granting of mortgage loans and the technical administrative control of the portfolio and the handling of mortgage loans with arrears exceeding the average. Payment transactions between the lender and the borrower relating to mortgages, are undertaken by Stater.

## Origination

Stater provides an origination system, providing both manual (for overrules) and automated underwriting, incorporating the specific Delta Lloyd rules for the underwriting process. Therefore Stater provides financial and portfolio performance reports and information. After an initial physical check of relevant documents is performed, the process is to a large extent paperless and is conducted on a computer system developed by Stater specifically to allow underwriting rules and controls to be encoded in an automated underwriting system and to provide performance information. Direct contact with clients, however, is exclusively maintained by Delta Lloyd Bank.

New mortgage loans are accepted on the basis of a fixed underwriting protocol. The application is sent to Delta Lloyd Bank by email, regular mail, fax or HDN (the Mortgage Data Network: the *Hypotheken Data Netwerk*). The Delta Lloyd Bank underwriter then enters the application data in the iSHS system (*internationaal Stater Hypotheken Systeem*), which applies the conditions and assesses the application automatically, including a credit check with BKR, a credit score with iSHS, a check whether the identity card is stolen or missing with VIS (*Verificatie Informatie Systeem*) and a fraud check with SFH and Sheriff (cooperation on fraud detection between lenders). If the system approves, a conditional offer is sent out, subject to verification of the application input such as salary, employment and property details. Delta Lloyd Bank has authorised several buying associations (*inkoopcombinaties*) to enter applications for new mortgage loans in the iSHS system.

## Overrules

Overruling the Stater system is possible on the condition that a good explanation and supporting documents (e.g. proof of future income increase) are available. In addition, the following rules apply:

- (1) If there are minor deviations from the underwriting policy; approval by senior underwriter/team manager is required;
- (2) If there are major deviations from the underwriting policy; management approval is required;
- (3) Any mortgage loan exceeding euro 500,000; management approval and/or approval by senior credit adviser/investment advisor is required;
- (4) Each individual overrule is discussed;
- (5) Periodically, all overrules and overrule requests are reviewed by Delta Lloyd Bank;
- (6) Any mortgage loan exceeding euro 1,000,000 has to be approved by a special credit commission of Delta Lloyd Bank.

## Description of the Origination department

The principal items in the underwriting protocol are:

### (a) Maximum amounts

If the mortgage loan is guaranteed by the WEW, the maximum amount of the mortgage loan which will be granted is euro 350,000 at the date of this Prospectus. Higher amounts are only possible without NHG and to be approved by the relevant credit approving authorities within Delta Lloyd Bank. The minimum amount at Delta Lloyd Bank is euro 10,000.

### (b) Creditworthiness and Debt-to-income ratio (Woonquote)

The process of verifying the creditworthiness is set up to determine whether the prospective borrower has sufficient monthly income available to meet its payments on the requested mortgage loan as well as to support other financial obligations and monthly living expenses. A check on the income is conducted by requesting a recent employer's declaration. In general, the debt service-to-income ratio increases with the borrower's income with the percentage ranging between 34.4% for a salary above euro 27,001 up to euro 36,000, 36.4% for a salary above euro 36,001 up to euro 45,000, 38.4% for a salary above euro 45,001 up to euro 65,000 and 40.4% for a salary above euro 65,001. For salaries up to euro 27,000 NHG rules are followed.

### (c) Collateral

With each application, the potential borrower has to send an original appraisal called "valuation report" (*taxatierapport*), which is drawn up by a sworn-in appraiser called *taxateur* or an assessment by the Netherlands tax authorities on the basis of the Act on Valuation of Real Property (*Wet Waardering Onroerende Zaken*). The latter is only allowed if the amount of the mortgage loan expressed as a percentage of the market value of the mortgaged asset is below 75 per cent. on the basis of such assessment. For newly built property no valuation is required if the property is built by professional builders, unless the relevant Mortgage Loan to be granted exceeds 108% of the purchase and construction costs of the property involved. Since 1 January 2010, all valuations are performed by a WEW recognised validation institution.

### (d) Foreclosure value

The appraised foreclosure value (*executiewaarde*) is approximately 85% of the market value (*vrije verkoopwaarde*) at the time of loan origination. Mortgage loans that do not have the benefit of a Municipality Guarantee or an NHG Guarantee are granted up to a maximum of 125% of the foreclosure value (only mortgage loans up to and including 125% of the foreclosure value at the time of origination are included in the portfolio).

### (e) Other underwriting conditions

Apart from the principal underwriting factors already mentioned, the following rules apply: (i) mortgage loans are granted only to individuals, (ii) joint and several liability for the mortgage loan (all owners are joint and several debtors) and (iii) mortgage loans are only granted on the basis of owner occupancy (no investment mortgaged assets).

## Mortgage Processing Procedures

### *Payment collections (inningen) Procedures*

At origination, the borrower always agrees with the Seller that monthly payments will be automatically withdrawn from its bank account by direct debit. All borrowers of the Seller pay this way. Direct debit will not be successful if the balance of the borrowers' account is not sufficient to cover the full amount of the scheduled monthly payment. If the balance is insufficient for the full drawing on the payment date, then, depending on the borrower's bank, there will be more than one attempt to withdraw the full amount of the scheduled payment. If the balance is insufficient for the full drawing on the payment date, then, in case the borrower has an ING Bank N.V. (previously Postbank) account, there will be more than one attempt to withdraw the full amount of the scheduled payment. Other banks do not provide this service.

Payments are due on the first calendar day of each month (*vervaldag*). The direct debit has to take place at the latest one calendar day before the last business day of the previous month.

Stater, on behalf of the Seller, draws the monthly payments from the borrower's bank account and is obliged to transfer these payments directly onto the Seller's accounts. The Stater computer system automatically collects the payments, and the related information is monitored daily by personnel in the arrears department of Stater.

#### *Arrears Procedures*

As of 14 December 2003, all arrears are detected and signalled on a daily basis. For each loan in arrears, an Automatic Arrears Processing procedure (*Automatische Afhandeling Achterstanden*) is initiated. If the total amount in arrears is more than euro 5, a first reminder letter is automatically generated by the system and sent out to the borrower within fourteen calendar days after the arrear has been signalled. This letter includes a specification of the arrears. Penalty interest is due as of the missed payment date, and is incorporated in the letters after the monthly closing has passed.

In case no payment is received within fourteen calendar days after the first reminder letter has been sent, a second, more firm letter is sent. If the borrower does not respond within two weeks the loan of such a borrower is given an active treatment status in the Stater system. A distinction is made between the borrowers based upon the previous payment-behaviour: (i) *normaal* (normal), (ii) *sleper* (meaning the borrower has had an irregular payment pattern during a longer period) or (iii) *recidivist* (a borrower who is or has been more than three months in arrears in the last twelve months period or who has previously been in a recovery phase).

#### *Defaults Procedures*

Loans in arrears by more than euro 1,500 or for more than two months are treated by a special servicing team (*Team Bijzonder Beheer*) at Delta Lloyd Bank. The members of this team have an average of 10 years' experience in the mortgage business and it currently employs 12 people. In other words, Delta Lloyd Bank performs the servicing with respect to defaulted loans that require direct contact with the relevant borrowers. Delta Lloyd Bank will assess whether a solution to the payment problem can be reached. This can range from rescheduling the arrears to a voluntary sale of the property by the borrower. If no solution can be found, the foreclosure process will start.

From the decision to foreclose until actual foreclosure and receipt of the foreclosure proceeds generally takes no more than 3 to 4 months. Delta Lloyd Bank continues to exert pressure on the borrower for any losses that remain after foreclosure, ensuring that all obligations are met to the fullest possible extent.

## **STATER NEDERLAND B.V.**

Stater Nederland B.V. (**Stater**) is the leading service provider for the Dutch mortgage market. In fulfilling this role, Stater focuses on support for mortgage funders in the sale, handling and financing of mortgage portfolios.

After starting life as part of Bouwfonds Hypotheken, Stater started its activities in January 1997 as an independent service provider in the mortgage market. Stater has since grown to become an international force in the market with circa 800 employees.

Stater Nederland B.V. is a 100 per cent subsidiary of Stater N.V., of which the shares are held for 100 per cent by ABN AMRO Bank N.V.

Stater provides activities consisting of mortgage payment transactions and ancillary activities with regard to a total of more than EUR 166 billion and approximately 950,000 mortgage loans. In the Netherlands, Stater has a market share of about 30%.

The activities are provided in a completely automated and paperless electronic format. Stater has pioneered the use of technology through its e-transactions concept for owners of residential mortgage loan portfolios and features capabilities to enhance, accelerate and facilitate securitisation transactions.

Stater provides an origination system that includes automated underwriting, allowing loan funders to specify underwriting criteria for each product. A credit-scoring model and a fraud detection system can form part of automated underwriting on request.

In July 2010, rating agency Fitch Ratings upgraded Stater residential “primary servicer” rating to ‘RPS1-NL’ and has affirmed the residential “special servicer” rating at ‘RSS2-NL’. Ratings are awarded on a scale from 1 to 5, with 1 being the highest possible ranking. The rating Stater received for its role as “primary servicer” made Stater the top scoring service provider in Europe.

Ernst & Young, the company’s external auditors, completed a SAS 70 audit on Stater NL in 2008. SAS70 is a report for the certification of the internal control processes of service organisations. Stater received SAS70 Type II certification soon after. In November 2010 it was reviewed for the reporting period 1 November 2009 until 31 October 2010. The certification is renewed annually.

The head office is located at Podium 1, 3826 PA, Amersfoort, the Netherlands.

# 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 by means of a registered deed of assignment as a result of which legal title to the Mortgage Receivables will be transferred to the Issuer. It is a condition of the Issuer for the purchase and acceptance of the assignment of the Mortgage Receivables that any Beneficiary Rights which are connected to the Mortgage Receivables and which are to be applied towards redemption of the Mortgage Receivables, are assigned to the Issuer together with such Mortgage Receivables, to the extent legally possible and required. The Seller will agree to assign such Beneficiary Rights to the Issuer and the Issuer will agree to accept such assignment. The assignment of the Mortgage Receivables and the Beneficiary Rights relating thereto from the Seller to the Issuer will not be notified to the Borrowers and the Insurance Companies (other than the Savings Insurance Company) respectively, except upon the occurrence of any of the events as further described hereunder (**Notification Events**). Until such notification the Borrowers will only be entitled to validly pay (*bevrijdend betalen*) to the Seller. The Issuer will be entitled to all proceeds in respect of the Mortgage Receivables as of the Cut-off Date. The Seller (or a third party on its behalf) will pay to the Issuer on each Mortgage Payment Date all proceeds received during the immediately preceding Mortgage Calculation Period in respect of the Mortgage Receivables.

## Purchase Price

The purchase price for the Mortgage Receivables shall consist of an initial purchase price (the **Initial Purchase Price**) and a deferred purchase price (the **Deferred Purchase Price**). The Initial Purchase Price will be equal to the aggregate Outstanding Principal Amount on the Cut-off Date, being euro 708,037,820.71, which shall be payable on the Closing Date. A part of the Initial Purchase Price which is equal to the aggregate Construction Amount, being euro 648,043.78, will be withheld by the Issuer and will be deposited in the Construction Account.

The Deferred Purchase Price shall be equal to the sum of all Deferred Purchase Price Instalments. On each Quarterly Payment Date such instalment will be equal to (A) (i) prior to an Enforcement Notice has been given and prior to the Quarterly Payment Date on which the Mortgage-Backed Notes will be or have been redeemed in full, an amount equal to the amount, if any, by which the Notes Interest Available Amount as calculated on each Quarterly Calculation Date exceeds the sum of all amounts payable by the Issuer as set forth in the Interest Priority of Payments under (a) up to and including (v) on such Quarterly Payment Date and (ii) prior to an Enforcement Notice has been given and as of the Quarterly Payment Date on which the Mortgage-Backed Notes will be or have been redeemed in full, on such Quarterly Payment Date and on each Quarterly Payment Date thereafter, an amount, if any, by which the Notes Interest Available Amount as calculated on each Quarterly Calculation Date exceeds the sum of all amounts payable by the Issuer as set forth in the Interest Priority of Payments under (a) up to and including (v) on such Quarterly Payment Date less an amount equal to the expected future operating expenses set out in items (a) up to and including (c) of the Interest Priority of Payments and (B) after an Enforcement Notice has been given, the amount remaining after all payments as set forth in the Priority of Payments upon Enforcement under (a) up to and including (q) have been made on such date (each a **Deferred Purchase Price Instalment**) (see the section *Credit Structure* above).

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

## Representations and warranties

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

- (a) each of the Mortgage Receivables and the Beneficiary Rights relating thereto is duly and validly existing and is not subject to annulment (*vernietiging*) or dissolution (*ontbinding*) as a result of circumstances which have occurred prior to or on the Closing Date;
- (b) it has full right and title (*titel*) to the Mortgage Receivables and the Beneficiary Rights relating thereto and power (*beschikkingsbevoegdheid*) to sell and assign the Mortgage Receivables and the Beneficiary Rights relating thereto and no restrictions on the sale and assignment of the Mortgage Receivables and the Beneficiary Rights relating thereto are in effect and the Mortgage Receivables and the Beneficiary Rights relating thereto are capable of being assigned and pledged;

- (c) the Mortgage Receivables and the Beneficiary Rights relating thereto are free and clear of any encumbrances and attachments (*beslagen*) and no option rights (*opties*) to acquire the Mortgage Receivables and the Beneficiary Rights relating thereto have been granted in favour of any third party;
- (d) the mortgage deeds in respect of the Mortgage Loans originated by the Seller prior to 8 September 2005, (i) contain the provision that the mortgage right will partially follow, *pro rata*, the receivable upon its assignment and (ii) do not contain, nor any other agreements between the Seller and the relevant Borrower in respect of the relevant Mortgage Receivables contain, any explicit provision on the issue whether (x) the rights of pledge follow the receivable upon its assignment or pledge and (y) the mortgage right follows the receivable upon its pledge;
- (e) the mortgage deeds in respect of the Mortgage Loans originated by the Seller after 8 September 2005, contain the provision that the mortgage right and the rights of pledge will partially follow, *pro rata*, the receivable upon its assignment and pledge;
- (f) each Mortgaged Asset concerned was appraised when application for the relevant Mortgage Loan was made by an independent qualified valuer, unless such Mortgaged Asset was to be constructed or in construction at the time of application for a Mortgage Loan in which case no appraisal was required, provided that the Mortgage Loan to be granted did not exceed 108 per cent. of the purchase and construction costs of the property involved;
- (g) each Mortgage Receivable, the mortgage right and the rights of pledge, if any, securing such receivable constitute legal, valid, binding and enforceable obligations of the relevant Borrower vis-à-vis the Seller;
- (h) all mortgage rights and all rights of pledge securing the Mortgage Loans (i) constitute valid mortgage rights (*hypotheekrechten*) and rights of pledge (*pandrechten*) respectively on the assets identified to be Mortgaged Assets and the assets which are identified to be the subject of the rights of pledge, (ii) are governed by Dutch law and, to the extent relating to the mortgage rights to secure the Mortgage Receivables, have been entered into the appropriate public register (*Dienst van het Kadaster en de Openbare Registers*), (iii) have first priority (*eerste in rang*) or first and sequentially lower ranking priority, and (iv) were vested for an outstanding principal amount which is at least equal to the Outstanding Principal Amount when originated, increased with interest, penalties, costs and insurance premium, together up to an amount equal to at least 140 per cent. of the Outstanding Principal Amount in respect of the Mortgage Receivables upon origination;
- (i) each of the Mortgage Loans has been granted, and each of the mortgage rights and rights of pledge has been vested, subject to the general terms and conditions and materially in the forms of mortgage deeds as attached to the Mortgage Receivables Purchase Agreement;
- (j) each of the Mortgage Loans and, to the extent offered by the Seller, the relevant Insurance Policy (i) has been granted in accordance with applicable legal requirements prevailing at the time of origination in all material respects, including, after coming into force, the Code of Conduct on Mortgage Loans (*Gedragscode Hypothecaire Financieringen*) including borrower income requirements, (ii) met in all material respects (x) the Seller's underwriting criteria and procedures (including those relating to manual overrules) prevailing at that time, which do not materially differ from the criteria and procedures set forth in the Handbook Delta Lloyd Hypotheken (*Handboek Delta Lloyd Hypotheken*) as attached to the Mortgage Receivables Purchase Agreement and (y) in respect of the NHG Mortgage Receivables, the NHG Underwriting Criteria, and (iii) are in a form as may reasonably be expected from a prudent lender of Dutch residential mortgages;
- (k) to the best of the Seller's knowledge, the Borrowers are not in any material breach of any provision of their Mortgage Loans on the Cut-off Date;
- (l) each Mortgage Loan was granted by the Seller to a private individual only;
- (m) on the Cut-off Date, no amounts due and payable under any of the Mortgage Loans, were in arrears;
- (n) each of the Mortgage Loans meets the Mortgage Loan Criteria as set forth below;
- (o) with respect to each of the Mortgage Receivables secured by a mortgage right on a long lease (*erfpacht*), the relevant Outstanding Principal Amount, including interest, will become immediately due and payable if the long lease terminates, if the leaseholder materially breaches or ceases to perform its payment obligation under the long lease (*canon*) or if the leaseholder in any other manner breaches the conditions of the long lease;

- (p) other than the aggregate Construction Amount under construction mortgage loans (*bouwhypotheke*), all Mortgage Loans have been fully disbursed, whether or not through the civil law notary, and no amounts are held in deposit with respect to the Mortgage Loans as premiums and interest payments (*rente- en premiedepot*) by the Savings Insurance Company in excess of an aggregate amount of EUR 60,000;
- (q) it has not accepted any deposits from the Borrowers and it currently does not have any current account relationship with the Borrowers;
- (r) in respect of each of the Savings Mortgage Receivables and the Life Mortgage Receivables, the Seller has the benefit of a valid right of pledge on the rights under the Savings Insurance Policy and the Life Insurance Policy, 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 Insurance Company or (ii) the relevant Insurance Company has been given a Borrower Insurance Proceeds Instruction;
- (s) it has no Other Claims;
- (t) it can be determined in its administration without any uncertainty which Beneficiary Rights belong to which Mortgage Receivables;
- (u) each Mortgage Loan constitutes the entire mortgage loan granted to the relevant Borrower and not merely one or more loan parts (*leningdelen*);
- (v) there is no relationship between the Mortgage Loans and any Investment Portfolio, other than the right of pledge thereof granted by the relevant Borrower to the Seller;
- (w) with respect to Investment Mortgage Loans, the relevant investments held in the name of the relevant Borrower have been validly pledged to the Seller and the securities are purchased on behalf of the relevant Borrower by the Seller for the account of the Borrowers and these securities are held in custody by an admitted institution of Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V. in accordance with the Wge or, if they do not qualify as securities within the meaning of the Wge, by a separate depository vehicle in accordance with Section 6:18 of the Further Regulation on Conduct Supervision of Financial Enterprises;
- (x) it has not been notified and is not aware of anything affecting the Seller's title to the Mortgage Receivables;
- (y) the Mortgage Conditions provide that all payments by the relevant Borrowers should be made without any deduction or set-off;
- (z) it has accounted for and distinguished between all interest and principal payments relating to the Mortgage Loans;
- (aa) all Bank Savings Accounts are held with the Bank Savings Participant;
- (bb) in the Mortgage Conditions no further drawings and/or further credits have been agreed or anticipated;
- (cc) in respect of each NHG Mortgage Receivable: (i) it has the benefit of an NHG Guarantee which has been granted for the full Outstanding Principal Amount in respect of the Mortgage Loan at origination and constitutes legal, valid and binding obligations of *Stichting Waarborgfonds Eigen Woningen* enforceable in accordance with its terms, (ii) all terms and conditions (*voorwaarden en normen*) applicable to the NHG Guarantee at the time of origination of the Mortgage Loans (the **NHG Underwriting Criteria**) were complied with and (iii) the Seller is not aware of any reason why any claim under the NHG Guarantee granted by *Stichting Waarborgfonds Eigen Woningen* in respect of any NHG Mortgage Receivable should not be met in full and in a timely manner;
- (dd) the aggregate Outstanding Principal Amount of the NHG Mortgage Receivables on the Cut-off Date was equal to euro 194,273,762.21; and
- (ee) as at the time of application, the relevant Borrower did not have a record of any negative registration with the BKR.

## **Conditions for Repurchase of Mortgage Receivables**

### *General*

Other than in the events set out below, the Seller will not be obliged to repurchase any Mortgage Receivables from the Issuer. See the section *Credit Structure* above for a description of the calculation of the repurchase price of the Mortgage Receivables in the case of a sale of Mortgage Receivables to the Seller.

### *Representations and warranties*

If at any time after the Closing Date any of the representations and warranties relating to a Mortgage Loan or a Mortgage Receivable or the Beneficiary Rights relating thereto proves to have been untrue or incorrect in any material respect, the Seller shall within 30 calendar days of having knowledge of such breach or receipt of written notice thereof from the Issuer or the Security Trustee remedy the matter giving rise thereto and if such matter is not capable of being remedied or is not remedied within the aforementioned period of 30 calendar days, the Seller shall on the immediately succeeding Mortgage Payment Date or such earlier date as practically possible repurchase and accept re-assignment of such Mortgage Receivable and the Beneficiary Rights relating thereto.

### *Other Claim(s)*

On the Mortgage Payment Date immediately following the date on which the Seller has obtained any Other Claim(s) vis-à-vis any Borrower including resulting from a Further Advance, it shall repurchase and accept re-assignment of the Mortgage Receivable on the terms and conditions set forth above on such Mortgage Payment Date.

### *Amendment of terms*

The Seller shall also undertake to repurchase and accept re-assignment of a Mortgage Receivable if it agrees with a Borrower to either (a) amend the terms of the 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 Mortgage Loan continues to meet each of the Mortgage Loan Criteria (as set out below) and the representations and warranties of the Mortgage Receivables Purchase Agreement (as set out above), unless such amendment is made as part of the enforcement procedures to be complied with upon a default by the Borrower under the relevant Mortgage Loan or is otherwise made as part of a restructuring or renegotiation of the relevant Mortgage Loan due to a deterioration of the credit quality of the Borrower of such Mortgage Loan or (b) grant a Further Construction Loan, on the immediately succeeding Mortgage Payment Date.

### *Switches*

The Seller shall also undertake to repurchase and accept re-assignment of a Mortgage Receivable if it agrees with a Borrower to switch a Participation-Linked Mortgage Loan or a Bank Savings Mortgage Loan into (a part of) any type of Mortgage Loan other than a Participation-Linked Mortgage Loan or a Bank Savings Mortgage Loan on the immediately succeeding Mortgage Payment Date.

### *NHG Guarantee*

If the relevant Mortgage Loan from which an NHG Mortgage Receivable results no longer has the benefit of the NHG Guarantee as a result of action taken or omitted to be taken by the Seller or any of the Servicers, the Seller shall also repurchase and accept re-assignment of such NHG Mortgage Receivable on the Mortgage Payment Date immediately following the date on which the Seller or any of the Servicers has become aware or has been notified hereof.

## **Clean-Up Call Option**

On each Quarterly Payment Date the Seller may exercise the Clean-Up Call Option. The Issuer has undertaken in the Mortgage Receivables Purchase Agreement to sell and assign the Mortgage Receivables to the Seller or any third party appointed by the Seller in its sole discretion, in case of the exercise of the Clean-Up Call Option.

## **Regulatory Call Option**

On each Quarterly Payment Date the Seller has the option to repurchase the Mortgage Receivables upon the occurrence of a Regulatory Change. The Issuer has undertaken in the Mortgage Receivables Purchase Agreement to sell and assign the Mortgage Receivables to the Seller or any third party appointed by the Seller in its sole discretion, in case of the exercise of the Regulatory Call Option.

## **Sale of Mortgage Receivables**

The Issuer may not dispose of any Mortgage Receivables, except to comply with its obligations under the Notes in certain circumstances as further provided in the Trust Deed and in connection with a repurchase obligation of the Seller

as provided in the Mortgage Receivables Purchase Agreement. If the Issuer decides to offer for sale (part of) the Mortgage Receivables it will first offer such Mortgage Receivables to the Seller. The Seller shall within a period of 15 business days of such offer inform the Issuer whether it wishes to repurchase the Mortgage Receivables. After such 15 business day period, the Issuer may offer such Mortgage Receivables for sale to any third party.

See the section *Credit Structure* above for a description of the calculation of the repurchase price of the Mortgage Receivables in the case of a sale of Mortgage Receivables to the Seller.

### **Mortgage Loan Criteria**

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

- (i) the Mortgage Loans are in the form of:
  - (a) linear mortgage loans (*lineaire hypotheek*);
  - (b) annuity mortgage loans (*annuïteitenhypotheek*);
  - (c) interest-only mortgage loans (*aflossingsvrije hypotheek*);
  - (d) investment mortgage loans (*beleggingshypotheek*);
  - (e) savings mortgage loans (*spaarhypotheek*);
  - (f) bank savings mortgage loans (*bankspaarhypotheek*);
  - (g) unit-linked mortgage loans (*unit-linked hypotheek*);
  - (h) universal life mortgage loans (*universeel levenhypotheek*);
  - (i) life mortgage loans with the option to choose between the Savings Element and the Unit-linked Alternative (*levenhypotheek*); and/or
  - (j) traditional life and with an external insurance policy (*levenhypotheek op basis van traditioneel gemengde verzekering*);
- (ii) the Borrower is not an employee of the Seller or of any company belonging to the same group of companies as the Seller and is a resident of the Netherlands;
- (iii) the interest rate of each Mortgage Loan is floating or fixed, subject to a reset from time to time;
- (iv) the Mortgaged Assets are not the subject of residential letting and are occupied by the relevant Borrower;
- (v) interest payments and, to the extent applicable, principal payments with respect to each Mortgage Loan are scheduled to be made monthly or quarterly;
- (vi) the Outstanding Principal Amount of each Mortgage Loan, or of all Mortgage Loans secured on the same Mortgaged Asset together does not exceed euro 1,000,000;
- (vii) the Outstanding Principal Amount of each NHG Mortgage Loan does not exceed the maximum loan amount as stipulated by the relevant NHG Underwriting Criteria;
- (viii) each Mortgage Loan was originated after December 2002;
- (ix) the legal final maturity of each Mortgage Loan, does not extend beyond December 2040;
- (x) the Outstanding Principal Amount of each Mortgage Loan did not, upon origination equal to or exceed 125 per cent. of the foreclosure value of the Mortgaged Asset upon origination or as per a later valuation report of the Mortgaged Asset (if any);
- (xi) each Mortgage Loan is secured by a first ranking mortgage right or, in case of Mortgage Loans secured on the same Mortgaged Asset, as the case may be, first and sequentially lower ranking mortgage rights;
- (xii) the Mortgaged Asset is located in the Netherlands for residential use by the Borrower; and
- (xiii) in respect of each Mortgage Loan at least one (interest) payment has been received prior to the Closing Date.

## 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 the Seller under the Mortgage Receivables Purchase Agreement or under any Relevant Document to which it is a party and such failure is not remedied within 10 business days after the Seller having knowledge of such failure or notice thereof has been given by the Issuer or the Security Trustee to the Seller; or
- (b) the Seller fails duly to perform or comply with any of its obligations under the Mortgage Receivables Purchase Agreement or under any Relevant Document to which it is a party and, if such failure is capable of being remedied, such failure is not remedied within 10 business days after the Seller having knowledge of such failure or notice thereof has been given by the Issuer or the Security Trustee to the Seller; or
- (c) any representation, warranty or statement made or deemed to be made by the Seller in the Mortgage Receivables Purchase Agreement, other than those relating to the Mortgage Loans and the Mortgage Receivables (which the Seller consequently repurchases), or under any of the Relevant Documents to which the Seller is a party or in any notice or other document, certificate or statement delivered by it pursuant thereto proves to have been, and continues to be after the expiration of any applicable grace period provided for in any Relevant Document, untrue or incorrect in any material respect; or
- (d) 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 a substantial part of its assets or for its conversion (*conversie*) into a foreign legal entity or its assets are placed under administration (*onder bewind gesteld*); or
- (e) the Seller has taken any corporate action or any steps have been taken or legal proceedings have been instituted or threatened against it for the Seller becoming subject to (preliminary) suspension of payments, emergency regulations or for bankruptcy, as referred to in the Dutch Bankruptcy Act or for any analogous insolvency proceedings under applicable law or for the appointment of a receiver or a similar officer of it or of any or all of its assets; or
- (f) at any time it becomes unlawful for the Seller to perform all or a material part of its obligations under any of the Relevant Documents; or
- (g) the Seller has given materially incorrect information or not given material information which was essential for the Issuer and the Security Trustee in connection with the entering into the Mortgage Receivables Purchase Agreement and/or any of the other Relevant Documents; or
- (h) a Trustee Notification Event occurs,

then the Seller, provided that the Security Trustee, (i) has notified the Rating Agencies and (ii) in its reasonable opinion does not expect that the then current ratings assigned to the Mortgage-Backed Notes, will be adversely affected as a result of not giving notice as described below, and unless the Security Trustee instructs it otherwise, shall forthwith notify the relevant Borrowers, the Insurance Companies and any other relevant parties indicated by the Issuer and/or the Security Trustee of the assignment of the Mortgage Receivables and the Beneficiary Rights to the Issuer or, at its option, the Issuer shall be entitled to make such notifications itself.

In addition, pursuant to the Beneficiary Waiver Agreement the Seller and the Savings Insurance Company (but only in respect of Insurance Policies with the Savings Insurance Company) will use their best efforts to obtain the co-operation from the Borrower and all other parties to (a) waive its rights as first beneficiary under the Insurance Policies up to the Outstanding Principal Amount of the relevant Mortgage Receivable, (b) appoint as first beneficiary (x) the Issuer until the occurrence of a Trustee Notification Event and (y) the Security Trustee upon the occurrence of a Trustee Notification Event, and (c) with respect to Insurance Policies whereby the initial appointment of the first beneficiary has remained in force as a result of a Borrower Insurance Proceeds Instruction in favour of the Seller to the Savings Insurance Company, withdraw such Borrower Insurance Proceeds Instruction and to issue a Borrower Insurance Proceeds Instruction up to the Outstanding Principal Amount of the relevant Mortgage Receivable in favour of (x) the Issuer until the occurrence of a Trustee Notification Event and (y) the Security Trustee upon the occurrence of a Trustee Notification Event.

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

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

### **Co-owned Security Interests**

In the Mortgage Receivables Purchase Agreement the Seller, the Issuer and/or the Security Trustee (as applicable) will agree that the Issuer and/or the Security Trustee (as applicable) will manage and administer any co-owned security interests. Furthermore, the Seller, the Issuer and/or the Security Trustee (as applicable) will agree that, in the event of a foreclosure in respect of any of the Mortgage Receivables, the share (*aandeel*) in each co-owned security interest of the Security Trustee and/or the Issuer will be equal to the Outstanding Principal Amount in respect of the Mortgage Receivables, increased with interest and costs, if any, and the share of the Seller will be equal to the Net Proceeds less the Outstanding Principal Amount in respect of the Mortgage Receivables, increased with interest and costs, if any.

Moreover, it will be agreed in the Mortgage Receivables Purchase Agreement that following a breach by the Seller of its obligations under these agreements or if any of such agreement is dissolved, void, nullified or ineffective for any reason in respect of the Seller, the Seller shall compensate the Issuer and/or the Security Trustee (as applicable) for any and all loss, cost, claim, damage and expense whatsoever which the Issuer and/or the Security Trustee (as applicable) incurs as a result thereof during any Mortgage Calculation Period. Such compensation will have to be paid by the Seller forthwith.

## ISSUER SERVICES AGREEMENT

### Services

In the Issuer Services Agreement (i) the Pool Servicer will agree to provide mortgage payment transactions and other services to the Issuer on a day-to-day basis in relation to the Mortgage Loans and the Mortgage Receivables, including, without limitation, the collection and recording of payments of principal, interest and other amounts in respect of the Mortgage Receivables, and including the direction of amounts received by the Seller to the Issuer Collection Account and the production of monthly reports in relation thereto, and prepare and provide the Issuer Administrator with certain statistical information regarding the Issuer, as required by law, for submission to the relevant regulatory authorities, (ii) the Defaulted Loan Servicer will agree to provide the implementation of arrears procedures including the enforcement of mortgage rights (see further the section *Mortgage Loan Underwriting and Mortgage Services of Amstelhuys* above) and to provide information on the relevant Participation in the Participation-Linked Mortgage Loans and the Bank Savings Mortgage Loans and (iii) the Issuer Administrator will agree to provide certain administration, calculation and cash management services to the Issuer, including (a) drawings (if any) to be made by the Issuer under the Liquidity Facility and from the Reserve Account, (b) all payments to be made by the Issuer under the Swap Agreement and under the other Relevant Documents, (c) all payments to be made by the Issuer under the Notes in accordance with the Paying Agency Agreement and the Conditions, (d) all payments to be made by the Issuer under the Sub-Participation Agreements, (e) the maintaining of all required ledgers in connection with the above, (f) all calculations to be made pursuant to the Conditions under the Notes and (g) the submission of certain statistical information regarding the Issuer as referred to above to certain governmental authorities if and when requested. The Issuer Administrator will also provide the Swap Counterparty with all information necessary in order to perform its role as calculation agent under the Swap Agreement.

The Issuer has outsourced the servicing and administration of the Mortgage Loans and the implementation of arrears procedures, respectively, to Delta Lloyd Bank as the Pool Servicer and the Defaulted Loan Servicer. Delta Lloyd Bank holds a banking licence under the Wft. As a result, the Issuer benefits from an exemption from the licence requirement pursuant to the Wft (see also the paragraph *Licence requirement under the Wft* in the section *Risk factors*). Pursuant to the Issuer Services Agreement, in its role as the Pool Servicer and the Defaulted Loan Servicer, Delta Lloyd Bank 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 Pool Servicer will, in accordance with the Issuer Services Agreement, appoint Stater as its sub-mpt provider to carry out certain of the activities of the Pool Servicer as provided for in the Issuer Services Agreement. Stater will accept this appointment and will commit itself, in favour of the Issuer, to carry out certain activities of the Pool Servicer as provided for in the Issuer Services Agreement subject to and on the terms agreed with Stater. The Issuer and the Security Trustee have consented to the appointment of Stater as sub-mpt provider. The appointment of Stater as sub-mpt provider of the Pool Servicer is without prejudice to the obligations of the Pool Servicer under the Issuer Services Agreement and the Pool Servicer shall continue to be liable as if no such appointment had been made and as if the acts and omissions of Stater were the acts and omissions of the Pool Servicer.

### Termination

The appointment of the Servicers and/or the Issuer Administrator under the Issuer Services Agreement may be terminated by the Security Trustee or the Issuer (with the consent of the Security Trustee) in certain circumstances, including (a) a default by the relevant party in the payment on the due date of any payment due and payable by it under the Issuer Services Agreement, without being remedied within the agreed period, (b) a default by the relevant party in the performance or observance of any of its other covenants and obligations under the Issuer Services Agreement without being remedied within the agreed period or (c) the relevant party 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 (preliminary) suspension of payments (only in respect of the Issuer Administrator) or emergency regulations as referred to in Chapter 3 of the Wft (only in respect of the Servicers) or for any analogous insolvency proceedings under any applicable law or for bankruptcy or for the appointment of a receiver or a similar officer of its or any or all of its assets or (d) (only in respect of the Pool Servicer and/or the Defaulted Loan Servicer) the Pool Servicer and/or Defaulted Loan Servicer no longer holds a licence as intermediary (*bemiddelaar*) or offeror of credit (*aanbieder van krediet*) under the Wft.

The Security Trustee and the Issuer shall use their best efforts to appoint a substitute pool servicer, defaulted loan servicer and/or issuer administrator (as the case may be) to the extent possible prior to the termination of the appointment of the relevant party under the Issuer Services Agreement, and such substitute pool servicer, defaulted loan servicer and/or issuer administrator shall enter into an agreement with the Issuer and the Security Trustee substantially on the terms of the Issuer Services Agreement, provided that such substitute pool servicer, defaulted loan servicer and/or issuer administrator shall have the benefit of a fee at a level then to be determined. Any such substitute pool

servicer and/or defaulted loan servicer is obliged to (i) have experience of administering mortgage loans and mortgages of residential property in the Netherlands and (ii) hold a licence under the Wft. The Issuer shall, promptly following the execution of such agreement, pledge its interest in such agreement in favour of the Security Trustee on the terms of the Trustee Assets Pledge Agreement, *mutatis mutandis*, to the satisfaction of the Security Trustee.

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

## SUB-PARTICIPATION AGREEMENTS

### Savings Insurance Sub-Participation Agreement

Under the Savings Insurance Sub-Participation Agreement the Issuer will grant to the Savings Insurance Company and the Savings Insurance Company will acquire a sub-participation in each of the Savings Mortgage Receivables and, as the case may be, the Life Mortgage Receivables with a Savings Element (collectively, the **Participation-Linked Mortgage Receivables** and the related Mortgage Loans, the **Participation-Linked Mortgage Loans**).

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

- (i) (a) at the Closing Date or (b) on the relevant Mortgage Payment Date in the case of a switch from any type of Mortgage Loan, other than a Participation-Linked Mortgage Loan, into a Participation-Linked Mortgage Loan, an amount equal to the sum of the Savings Premiums received by the Savings Insurance Company with accrued interest up to the first calendar day of the month of the Closing Date or the relevant Mortgage Payment Date, as the case may be (the **Initial Savings Insurance Participation**) in relation to each of the Participation-Linked Mortgage Receivables; and
- (ii) on each Mortgage Payment Date an amount equal to the amount received by the Savings Insurance Company as Savings Premiums during the Mortgage Calculation Period then ended in respect of the relevant Savings Insurance Policies and/or Life Insurance Policies with the Savings Alternative (collectively the **Participation-Linked Insurance Policies**,

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

In consideration for such payments, the Savings Insurance Company will acquire a participation (the **Savings Insurance Participation**) in each of the relevant Participation-Linked Mortgage Receivables up to the Outstanding Principal Amount of each of the relevant Participation-Linked Mortgage Receivable, which is equal to the Initial Savings Insurance Participation in respect of the relevant Participation-Linked Mortgage Receivables increased on each Mortgage Payment Date on the basis of the following formula (the **Monthly Savings Insurance Participation Increase**):

(Savings Insurance Participation Fraction  $\times i$ ) + S, whereby

S = the amount received by the Issuer pursuant to the Savings Insurance Sub-Participation Agreement on the Mortgage Payment Date immediately succeeding the relevant Mortgage Calculation Date in respect of the relevant Participation-Linked Mortgage Receivable from the Savings Insurance Company;

$i$  = the amount of interest, due by the Borrower on the Participation-Linked Mortgage Loan and actually received by the Issuer in the relevant Mortgage Calculation Period;

**Savings Insurance Participation Fraction** means, on any Mortgage Calculation Date, in respect of any Participation-Linked Mortgage Receivable, an amount equal to the relevant Savings Insurance Participation on the first calendar day of the immediately preceding Mortgage Calculation Period divided by the Outstanding Principal Amount in respect of such Participation-Linked Mortgage Receivable on the first calendar day of the immediately preceding Mortgage Calculation Period.

**Mortgage Calculation Date** means the 10th day of each month or, in case such day is not a Business Day, the next succeeding Business Day.

The Savings Insurance Participation will entitle the Savings Insurance Company, to receive from the Issuer on each Mortgage Payment Date an amount equal to the Savings Insurance Participation in each of the Participation-Linked Mortgage Receivables in respect of which amounts have been received by the Issuer during the relevant Mortgage Calculation Period, in each case to the extent such amounts exceed the Net Outstanding Principal Amount of each Participation-Linked Mortgage Receivables to which the Issuer or the Security Trustee in its capacity as pledge is entitled:

- (i) by means of repayment and prepayment under the relevant Participation-Linked Mortgage Receivables from any person, whether by set-off or otherwise, but, for the avoidance of doubt, excluding any prepayment

- penalties and interest penalties, if any, and, furthermore, excluding amounts paid as partial prepayments on the Participation-Linked Mortgage Receivables;
- (ii) in connection with a repurchase of Participation-Linked Mortgage Receivables pursuant to the Mortgage Receivables Purchase Agreement to the extent such amounts relate to principal;
- (iii) in connection with a sale of Participation-Linked Mortgage Receivables pursuant to the Trust Deed to the extent such amounts relate to principal; and
- (iv) all amounts received as Net Proceeds on any Participation-Linked Mortgage Receivables to the extent such amounts relate to principal (together, the **Savings Insurance Participation Redemption Available Amount**),

and which Savings Insurance Participation Redemption Available Amount will never exceed the amount of the Savings Insurance Participation. The Savings Insurance Participation will be reduced with the relevant Savings Insurance Participation Redemption Available Amount.

**Net Outstanding Principal Amount** means, in respect of a Participation-Linked Mortgage Loan or Bank Savings Mortgage Loan, the Outstanding Principal Amount thereof minus the Savings Insurance Participation or Bank Savings Participation, respectively, therein.

**Bank Savings Sub-Participation Agreement**

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

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

- (i) (a) at the Closing Date or (b) on the relevant Mortgage Payment Date in the case of a switch from any type of Mortgage Loan, other than a Bank Savings Mortgage Loan, into a Bank Savings Mortgage Loan, an amount equal to the sum of the Monthly Bank Savings Deposit Instalments received by the Bank Savings Participant with accrued interest up to the first calendar day of the month of the Closing Date or the relevant Mortgage Payment Date, as the case may be (the **Initial Bank Savings Participation**, and together with the Initial Savings Insurance Participation, the **Initial Participation**) in relation to each of the Bank Savings Mortgage Receivables; and
- (ii) on each Mortgage Payment Date an amount equal to the amount received by the Bank Savings Participant as Monthly Bank Savings Deposit Instalments during the Mortgage Calculation Period then ended in respect of the relevant Bank Savings Mortgage Receivable,

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

In consideration for such payments, the Bank Savings Participant will acquire a participation (the **Bank Savings Participation**, and together with the Savings Insurance Participation, the **Participation**) in each of the relevant Bank Savings Mortgage Receivables up to the Outstanding Principal Amount of each Bank Savings Mortgage Receivable, which is equal to the Initial Bank Savings Participation in respect of the relevant Bank Savings Mortgage Receivables increased on each Mortgage Payment Date on the basis of the following formula (the **Monthly Bank Savings Participation Increase**, and together with the Monthly Savings Insurance Participation Increase, the **Monthly Participation Increase**):

(Bank Savings Participation Fraction x *i*) + S, whereby

S = the amount received by the Issuer pursuant to the Bank Savings Participation Agreement on the Mortgage Payment Date immediately succeeding the relevant Mortgage Calculation Date in respect of the relevant Bank Savings Mortgage Receivable from the Bank Savings Participant;

*i* = the amount of interest, due by the Borrower on the Bank Savings Mortgage Receivable and actually received by the Issuer in the preceding Mortgage Calculation Period;

Bank Savings Participation Fraction means, on any Mortgage Calculation Date, in respect of any Bank Savings Mortgage Receivable, an amount equal to the relevant Bank Savings Participation on the first calendar day of the immediately preceding Mortgage Calculation Period divided by the Outstanding Principal Amount in respect of such

Bank Savings Mortgage Receivable on the first calendar day of the immediately preceding Mortgage Calculation Period.

The Bank Savings Participation will entitle the Bank Savings Participant, to receive from the Issuer on each Mortgage Payment Date an amount equal to the Bank Savings Participation in each of the Bank Savings Mortgage Receivables in respect of which amounts have been received by the Issuer during the relevant Mortgage Calculation Period, in each case to the extent such amounts exceed the Net Outstanding Principal Amount of each Bank Savings Mortgage Receivable to which the Issuer or the Security Trustee in its capacity as pledge is entitled:

- (i) by means of repayment and prepayment under the relevant Bank Savings Mortgage Receivable from any person, whether by set-off or otherwise, but, for the avoidance of doubt, excluding any prepayment penalties and interest penalties, if any, and, furthermore, excluding amounts paid as partial prepayments on the Bank Savings Mortgage Receivables;
- (ii) in connection with a repurchase of Bank 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 Bank Savings Mortgage Receivables pursuant to the Trust Deed to the extent such amounts relate to principal; and
- (iv) all amounts received as Net Proceeds on any Bank Savings Mortgage Receivables to the extent such amounts relate to principal (together, the **Bank Savings Participation Redemption Available Amount**, and together with the Savings Insurance Company Redemption Available Amount, the **Participation Redemption Available Amount**),

which Bank Savings Participation Redemption Available Amount will in respect of the relevant Bank Savings Mortgage Receivable never exceed the amount of the Bank Savings Participation in such Bank Savings Mortgage Receivable. The Bank Savings Participation will be reduced with the relevant Bank Savings Participation Redemption Available Amount.

#### **Reduction of Participation**

If (i) (a) in respect of a Participation-Linked Mortgage Receivable, a Borrower invokes a defence, including but not limited to a right of set-off or counterclaim against any person in respect of the relevant Participation-Linked Mortgage Receivable or if, for whatever reason, the Savings Insurance Company does not pay the insurance proceeds when due and payable, whether in full or in part, under the relevant Participation-Linked Insurance Policy, or (b) in respect of a Bank Savings Mortgage Receivable, a Borrower invokes a defence, including but not limited to a right of set-off or counterclaim against any person in respect of the relevant Bank Savings Mortgage Receivables or if, for whatever reason, the Bank Savings Participant does not pay the amounts standing to the credit of the relevant Bank Savings Account when due and payable, whether in full or in part, under the relevant Bank Savings Mortgage Loan 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 Participation-Linked Mortgage Receivable (including any proceeds received under the Participation-Linked Insurance Policy) or, as the case may be, a Bank Savings Mortgage Receivable, and, as a consequence thereof, the Issuer will not have received any amount which was outstanding prior to such event in respect of such Participation-Linked Mortgage Receivable or, as the case may be, such Bank Savings Mortgage Receivable, the Savings Insurance Participation of the Savings Insurance Company in respect of such Participation-Linked Mortgage Receivable or, as the case may be, the Bank Savings Participation of the Bank Savings Participant in respect of such Bank 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 default to pay.

#### **Enforcement Notice**

If an Enforcement Notice is given by the Security Trustee to the Issuer, then and at any time thereafter the Security Trustee on behalf of the Savings Insurance Company and/or, as the case may be, the Bank Savings Participant may, and if so directed by the Savings Insurance Company and/or, as the case may be, the Bank Savings Participant will, by notice to the Issuer:

- (i) declare that the obligations of the Savings Insurance Company and/or, as the case may be, the Bank Savings Participant under the relevant Sub-Participation Agreement are terminated; and
- (ii) declare the relevant Participation in respect of each and all Participation-Linked Mortgage Receivables and/or, as the case may be, all Bank 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 relevant Participation Redemption Available Amount received or collected by the Issuer or, in case of enforcement, the Security Trustee under the Participation-Linked Mortgage Receivables and/or, as the case may be, the Bank Savings Mortgage Receivables.

**Termination**

If one or more of the Participation-Linked Mortgage Receivables or Bank 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 relevant Participation in such Participation-Linked Mortgage Receivables or Bank Savings Mortgage Receivable will terminate and the relevant Participation Redemption Available Amount in respect of the Participation-Linked Mortgage Receivables or Bank Savings Mortgage Receivables will be paid by the Issuer to the Savings Insurance Company or, as the case may be, the Bank Savings Participant. If so requested by the Savings Insurance Company or, as the case may be, the Bank Savings Participant, the Issuer will use its best efforts to ensure that the acquirer of the Participation-Linked Mortgage Receivables or, as the case may be, the Bank Savings Mortgage Receivables, will enter into a Sub-Participation Agreement with the Savings Insurance Company or, as the case may be, the Bank Savings Participant in a form similar to the relevant Sub-Participation Agreement. If such acquirer of the Participation-Linked Mortgage Receivables is not willing, if so requested by the Savings Insurance Company or, as the case may be, the Bank Savings Participant, to enter into a Sub-Participation Agreement with the Savings Insurance Company or, as the case may be, the Bank Savings Participant in a form similar to the relevant Sub-Participation Agreement, the Savings Insurance Company or, as the case may be, the Bank Savings Participant shall have the right to purchase and accept assignment from the Issuer of such Participation-Linked Mortgage Receivables for a purchase price equal to the higher of (i) the purchase price offered by such third party and (ii) the purchase price calculated in accordance with the Trust Deed.

Furthermore, the relevant Participation shall terminate if at the close of business of any Mortgage Payment Date the Savings Insurance Company or, as the case may be, the Bank Savings Participant, has received the relevant Participation in respect of the relevant Savings Participation-Linked Mortgage Receivable or, as the case may be, the relevant Bank Savings Mortgage Receivable.

## THE ISSUER

Arena 2011-I B.V., a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) was incorporated under the laws of the Netherlands on 29 November 2010 under number B.V.1620588. The corporate seat (*statutaire zetel*) of the Issuer is in Amsterdam, the Netherlands and its registered office is at Fred. Roeskestraat 123, 1076 EE Amsterdam and its telephone number is +31 20 5771 177. The Issuer is registered with the Commercial Register of the Chamber of Commerce of Amsterdam under number 51378973. The Issuer operates on a cross border basis when offering the Notes in certain countries.

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 Holding Arena 2011-I.

Stichting Holding Arena 2011-I is a foundation (*stichting*) incorporated under the laws of the Netherlands on 11 November 2010. The objects of Stichting Holding Arena 2011-I 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 Holding Arena 2011-I is ATC Management B.V. having its registered office at Fred. Roeskestraat 123, 1076 EE Amsterdam, the Netherlands.

The Issuer is a special purpose vehicle, which objectives are (a) to acquire, purchase, to manage, to alienate and to encumber assets and to exercise any rights connected to these assets, (b) to acquire funds to finance the acquisition of the assets mentioned under (a) by way of issuing bonds or by way of entering into loan agreements, (c) to invest, including to lend, any funds held by the Issuer, (d) to limit interest rate and other financial risks, amongst others by entering into derivatives agreements, such as swaps and options, (e) in connection with the foregoing, (i) to borrow funds against the issue of bonds or by entering into loan agreements, *inter alia* to repay the obligations under the securities mentioned under (b) and (ii) to grant security rights and (f) to perform all activities which are, in the widest sense of the word, incidental to or which may be conducive to the attainment of these objects.

Since its incorporation the Issuer operates under the laws of the Netherlands and there has been no material adverse change in the financial position or prospects of the Issuer and the Issuer has not (i) commenced operations, no profits and losses have been made or incurred and it has not declared or paid any dividends nor made any distributions, save for the activities related to its establishment and the securitisation transaction included in this Prospectus nor (ii) prepared any financial statements. There have been no legal, arbitration or governmental proceedings during the last 12 months which may have, or have had, significant effects on the Issuer's financial position or profitability nor, so far as the Issuer is aware, are any such proceedings pending or threatened against the Issuer.

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

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

ATC Management B.V. belongs to the same group of companies as ATC Financial Services B.V., being the Issuer Administrator. The sole shareholder of ATC Management B.V. and ATC Financial Services B.V. is ATC Group B.V.

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

ATC Management B.V. in its capacity as managing director of Stichting Holding Arena 2011-I and in its capacity as managing director of the Issuer has entered into a management agreement with the entity of which it acts as managing director. In these management agreements ATC Management B.V. agrees and undertakes to, *inter alia*, (i) comply with its obligations under the Relevant Documents and refrain from any action detrimental to any of its obligations under the Relevant Documents and (ii) exercise all of its rights and/or powers by virtue of being director of the Issuer in compliance with the Relevant Documents. In addition ATC Management B.V. agrees in the relevant management agreement that it will not enter into any agreement in relation to the Issuer other than the Relevant Documents to which it is a party, without the prior written consent of the Security Trustee.

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

The financial year of the Issuer coincides with the calendar year, except for the first financial year which started on 29 November 2010 and ends on 31 December 2011.

## **USE OF PROCEEDS**

On the Closing Date, the net proceeds of the issue of the Mortgage-Backed Notes will be applied to pay to the Seller (part of) the Initial Purchase Price for the Mortgage Receivables purchased under the Mortgage Receivables Purchase Agreement.

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

An amount of euro 648,043.78 of the Initial Purchase Price will be withheld by the Issuer and deposited in the Construction Account. Furthermore, an amount of euro 3,170,675.36 will be received by the Issuer as consideration for the Initial Savings Insurance Participation granted to the Savings Insurance Company in Participation-Linked Mortgage Receivables. In addition, an amount of euro 4,815,398.17 will be received by the Issuer as consideration for the Initial Bank Savings Participation granted to the Bank Savings Participant in the Bank Savings Mortgage Receivables. The Issuer will apply this amount towards payment of the remaining part of the Initial Purchase Price to be paid on the Closing Date.

The proceeds of the Subordinated Loan, in the amount of euro 2,750,000, will be used by the Issuer to pay certain initial costs and expenses in connection with the issue of the Notes.

## DESCRIPTION OF SECURITY

In the Parallel Debt Agreement the Issuer will irrevocably and unconditionally undertake to pay to the Security Trustee an amount equal to the aggregate amount due (*verschuldigd*) by the Issuer (a) to the Noteholders under the Notes, (b) as fees or other remuneration to the Directors under the Management Agreements, (c) as fees and expenses to the Servicers and the Issuer Administrator under the Issuer Services Agreement, (d) as fees and expenses to the Paying Agents and the Reference Agent under the Paying Agency Agreement, (e) to the Liquidity Facility Provider under the Liquidity Facility Agreement, (f) to the Swap Counterparty under the Swap Agreement, (g) to the Seller under the Mortgage Receivables Purchase Agreement, (h) to the Subordinated Loan Provider under the Subordinated Loan Agreement, (i) to the Savings Insurance Company under the Savings Insurance Sub-Participation Agreement and (j) to the Bank Savings Participant under the Bank Savings Sub-Participation Agreement (the **Parallel Debt**) (the parties referred to under items (a) through (j) 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 and vice versa.

To the extent that the Security Trustee irrevocably and unconditionally receives any amount in payment of the Parallel Debt, the Security Trustee shall distribute such amount among the Secured Parties in accordance with the Priority of Payments upon Enforcement, save for amounts due to the Savings Insurance Company and the Bank Savings Participant in connection with the Participations. The amounts available to the Secured Parties, other than the Savings Insurance Company and the Bank Mortgage Participant, will be the sum of (a) amounts recovered (*verhaald*) by the Security Trustee (i) on the Mortgage Receivables, other than Participation-Linked Mortgage Receivables and the Beneficiary Rights relating thereto, and (ii) on each of the Participation-Linked Mortgage Receivables and Bank Savings Mortgage Receivables and the Beneficiary Rights relating thereto to the extent the amount exceeds the relevant Participation in the relevant Participation-Linked Mortgage Receivable and Bank Savings Mortgage Receivable, and (iii) other assets pledged pursuant to the Pledge Agreements and (b) the *pro rata* part of amounts received from any of the Secured Parties, as received or recovered by any of them pursuant to the Parallel Debt Agreement (by reference to the proportion the sum of the relevant Participations bear to the aggregate Mortgage Receivables); less (y) any amounts already paid by the Security Trustee to the Secured Parties (other than the Savings Insurance Company and the Bank Mortgage 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*, the Rating Agencies and any legal advisor, auditor or accountant appointed by the Security Trustee) (by reference to the proportion the sum of the relevant Participations bear to the aggregate Mortgage Receivables).

The amounts available to the Savings Insurance Company consist of, *inter alia*, (i) amounts recovered by the Security Trustee on Participation-Linked Mortgage Receivables and the Beneficiary Rights provided that such amounts relate to the relevant Participation in the Participation-Linked Mortgage Receivables and (ii) the *pro rata* part of the amounts received from any of the Secured Parties, as received or recovered by any of them pursuant to the Parallel Debt Agreement (by reference to the proportion of the sum of the relevant Participations bear to the aggregate Mortgage Receivables); less (y) any amounts already paid to the Savings Insurance Company 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*, the Rating Agencies and any legal advisor, auditor or accountant appointed by the Security Trustee) (by reference to the proportion of the sum of the relevant Participations bear to the Mortgage Receivables) provided that such amount can never exceed the amount of the relevant Participation.

The amounts available to the Bank Savings Participant consist of, *inter alia*, (i) amounts recovered by the Security Trustee on the Bank Savings Mortgage Receivables and the Beneficiary Rights provided that such amounts relate to the relevant Participation in the Bank Savings Mortgage Receivables and (ii) the *pro rata* part of the amounts received from any of the Secured Parties, as received or recovered by any of them pursuant to the Parallel Debt Agreement (by reference to the proportion the sum of the relevant Participations bear to the aggregate Mortgage Receivables); less (y) any amounts already paid to the Bank Savings 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*, the Rating Agencies and any legal advisor, auditor or accountant appointed by the Security Trustee) (by reference to the proportion of the sum of the relevant Participations bear to the Mortgage Receivables) provided that such amount can never exceed the amount of the relevant Participation.

On the Closing Date the Issuer will vest a right of pledge (the **Trustee Receivables Pledge Agreement**) in favour of the Security Trustee on the Mortgage Receivables and the Beneficiary Rights relating thereto. The right of pledge on the Mortgage Receivables will not be notified to the Borrowers, except in case certain notification events occur, which

include similar events as the Notification Events, but relating to the Issuer, which includes the delivery of an Enforcement Notice (the **Trustee Notification Events**). Prior to notification of the right of pledge to the Borrowers, the pledge will be a 'silent' right of pledge (*stil pandrecht*) within the meaning of section 3:239 of the Netherlands Civil Code. The right of pledge on the Beneficiary Rights will also be an undisclosed right of pledge (*stil pandrecht*).

In addition, on the Closing Date a right of pledge (the **Trustee Assets Pledge Agreement** and together with the Trustee Receivables Pledge Agreement, the **Pledge Agreements**) will be vested by the Issuer in favour of the Security Trustee on all rights of the Issuer under or in connection with (i) the Mortgage Receivables Purchase Agreement, (ii) the Issuer Services Agreement, (iii) the Floating Rate GIC, (iv) the Liquidity Facility Agreement, (v) the Swap Agreement, (vi) the Sub-Participation Agreements 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 (*openbaar pandrecht*). However, the Security Trustee will grant a power to collect (*bevoegdheid tot inning*) to the Issuer which will be withdrawn upon the occurrence of any of the Trustee Notification Events.

Upon the occurrence of a Trustee Notification Event and, consequently, notification to the Borrowers and the Insurance Companies and withdrawal of the power to collect, the Security Trustee will collect (*innen*) all amounts due to the Issuer whether by Borrowers, the Insurance Companies or parties to the Relevant Documents. Pursuant to the Trust Deed the Security Trustee will, until the delivery of an Enforcement Notice, for the sole purpose of enabling the Issuer to make payments in accordance with the relevant Priority of Payments prior to Enforcement, pay or procure the payment to the Issuer, whilst for that sole purpose terminating (*opzeggen*) its right of pledge.

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

The rights of pledge described above shall serve as security of the Security Trustee for the benefit of the Secured Parties, including the Noteholders, but, *inter alia*, amounts owing to:

- (i) the Mezzanine Class B Noteholders will rank in priority of payment after amounts owing to the Senior Class A Noteholders;
- (ii) the Mezzanine Class C Noteholders will rank in priority of payment after amounts owing to the Senior Class A Noteholders and the Mezzanine Class B Noteholders;
- (iii) the Mezzanine Class D Noteholders will rank in priority of payment after amounts owing to the Senior Class A Noteholders, the Mezzanine Class B Noteholders and the Mezzanine Class C Noteholders;
- (iv) the Junior Class E Noteholders will rank in priority of payment after amounts owing to the Senior Class A Noteholders, the Mezzanine Class B Noteholders, the Mezzanine Class C Noteholders and the Mezzanine Class D Noteholders; and
- (v) the Subordinated Class F Noteholders will rank in priority of payment after amounts owing to the Senior Class A Noteholders, the Mezzanine Class B Noteholders, the Mezzanine Class C Noteholders, the Mezzanine Class D Noteholders and the Junior Class E Noteholders (see the section *Credit Structure* above).

The Senior Class A Notes comprise of the Senior Class A1 Notes and the Senior Class A2 Notes. The Senior Class A1 Notes and the Senior Class A2 Notes rank *pari passu* and *pro rata* without any preference or priority among all Notes of such Class in respect of the Security and payments of interest. Provided that no Enforcement Notice has been given, payments of principal on the Senior Class A Notes are applied firstly to the Senior Class A1 Notes and then to the Senior Class A2 Notes. To the extent that the Notes Redemption Available Amount is insufficient to redeem the Senior Class A1 Notes and/or the Senior Class A2 Notes in full when due in accordance with the Conditions for a period of fifteen calendar days or more, this will constitute an Event of Default in accordance with Condition 10(a). The Senior Class A2 Notes do not therefore purport to provide credit enhancement to the Senior Class A1 Notes. If, on any date, the Security is to be enforced and the proceeds of the enforcement would be insufficient to fully redeem the Senior Class A Notes in full, such loss will be borne, *pro rata* and *pari passu*, by the holders of the Senior Class A Notes. If the Senior Class A1 Notes have been redeemed (in part or in full) at such time, this will result in the Senior Class A2 Notes bearing a greater loss than that borne by the Senior Class A1 Notes.

## THE SECURITY TRUSTEE

Stichting Security Trustee Arena 2011-I (the **Security Trustee**) is a foundation (*stichting*) incorporated under the laws of the Netherlands on 29 November 2010. The statutory seat of the Security Trustee is in Amsterdam and its registered office is at Claude Debussylaan 24, 1082 MD Amsterdam, the Netherlands.

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

The sole director of the Security Trustee is ANT Securitisation Services B.V., having its registered office at Claude Debussylaan 24, 1082 MD Amsterdam, the Netherlands. The managing directors of ANT Securitisation Services B.V. are L.J.J.M. Lutz and H.M. van Dijk.

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

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

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

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

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

However, the Noteholders can resolve to dismiss the Director of the Security Trustee as the director of the Security Trustee by an Extraordinary Resolution, on the basis of the Trust Deed and the articles of incorporation of the Security Trustee. Moreover, each of the Director and the Security Trustee may terminate the appointment as managing director upon giving 90 calendar days' written notice. The Director of the Security Trustee shall only resign from its position as director of the Security Trustee as soon as a suitable person, trust or administration office, reasonably acceptable to the Issuer, after having consulted the Secured Parties, other than the Noteholders, and provided that the Security Trustee has notified the Rating Agencies of such event and that the Security Trustee, in its reasonable opinion, does not expect that the then current ratings assigned to the Mortgage-Backed Notes will be adversely affected as a consequence thereof.

The Security Trustee may agree, without the consent of the Noteholders and the other Secured Parties, to (i) any modification of any of the provisions of the Relevant Documents which is of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except if prohibited in the Relevant Documents), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Relevant Documents which is in the opinion of the Security Trustee not materially prejudicial to the interests of the Noteholders, provided

that the Security Trustee (i) has notified the Rating Agencies and (ii) in its reasonable opinion, does not expect that the then current ratings assigned to the Mortgage-Backed Notes, will be adversely affected by any such modification, authorisation or waiver (see the section *Terms and Conditions of the Notes* below).

## 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 section The Global Notes below.

The issue of the euro 147,000,000 floating rate Senior Class A1 Mortgage-Backed Notes 2011 due 2042 (the **Senior Class A1 Notes**), the euro 497,000,000 floating rate Senior Class A2 Mortgage-Backed Notes 2011 due 2042 (the **Senior Class A2 Notes**), and together with the Senior Class A1 Notes, the **Senior Class A Notes**), the euro 18,200,000 floating rate Mezzanine Class B Mortgage-Backed Notes 2011 due 2042 (the **Mezzanine Class B Notes**), the euro 16,100,000 Mezzanine Class C Mortgage-Backed Notes 2011 due 2042 (the **Mezzanine Class C Notes**), the euro 14,000,000 Mezzanine Class D Mortgage-Backed Notes 2011 due 2042 (the **Mezzanine Class D Notes**), the euro 7,700,000 Junior Class E Mortgage-Backed Notes 2011 due 2042 (the **Junior Class E Notes**), and together with the Senior Class A Notes, the Mezzanine Class B Notes, the Mezzanine Class C Notes and the Mezzanine Class D Notes, the **Mortgage-Backed Notes**) and the euro 10,500,000 Subordinated Class F Notes 2011 due 2042 (the **Subordinated Class F Notes**), and together with the Mortgage-Backed Notes, the **Notes**) was authorised by a resolution of the managing director of Arena 2011-I B.V. (the **Issuer**) passed on 21 January 2011. The Notes are issued under a trust deed dated 27 January 2011 (the **Trust Deed**) between the Issuer, Stichting Holding Arena 2011-I and Stichting Security Trustee Arena 2011-I (the **Security Trustee**).

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of (i) the Trust Deed, which will include the form of the Notes and the interest coupons appertaining to the Notes (the **Coupons**) and the forms of the temporary global notes (the **Temporary Global Notes**) and the permanent global notes (the **Permanent Global Notes**), (ii) a paying agency agreement (the **Paying Agency Agreement**) dated 27 January 2011 between the Issuer, the Security Trustee, Deutsche Bank AG, London Branch 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 issuer services agreement (the **Issuer Services Agreement**) dated 27 January 2011 between the Issuer, Delta Lloyd Bank N.V. as the Pool Servicer and the Defaulted Loan Servicer, ATC Financial Services B.V., as the Issuer Administrator, and the Security Trustee, (iv) a parallel debt agreement (the **Parallel Debt Agreement**) dated 27 January 2011 between the Issuer, the Security Trustee and the Secured Parties, (v) a pledge agreement (the **Trustee Assets Pledge Agreement**) dated 27 January 2011 between, *inter alia*, the Issuer and the Security Trustee, (vi) a pledge agreement dated between the Issuer, the Security Trustee and others (the **Trustee Receivables Pledge Agreement**), and together with the Trustee Receivables Pledge Agreement, the **Pledge Agreements**).

Unless otherwise defined herein, words and expressions used in these Conditions are defined in a master definitions agreement (the **Master Definitions Agreement**) dated 25 January 2011 and signed by the Issuer, the Security Trustee, the Paying Agents and certain other parties. Such words and expressions shall, except where the context requires otherwise, have the same meanings in these Conditions. If the definitions in the Master Definitions Agreement would conflict with definitions used herein, the definitions of these Conditions shall prevail. As used herein, **Class** means either the Senior Class A Notes (being the Senior Class A1 Notes and the Senior Class A2 Notes jointly), the Mezzanine Class B Notes, the Mezzanine Class C Notes, the Mezzanine Class D Notes, the Junior Class E Notes or the Subordinated Class F Notes, as the case may be.

Copies of *inter alia* the Trust Deed, the Paying Agency Agreement, the Parallel Debt Agreement, the Pledge Agreements and the Master Definitions Agreement are available for inspection free of charge by holders of the Notes (the **Noteholders**) at the specified office of the Paying Agents and the specified office of the Security Trustee, being at the date hereof Claude Debussylaan 24, 1082 MD Amsterdam, the Netherlands. The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed, the Paying Agency Agreement, the Parallel Debt Agreement, the Pledge Agreements and the Master Definitions Agreement and reference to any document is considered to be a reference to such document as amended, supplemented, restated or otherwise modified from time to time.

### 1. Form, Denomination and Title

Each of the Notes will be in bearer form serially numbered with Coupons attached on issue in denominations of euro 100,000 each. Under Dutch 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 the holder of any Note and of the Coupons appertaining thereto as its absolute owner for all purposes (whether or not payment under such Note or Coupon shall be overdue and notwithstanding any notice of ownership or writing thereon or any notice of previous loss

or theft thereof) for any purposes, including payment and no person shall be liable for so treating such holder. The signatures on the Notes will be in facsimile.

## 2. Status, Relationship between the Classes of Notes and Security

- (a) The Notes of each Class are direct and unconditional obligations of the Issuer and rank at all times *pari passu* and rateably without any preference or priority among Notes of the same Class. The Senior Class A Notes comprise of the Senior Class A1 Notes and the Senior Class A2 Notes and the Senior Class A1 Notes and the Senior Class A2 Notes rank *pari passu* and *pro rata* without any preference or priority among all Notes of such Class in respect of the Security and payments of interest. Provided that no Enforcement Notice has been given, payments of principal on the Senior Class A Notes are applied firstly to the Senior Class A1 Notes and then to the Senior Class A2 Notes. To the extent that the Notes Redemption Available Amount is insufficient to redeem the Senior Class A1 Notes and/or the Senior Class A2 Notes in full when due or the Notes Interest Available Amount is insufficient to pay the accrued interest due on the Senior Class A Notes in accordance with the Conditions for a period of fifteen calendar days or more, this will constitute an Event of Default in accordance with Condition 10(a). The Senior Class A2 Notes do not therefore purport to provide credit enhancement to the Senior Class A1 Notes. If, on any date, the Security is to be enforced and the proceeds of the enforcement would be insufficient to fully redeem the Senior Class A Notes in full, such loss will be borne, *pro rata* and *pari passu*, by the holders of the Senior Class A Notes. If the Senior Class A1 Notes have been redeemed (in part or in full) at such time, this will result in the Senior Class A2 Notes bearing a greater loss than that borne by the Senior Class A1 Notes.
- (b) In accordance with and subject to 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, (ii) payments of principal and interest (if any) on the Mezzanine Class C Notes are subordinated to, *inter alia*, payments of principal and interest on the Senior Class A Notes and the Mezzanine Class B Notes, (iii) payments of principal and interest (if any) on the Mezzanine Class D Notes are subordinated to, *inter alia*, payments of principal and interest on the Senior Class A Notes, the Mezzanine Class B Notes and the Mezzanine Class C Notes, (iv) payments of principal and interest (if any) on the Junior Class E Notes are subordinated to, *inter alia*, payments of principal and interest on the Senior Class A Notes, the Mezzanine Class B Notes, the Mezzanine Class C Notes and the Mezzanine Class D Notes and (v) payments of principal and interest (if any) on the Subordinated Class F Notes are subordinated to, *inter alia*, payments of principal and interest on the Senior Class A Notes, the Mezzanine Class B Notes, the Mezzanine Class C Notes, the Mezzanine Class D Notes and the Junior Class E Notes. The Subordinated Class F Noteholders do not have the right to receive any amount pursuant to the Principal Priority of Payments.
- (c) The security for the obligations of the Issuer towards the Noteholders (the **Security**) will be created pursuant to, and on the terms set out in, the Trust Deed, the Parallel Debt Agreement and the Pledge Agreements, which will create the following security rights:
- (i) a first ranking "undisclosed" pledge by the Issuer to the Security Trustee on the Mortgage Receivables and the Beneficiary Rights; and
  - (ii) a first ranking "disclosed" 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 Servicers and the Issuer Administrator under or in connection with the Issuer Services 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 Floating Rate GIC Provider under or in connection with the Floating Rate GIC; (f) against the Savings Insurance Company under or in connection with the Savings Insurance Sub-Participation Agreement; (g) against the Bank Savings Participant under or in connection with the Bank Savings Sub-Participation Agreement and (h) against the Floating Rate GIC Provider in respect of the Transaction Accounts;
- (d) The Notes will be secured (indirectly through the Parallel Debt) by the Security. The Senior Class A Notes (being the Senior Class A1 Notes and the Senior Class A2 Notes jointly) will rank in priority to the Mezzanine Class B Notes, the Mezzanine Class C Notes, the Mezzanine Class D Notes, the Junior Class E Notes and the Subordinated Class F Notes; the Mezzanine Class B Notes will rank in priority to the Mezzanine Class C Notes, the Mezzanine Class D Notes, the Junior Class E Notes and the Subordinated Class F Notes; the Mezzanine Class C Notes will rank in priority to the Mezzanine Class D Notes, the Junior Class E Notes and the Subordinated Class F Notes; the Mezzanine Class D Notes will rank in priority to the Junior Class E Notes and the Subordinated Class F Notes and the Junior Class E Notes rank in priority to the Subordinated Class F Notes.

The **Most Senior Class of Notes** means the Senior Class A Notes or if there are no Senior Class A Notes outstanding, the Mezzanine Class B Notes, or if there are no Mezzanine Class B Notes outstanding, the Mezzanine Class C Notes, or if there are no Mezzanine Class C Notes outstanding, the Mezzanine Class D Notes, or if there are no Mezzanine Class D Notes outstanding, the Junior Class E Notes, or if there are no Junior Class E Notes outstanding, the Subordinated Class F Notes.

The Trust Deed contains provisions requiring the Security Trustee to have regard to the interests of the holders of the Senior Class A Notes (the **Senior Class A Noteholders**), the holders of the Mezzanine Class B Notes (the **Mezzanine Class B Noteholders**), the holders of the Mezzanine Class C Notes (the **Mezzanine Class C Noteholders**), the holders of the Mezzanine Class D Notes (the **Mezzanine Class D Noteholders**), the holders of the Junior Class E Notes (the **Junior Class E Noteholders**) and the holders of the Subordinated Class F Notes (the **Subordinated Class F Noteholders**), as regards all powers, trust, authorities, duties and discretions of the Security Trustee (except where expressly provided otherwise). If there is a conflict of interest between any Classes of Noteholders, the Security Trustee shall have regard only to the interest of the Most Senior Class of Noteholders. In addition, the Security Trustee shall have regard to the interests of the other Secured Parties, provided that in case of a conflict of interest between the Secured Parties, the Priority of Payments upon Enforcement set forth in the Trust Deed determines which interest of which Secured Party prevails.

### 3. Covenants of the Issuer

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

- (a) carry out any business other than as described in the Prospectus dated 25 January 2011 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, transfer or otherwise dispose of or grant any options or rights to 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 as an entirety to one or more persons;
- (e) permit the validity or effectiveness of the Trust Deed, the Parallel Debt Agreement, the Pledge Agreements or the priority of the security created thereby or pursuant thereto to be amended, terminated, waived, postponed or discharged, or permit any person whose obligations form part of such security rights to be released from such obligations except as contemplated in the Relevant Documents;
- (f) have any employees or premises or have any subsidiary or subsidiary undertaking;
- (g) have an interest in any bank account other than (i) the Transaction Accounts and the Liquidity Facility Account or (ii) accounts in which collateral under the Swap Agreement is transferred, unless all rights in relation to such account have been pledged to the Security Trustee as provided in Condition 2(c)(ii); or
- (h) take any corporate action for its entering into a (preliminary) suspension of payments or bankruptcy or its dissolution and liquidation or for its conversion into a legal foreign entity.

#### 4. Interest

Any payments to be made pursuant to this Condition 4 are subject to Condition 9(a).

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

Each Note shall bear interest on its Principal Amount Outstanding (as defined in Condition 6(g)) 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 calendar day after notice is duly given by 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 such period and a 360 day year.

##### (b) *Interest Periods and Payment Dates*

Interest on the Notes is payable by reference to successive interest periods (each a **Floating Rate Interest Period**) and will be payable quarterly in arrear in euro in respect of the Principal Amount Outstanding on the 17<sup>th</sup> day of each March, June, September and December (or, if such day is not a Business Day, the next succeeding Business Day, unless such day falls in the next succeeding calendar month in which case the Business Day immediately preceding such 17<sup>th</sup> day) (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 Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007 (**TARGET 2**) or any successor thereto is operating credit or transfer instructions in respect of payments in euro. Each successive Floating Rate Interest Period will commence on (and include) a Quarterly Payment Date and end on (but exclude) the next succeeding Quarterly Payment Date, except for the first Floating Rate Interest Period, which will commence on (and include) the Closing Date and will end on (but exclude) the Quarterly Payment Date falling in March 2011.

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

Interest on the Senior Class A Notes and the Mezzanine Class B Notes for each Floating Rate Interest Period will accrue at a rate equal to the sum of the Euro Interbank Offered Rate (**Euribor**) for three month deposits in euros (or, in respect of the first Floating Rate Interest Period, the rate which represents the linear interpolation of Euribor for one month and two month deposits in euro, rounded, if necessary, to the 5th decimal place with 0.000005, being rounded upwards) plus, up to (but excluding) the first Optional Redemption Date:

- (i) for the Senior Class A1 Notes a margin of 1.05 per cent. per annum;
- (ii) for the Senior Class A2 Notes a margin of 1.45 per cent. per annum; and
- (iii) for the Mezzanine Class B Notes a margin of zero per cent. per annum.

The Mezzanine Class C Notes, the Mezzanine Class D Notes, the Junior Class E Notes and the Subordinated Class F Notes will bear interest at a rate of zero per cent. per annum.

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

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

- (i) for the Senior Class A1 Notes, a margin of 2.10 per cent. per annum;
- (ii) for the Senior Class A2 Notes, a margin of 2.90 per cent. per annum; and
- (iii) for the Mezzanine Class B Notes, a margin of zero per cent. per annum.

The Mezzanine Class C Notes, the Mezzanine Class D Notes, the Junior Class E Notes and the Subordinated Class F Notes will bear interest at a rate of zero per cent. per annum.

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

(e) *Euribor*

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

- (i) The Reference Agent will obtain for each Floating Rate Interest Period the rate equal to the amount of Euribor for one month deposits in euros. The Reference Agent shall use the Euribor rate as determined and published jointly by the European Banking Federation and ACI - The Financial Market Association and which appears for information purposes on the Reuters Screen EURIBOR 01 (or, if not available, any other display page on any screen service maintained by any registered information vendor for the display of the Euribor rate selected by the Reference Agent) as at or about 11.00 a.m. Amsterdam time on the day that is two Business Days prior to 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 month euro deposits are offered by it in the euro-zone interbank market at approximately 11.00 a.m. Amsterdam 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. Amsterdam time on the relevant Interest Determination Date for three 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 Rates of Interest and Calculation of Interest Amounts*

The Reference Agent will, as soon as practicable after 11.00 a.m. Amsterdam time on each Interest Determination Date, determine the Rates of Interest for each Class of Notes and calculate the amount of interest payable on each relevant Class of Notes for the following Floating Rate Interest Period (the **Interest Amount**) by applying the relevant Rates of Interest to the Principal Amount Outstanding of each Class of Notes respectively on the first calendar day of such Floating Rate Interest Period. The determination of the relevant Rates of Interest and each Interest Amount by the Reference Agent shall (in the absence of manifest error) be final and binding on all parties.

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

The Reference Agent will cause the relevant Quarterly Payment Date, the relevant Rates of Interest and the relevant Interest Amounts to be notified to the Issuer, the Security Trustee, the Paying Agents, the Issuer Administrator, the Swap Counterparty and to the holders of such Class of Notes, as long as the Notes are admitted to listing, trading and/or quotation on Euronext Amsterdam or by any other competent authority, stock exchange and/or quotation system, notice shall also be published in such other place as may be required by the rules and regulations of such competent authority, stock exchange and/or quotation system, as soon as possible after the determination. The Interest Amount, the Rate of Interest and the 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 Rates of Interest or fails to calculate the relevant Interest Amounts in accordance with paragraph (f) above, the Security Trustee shall determine the relevant Rates of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the procedure described in paragraph (e) above), it shall deem fair and reasonable under the circumstances, or, as the case may be, the Security Trustee shall calculate the Interest Amounts in accordance with paragraph (f) above, and each such determination or calculation shall (in the absence of a manifest error) be final and binding on all parties.

*(i) Reference Agent*

The Issuer will procure that, as long as any of the Notes remains outstanding, there will at all times be 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 by giving at least 90 calendar 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 Agent or if the appointment of the Reference Agent shall be terminated, the Issuer will, with the prior written consent of the Security Trustee, appoint a successor Reference Agent to act in its place, provided that neither the resignation nor removal of the Reference Agent shall take effect until a successor approved in writing by the Security Trustee has been appointed.

## **5. Payment**

- (a) Payment of principal and interest in respect of Notes will be made upon presentation of the Note and against surrender of the relevant Coupon appertaining thereto, at any specified office of the Paying Agents 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 must be presented for payment together with all matured Coupons appertaining thereto.
- (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, the holder thereof shall not be entitled to payment until the next Business Day 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 a euro account as referred to above, the Paying Agents shall not be obliged to credit such account until the day on which banks in the place of such account are open for business immediately following such Business Day. The name of each of the Paying Agents and of its offices are set out below.
- (d) The Issuer reserves the right at any time to vary or terminate the appointment of the Paying Agents and to appoint additional or other paying agents provided that no paying agent located in the United States of America will be appointed and for as long as the Notes are listed on Euronext Amsterdam the Issuer will at all times maintain a paying agent having a specified office in the European Union, which as long as the Notes are listed on Euronext Amsterdam, shall be in the Netherlands. Notice of any termination or appointment of a Paying Agent and of any changes in the specified offices of the Paying Agents will be given to the Noteholders in accordance with Condition 13.

## **6. Redemption**

Any payments to be made in accordance with this Condition 6 are subject to Condition 9(b).

*(a) Final redemption*

Unless previously redeemed as provided below, on the Quarterly Payment Date falling in December 2042 (the **Final Maturity Date**) the Issuer will redeem the Notes at their Principal Amount Outstanding.

*(b) Mandatory Redemption of the Mortgage-Backed Notes*

Provided that no Enforcement Notice has been served in accordance with Condition 10, on each Quarterly Payment Date, the Issuer shall be obliged to apply the Notes Redemption Available Amount (as defined below), including in the case the Seller exercises the Regulatory Call Option and/or Clean-Up Call Option, to redeem (or, other than in

connection with the case of exercise the Regulatory Call Option and/or Clean-Up Call Option, partially redeem) the Mortgage-Backed Notes at their Principal Amount Outstanding on a *pro rata* basis in the following order:

- (i) *first*, sequentially, the Senior Class A1 Notes until fully redeemed and, *secondly*, the Senior Class A2 Notes until fully redeemed, and thereafter
- (ii) *secondly*, the Mezzanine Class B Notes until fully redeemed, and thereafter
- (iii) *third*, the Mezzanine Class C Notes until fully redeemed, and thereafter
- (iv) *fourth*, the Mezzanine Class D Notes until fully redeemed and thereafter
- (v) *finally*, the Junior Class E Notes until fully redeemed.

Following application of the Principal Redemption Amount, the Principal Amount Outstanding of such Note shall be reduced accordingly.

(c) *Redemption of Subordinated Class F Notes*

Provided that no Enforcement Notice has been served in accordance with Condition 10, on each Quarterly Payment Date, the Issuer shall be obliged to apply the Class F Redemption Available Amount (as defined below) to redeem (or partially redeem) the Subordinated Class F Notes at their Principal Amount Outstanding on a *pro rata* basis until fully redeemed.

Following application of the Principal Redemption Amount, the Principal Amount Outstanding of such Note shall be reduced accordingly.

(d) *Determination of Principal Redemption Amount, Notes Redemption Available Amount, Class F Redemption Available Amount and the 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 of each Note, (b) the Notes Redemption Available Amount, (c) the Class F Redemption Available Amount and (d) the Principal Amount Outstanding of the relevant Note on the first calendar day of the next 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) the Principal Redemption Amount, (b) the Notes Redemption Available Amount, (c) the Class F Redemption Available Amount and (d) the Principal Amount Outstanding of the Notes to be notified forthwith to the Security Trustee, the Paying Agents, the Reference Agent, the Swap Counterparty, Euroclear, Clearstream, Luxembourg, Euronext Amsterdam and to the holders of Notes and as long as the Notes are admitted to listing, trading and/or quotation on Euronext Amsterdam or by any other competent authority, stock exchange and/or quotation system, such notice is to be published in such place as may be required by the rules and regulations of Euronext Amsterdam or such competent authority, stock exchange and/or quotation system. Any such notice shall be deemed to have been given on the first date of such publication, but in any event no later than one business days prior to the relevant Quarterly Payment Date. If the Principal Redemption Amount in respect of any Note on any applicable Quarterly Payment Date is zero, 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) (a) the Principal Redemption Amount, (b) the Notes Redemption Available Amount, (c) the Class F Redemption Available Amount and (d) the Principal Amount Outstanding of the relevant Note, such (a) Principal Redemption Amount, (b) Notes Redemption Available Amount, (c) Class F Redemption Available Amount and (d) Principal Amount Outstanding of the relevant Note shall be determined by the Security Trustee in accordance with this paragraph (d) and paragraph (b) and (c) above (but based upon the information in its possession as to the Notes Redemption Available Amount and the Notes Interest Available Amount) and shall in each case (in the absence of a manifest error) be final and binding on all persons and each such determination or calculation shall be deemed to have been made by the Issuer;
- (iv) Following application of the Principal Redemption Amount, the Principal Amount Outstanding of such Note shall be reduced accordingly.

(e) *Optional Redemption*

Unless previously redeemed in full, on the Quarterly Payment Date falling in December 2015 and on each Quarterly Payment Date thereafter (each an **Optional Redemption Date**) the Issuer may, at its option, redeem all (but not some only) of the Mortgage-Backed Notes at their Principal Amount Outstanding on such date in accordance with this Condition 6(e). The Issuer shall notify the exercise of such option by giving not more than 60 nor less than 30 calendar days' written notice to the Security Trustee and the Noteholders in accordance with Condition 13, prior to the relevant Optional Redemption Date. In the event that on such Optional Redemption Date there is a Principal Shortfall (as defined in Condition 9) in respect of the Junior Class E Notes or the Mezzanine Class D Notes or the Mezzanine Class C Notes or the Mezzanine Class B Notes, the Issuer may, at its option, subject to Condition 9(b), partially redeem all (but not some only) Junior Class E Notes or Mezzanine Class D Notes or Mezzanine Class C Notes or Mezzanine Class B Notes respectively at their Principal Amount Outstanding less the relevant Principal Shortfall.

The Subordinated Class F Notes will be subject to redemption in accordance with and subject to Condition 6(c).

(f) *Redemption for tax reasons*

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

- (a) the Issuer is or will be obliged to make any withholding or deduction for, or on account of, any taxes, duties, or charges of whatsoever nature from payments in respect of any Class of Notes as a result of any change in, or amendment to, the application of the laws or regulations (including any guidelines issued by the tax authorities) 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
- (b) the Issuer will have sufficient funds available on the Quarterly Calculation Date immediately preceding such Quarterly Payment Date to discharge all amounts of principal and interest (if any) due in respect of each Class of the Mortgage-Backed Notes in accordance with the Trust Deed and any amounts required to be paid in priority to or *pari passu* with each Class of Mortgage-Backed Notes. No Class of Mortgage-Backed Notes may be redeemed under such circumstances unless all Classes of Mortgage-Backed Notes (or such of them as are then outstanding) are also redeemed in full at the same time.

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

The Subordinated Class F Notes will be subject to redemption in accordance with and subject to Condition 6(c).

(g) *Definitions*

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

- (i) The term **Class F Redemption Available Amount** shall mean on the relevant Quarterly Payment Date, the amount of the Notes Interest Available Amount less the payments of items (a) up to and including (q) of the Interest Priority of Payments on such Quarterly Payment Date;
- (ii) The term **Quarterly Calculation Date** means, in relation to a Quarterly Payment Date, the fourth business day prior to such Quarterly Payment Date;
- (iii) The term **Quarterly Calculation Period** means a period of three calendar months commencing on (and including) the first day of each March, June, September and December, except for the first Quarterly Calculation Period which will commence on the Cut-off Date and end on and include the last calendar day of February 2011;
- (iv) The term **Net Proceeds** shall mean (a) the proceeds of a foreclosure on the mortgage right and rights of pledge, (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 any Insurance Policy and fire insurance, (d) the proceeds of payments under the NHG Guarantee and

any other guarantees or sureties, and (e) the proceeds of foreclosure on any other assets of the relevant debtor, after deduction of foreclosure costs;

- (v) The term **Notes Redemption Available Amount** shall mean on any Quarterly Payment Date the aggregate amount received or held by the Issuer during the immediately preceding Quarterly Calculation Period:
- (a) by means of 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 Participation-Linked Mortgage Receivable and Bank Savings Mortgage Receivable, the relevant Participation in such Participation-Linked Mortgage Receivable or Bank Savings Mortgage Receivable;
  - (b) as Net Proceeds on any Mortgage Receivable to the extent such proceeds relate to principal but up to the aggregate Outstanding Principal Amount of such Mortgage Receivables less, with respect to each Participation-Linked Mortgage Receivable and Bank Savings Mortgage Receivable, the relevant Participation in such Participation-Linked Mortgage Receivable or Bank Savings Mortgage Receivable;
  - (c) in connection with a repurchase of Mortgage Receivables, whether or not as a result of the exercise of the Regulatory Call Option or the Clean-up Call Option, 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 Participation-Linked Mortgage Receivable and Bank Savings Mortgage Receivable, the relevant Participation in such Participation-Linked Mortgage Receivable or Bank Savings Mortgage Receivable;
  - (d) in connection with a sale of Mortgage Receivables pursuant to the Trust Deed to the extent such amounts relate to principal but up to the aggregate Outstanding Principal Amount of such Mortgage Receivables less, with respect to each Participation-Linked Mortgage Receivable and Bank Savings Mortgage Receivable, the relevant Participation in such Participation-Linked Mortgage Receivable or Bank Savings Mortgage Receivable;
  - (e) as amounts to be credited to the Principal Deficiency Ledger on the immediately succeeding Quarterly Payment Date in accordance with the Interest Priority of Payments;
  - (f) as Monthly Participation Increase pursuant to the relevant Sub-Participation Agreement and as consideration for the relevant Initial Participation in case any type of Mortgage Loan switches into a Participation-Linked Mortgage Loan or, as the case may be, Bank Savings Mortgage Receivable;
  - (g) as partial prepayment in respect of Mortgage Receivables;
  - (h) 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 Mortgage-Backed Notes on the preceding Quarterly Payment Date; and
  - (i) any amounts received on the Issuer Collection Account from the credit balance of the Construction Account in accordance with the Mortgage Receivables Purchase Agreement;
- (vi) The term **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 provided that for the purpose of Conditions 4, 6 and 10 all Principal Redemption Amounts that have become due and not been paid, notwithstanding duly presentation of the relevant Note, shall not be so deducted;
- (vii) The term **Principal Redemption Amount** shall mean on the relevant Quarterly Payment Date (i) the amount (if any) (rounded down to the nearest euro) of the Notes Redemption Available Amount (as applicable to each Class of Mortgage-Backed Notes, divided by the number of Notes of such Class, subject to such redemption and (ii) in respect of the Subordinated Class F Notes, the Class F Redemption Available Amount on that Quarterly Payment Date, divided by the number of Subordinated Class F Notes, provided always that the Principal Redemption Amount may never exceed the Principal Amount Outstanding of the relevant Note.

## 7. Taxation

All payments in respect of the Notes will be made without withholding of, or deduction for, or on account of any present or future taxes, duties, assessments or charges of whatsoever nature, unless the Issuer or the Paying Agents (as applicable) is required by applicable law to make any payment in respect of the Notes subject to the withholding or deduction of such taxes, duties, assessments or charges are required by law. In that event, the Issuer or the Paying Agents (as the case may be) shall make such payment after the required withholding or deduction has been made and shall account to the relevant authorities for the amount so required to be withheld or deducted. Neither the Paying

Agents nor the Issuer will be obliged to make any additional payments to the Noteholders in respect of such withholding or deduction.

## **8. Prescription**

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

## **9. Subordination and limited recourse**

### *(a) Interest*

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 Senior Class A Notes on such Quarterly Payment Date and such interest is not paid within fifteen calendar days from the relevant Quarterly Payment Date, this will constitute an Event of Default in accordance with Condition 10(a).

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

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

(b) *Principal*

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 principal due on the Senior Class A Notes on such Quarterly Payment Date and such principal is not paid within fifteen calendar days from the relevant Quarterly Payment Date, this will constitute an Event of Default in accordance with Condition 10(a).

Any payments to be made in accordance with Condition 6 are subject to this Condition 9(b).

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 relevant 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 on the Mezzanine Class B Notes the date on which the Issuer no longer holds any Mortgage Receivables and there is no balance standing to the credit of the Transaction Accounts and the Issuer has no further rights under or in connection with any of the Relevant Documents.

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 Mezzanine Class C Noteholders will not be entitled to any repayment of principal in respect of the Mezzanine 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 Mezzanine Class C Note on such Quarterly Payment Date shall not exceed its Principal Amount Outstanding less the relevant Principal Shortfall on such Quarterly Payment Date. The Mezzanine Class C Noteholders shall have no further claim against the Issuer for the Principal Amount Outstanding on the Mezzanine Class C Notes after the date on which the Issuer no longer holds any Mortgage Receivables and there is no balance standing to the credit of the Transaction Accounts and the Issuer has no further rights under or in connection with any of the Relevant Documents.

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 and the Principal Amount Outstanding of the Mezzanine Class C Notes is reduced to zero, the Mezzanine Class D Noteholders will not be entitled to any repayment of principal in respect of the Mezzanine Class D Notes. If, on any Quarterly Payment Date, there is a balance on the Class D Principal Deficiency Ledger, then notwithstanding any other provisions of these Conditions the

principal amount payable on redemption of each Mezzanine Class D Note on such Quarterly Payment Date shall not exceed its Principal Amount Outstanding less the relevant Principal Shortfall on such date. The Mezzanine Class D Noteholders shall have no further claim against the Issuer for the Principal Amount Outstanding on the Mezzanine Class D Notes after the date on which the Issuer no longer holds any Mortgage Receivables and there is no balance standing to the credit of the Transaction Accounts and the Issuer has no further rights under or in connection with any of the Relevant Documents.

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 and the Principal Amount Outstanding of the Mezzanine Class C Notes is reduced to zero and the Principal Amount Outstanding of the Mezzanine Class D Notes is reduced to zero, the Junior Class E Noteholders will not be entitled to any repayment of principal in respect of the Junior Class E Notes. If, on any Quarterly Payment Date, there is a balance on the Class E Principal Deficiency Ledger, then notwithstanding any other provisions of these Conditions the principal amount payable on redemption of each Mezzanine Class E Note on such Quarterly Payment Date shall not exceed its Principal Amount Outstanding less the relevant Principal Shortfall on such date. The Junior Class E Noteholders shall have no further claim against the Issuer for the Principal Amount Outstanding on the Junior Class E Notes after the date on which the Issuer no longer holds any Mortgage Receivables and there is no balance standing to the credit of the Transaction Accounts and the Issuer has no further rights under or in connection with any of the Relevant Documents.

**Principal Shortfall** shall mean an amount equal to the quotient of the balance on the relevant sub-ledger of the Principal Deficiency Ledger on a Quarterly Payment Date divided by the number of the Notes of the relevant Class on such Quarterly Payment Date.

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

(c) *Limited Recourse*

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 the relevant 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 such Class shall have no further claim, of whatever nature, against the Issuer or the Security Trustee in respect of any such unpaid amounts. If, on any date, the Security is to be enforced and the proceeds of the enforcement would be insufficient to fully redeem the Senior Class A Notes in full, such loss will be borne, *pro rata* and *pari passu*, by the holders of the Senior Class A Notes. If the Senior Class A1 Notes have been redeemed (in part or in full) at such time, this will result in the Senior Class A2 Notes bearing a greater loss than that borne by the Senior Class A1 Notes.

## 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 holders of the Most Senior Class of Notes (subject to, in each case, 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 events shall occur (each an **Event of Default**):

- (a) default is made for a period of fifteen (15) calendar 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 calendar days after written notice thereof was given 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) calendar days; or
- (d) if any order shall be made by any competent court or other authority or a resolution passed for the dissolution or liquidation 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 (preliminary) suspension of payments or for bankruptcy or has been declared bankrupt; or
- (g) it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes, the Trust Deed or the Security;

provided that, if more than one Class of Notes is outstanding, no Enforcement Notice may or shall be given by the Security Trustee to the Issuer in respect of any Class of Notes ranking junior to the Most Senior Class of Notes irrespective of whether an Extraordinary Resolution is passed by the holders of such Class or Classes of Notes ranking junior to the Most Senior Class of Notes, unless an Enforcement Notice in respect of the Most Senior Class of Notes has been given by the Security Trustee. In exercising its discretion as to whether or not to give an Enforcement Notice to the Issuer in respect of the Most Senior Class of Notes, the Security Trustee shall not be required to have regard to the interests of the holders of any Class of Notes ranking junior to the Most Senior Class of Notes.

## **11. Enforcement**

- (a) At any time after the Notes of any Class become due and payable as a result of an Enforcement Notice, the Security Trustee may, at its discretion and without further notice, take such steps and/or institute such proceedings as it may think fit to enforce the terms of the Parallel Debt Agreement (including the making of a demand of payment thereunder), 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 holders of the Most Senior Class of Notes and (ii) it shall have been indemnified to its satisfaction;
- (b) No Noteholder may proceed directly against the Issuer unless the Security Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing;
- (c) The Noteholders may not institute against, or join any person in instituting against, the Issuer any bankruptcy, reorganisation, arrangement, insolvency or liquidation proceeding until the expiry of a period of at least one (1) year after the latest maturing Note is paid in full. The Noteholders accept and agree that the only remedy against the Issuer after any of the Notes have become due and payable pursuant to Condition 10 above is to enforce the Security.

## **12. Indemnification of the Security Trustee**

The Trust Deed contains provisions for the indemnification of the Security Trustee in the circumstances set out herein 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, (other than where specifically referred to this Condition therein), 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 such newspaper shall cease to be published or timely publication therein shall not be practicable, in such English language newspaper as the Security Trustee shall approve having a general circulation in Europe and, as long as the Notes are admitted to listing, trading and/or quotation on Euronext Amsterdam or by any other competent authority, stock exchange and/or quotation system, notice shall also be published in such other place as may be required by the rules and regulations of such competent authority, stock exchange and/or quotation system. Any such notice shall be deemed to have been given on the first date of such publication.

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

The Trust Deed contains provisions for convening meetings of the Noteholders of any Class or one or more Classes jointly to consider matters affecting the interests, including the sanctioning by Extraordinary Resolution, of such Noteholders of the relevant Class of a change of any of these Conditions or any provisions of the Relevant Documents. Instead of at a general meeting, a resolution of the Noteholders of the relevant Class may be passed in writing - including by telegram, facsimile or telex transmission, or in the form of a message transmitted by any accepted means of communication and received or capable of being produced in writing - provided that all Noteholders with the right to vote have voted in favour of the proposal.

(a) Meeting of Noteholders

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

(b) Basic Terms Change

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

(c) Extraordinary Resolution

Quorum and majority

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

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

Limitations

No Extraordinary Resolution to sanction a Basic Terms Change in respect of a Class of Notes is effective unless (i) the Issuer has agreed thereto, (ii) only in respect of a change which would have the effect of altering the rate of interest payable in respect of such Class of Notes, the Swap Counterparty has agreed thereto, and (iii) it shall have been sanctioned by an Extraordinary Resolution of the holders of all Notes ranking senior to such Class of Notes.

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

An Extraordinary Resolution of the Mezzanine Class B Noteholders and/or the Mezzanine Class C Noteholders and/or the Mezzanine Class D Noteholders and/or the Junior Class E Noteholders and/or the Subordinated Class F Noteholders

shall only be effective when (i) the Security Trustee is of the opinion that it will not be materially prejudicial to the interests of the holders of all Notes ranking senior such Class of Notes or (ii) it is sanctioned by an Extraordinary Resolution of the holders of all Notes ranking senior to such Class of Notes. The Trust Deed imposes no such limitations on the powers of the holders of any Class of Notes, the exercise of which will be binding on the Noteholders of any other Classes of Notes, irrespective of the effect on their interests.

(d) Modifications by the Security Trustee

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

(e) Exercise of Security Trustee's functions

In connection with the exercise of its functions (including but not limited to those referred to in this Condition) the Security Trustee shall have regard to the interests of the Senior Class A Noteholders and the Mezzanine Class B Noteholders and the Mezzanine Class C Noteholders and the Mezzanine Class D Noteholders and the Junior Class E Noteholders and the Subordinated Class F Noteholders, each as a Class, and shall not have regard to the consequences of such exercise for individual Noteholders and the Security Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders.

**15. Replacements of Notes and Coupons**

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

**16. Governing Law**

The Notes and Coupons, and any non-contractual obligations arising out of or in relation to 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.

## THE GLOBAL NOTES

Each Class of Notes shall be initially represented by a temporary global note in bearer form, without coupons (the **Temporary Global Note**) (i) in the case of the Senior Class A1 Notes, in the principal amount of euro 147,000,000, (ii) in the case of the Senior Class A2 Notes, in the principal amount of euro 497,000,000; (iii) in the case of the Mezzanine Class B Notes, in the principal amount of euro 18,200,000, (iv) in the case of the Mezzanine Class C Notes, in the principal amount of euro 16,100,000, (v) in the case of the Mezzanine Class D Notes, in the principal amount of euro 14,000,000, (vi) in the case of the Junior Class E Notes, in the principal amount of euro 7,700,000 and (vii) in the case of the Subordinated Class F Notes, in the principal amount of euro 10,500,000. The Temporary Global Notes representing the Senior Class A Notes will be deposited with Clearstream, Luxembourg as common safekeeper for Euroclear and Clearstream, Luxembourg on or about the Closing Date. The Temporary Global Notes representing the Notes (other than the Senior Class A Notes) will be deposited with Deutsche Bank AG, London Branch as common safekeeper for Euroclear and Clearstream, Luxembourg on or about the Closing Date. Upon deposit of each such Temporary Global Note, Euroclear and Clearstream, Luxembourg, as the case may be, will credit each purchaser of Notes represented by such Temporary Global Note with the principal amount of the relevant Class of Notes equal to the principal amount thereof for which it has purchased and paid. On any payment, whether principal or interest, being made in respect of any of the Notes, details of such payments shall be entered *pro rata* in the records of Euroclear and/or Clearstream, Luxembourg and, upon any payment of principal being made, the nominal amount of the Notes recorded in the records of Euroclear and/or Clearstream, Luxembourg shall be reduced by the aggregate nominal amount of such payment. 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 40 calendar 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 of Notes and the Permanent Global Notes of each Class of Notes and the expression **Global Note** means any of them, as the context may require). 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. On the exchange of a Temporary Global Note for a Permanent Global Note of the relevant Class of Notes, the Permanent Global Note will remain deposited with the common safekeeper.

The Senior Class A Notes are intended to be held in a manner which will allow Eurosystem eligibility. This means that the Senior Class A Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Senior Class A Notes will be recognized as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria. The Mezzanine Class B Notes, the Mezzanine Class C Notes, the Mezzanine Class D Notes, the Junior Class E Notes and the Subordinated Class F Notes are not intended to be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem.

The Global Notes will be transferable by delivery in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as appropriate. 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 100,000 each or, as the case may be, in the Principal Amount Outstanding of the Notes of such Class on such date of exchange. 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. No person is entitled to receive any payment under a Temporary Global Note unless the exchange of a Temporary Global Note for a Permanent Global Note has been improperly withheld or refused.

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 requirements of such stock exchange will be met). Any such notice shall be deemed to have been given to the Noteholders on the seventh calendar 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 of that Class of Notes will be treated by the Issuer and the Security Trustee as a holder of such principal amount of that Class of Notes and the expression **Noteholder** shall be construed accordingly, but without prejudice to the entitlement of the bearer of the relevant Global Note to be paid principal thereon and interest with respect thereto in accordance with and subject to its terms. Any statement in writing issued by Euroclear or Clearstream, Luxembourg as to the persons shown in its records as being entitled to such Notes and the respective principal amount of such Notes held by them shall be conclusive for all purposes.

If after the Exchange Date (i) the Notes become immediately due and payable by reason of accelerated maturity following an Event of Default, or (ii) either Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 calendar days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business and no alternative clearance system satisfactory to the Security Trustee is available, or (iii) as a result of any amendment to, or change in the laws or regulations of the Netherlands (or of any political sub-division thereof) or of any authority therein or thereof having power to tax, or in the interpretation or administration of such laws or regulations, which becomes effective on or after the Closing Date (each of (i), (ii) and (iii) an **Exchange Event**), the Issuer or Paying Agents 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 A1 Notes in definitive form in exchange for the whole outstanding interest in the Permanent Global Note in respect of the Senior Class A1 Notes;
- (ii) Senior Class A2 Notes in definitive form in exchange for the whole outstanding interest in the Permanent Global Note in respect of the Senior Class A2 Notes;
- (iii) 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;
- (iv) Mezzanine Class C Notes in definitive form in exchange for the whole outstanding interest in the Permanent Global Note in respect of the Mezzanine Class C Notes;
- (v) Mezzanine Class D Notes in definitive form in exchange for the whole outstanding interest in the Permanent Global Note in respect of the Mezzanine Class D Notes;
- (vi) Junior Class E Notes in definitive form in exchange for the whole outstanding interest in the Permanent Global Note in respect of the Junior Class E Notes; and
- (vii) Subordinated Class F Notes in definitive form in exchange for the whole outstanding interest in the Permanent Global Note in respect of the Subordinated Class F Notes,

in each case within 30 calendar days of the occurrence of the relevant Exchange Event, subject in each case to certification as to non-U.S. beneficial ownership and against the surrender of the relevant Permanent Global Note to or to the order of the Paying Agents.

The Issuer will promptly give notice to Noteholders in accordance with Condition 13 upon the occurrence of an Exchange Event. In the event of the occurrence of any Exchange Event, Euroclear and/or Clearstream, Luxembourg acting on the instructions of any holder of an interest in the Global Note may give notice to the Paying Agents requesting exchange and in the event of the occurrence of an Exchange Event as described in (ii) above, the Issuer may also give notice to the Paying Agents requesting exchange. At the date hereof, Euroclear or Clearstream, Luxembourg do not regard Notes in global form as fungible with Notes in definitive form.

The following legend will appear on all Global Notes, Notes in definitive form, receipts and interest coupons (including talons) which are subject to TEFRA D selling restrictions:

'ANY UNITED STATES PERSON (AS DEFINED IN THE UNITED STATES INTERNAL REVENUE CODE OF 1986 (THE CODE)) WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165 (j) AND 1287 (a) OF THE 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.

## 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 Prospectus 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 Prospectus 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 Relevant 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, an open limited partnership (*open commanditaire vennootschap*) or another company with a capital divided into shares or a special purpose fund (*doelvermogen*),

- (iii) such Holder does not have a substantial interest\* in the share capital of the Issuer and/or the Seller or in the event that such Holder does have such an interest, such interest forms part of the assets of an enterprise; and
- (iv) such Holder does not have a deemed Netherlands enterprise to which enterprise the Notes are attributable;

and, if the Holder is a natural person,

- (v) such Holder does not derive benefits from miscellaneous activities carried out in The Netherlands in respect of the Notes, including, without limitation, activities which are beyond the scope of active portfolio investment activities; and
- (vi) such Holder or a person related to the Holder by law, contract, consanguinity or affinity to the degree specified in the tax laws of the Netherlands does not have, or is not deemed to have, a substantial interest\* in the share capital of the Issuer and/or the Seller.

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

4. No Netherlands gift or inheritance taxes will arise on the transfer of the Notes by way of a gift by, or on the death of, a Holder who is neither resident nor deemed to be resident in the Netherlands, unless:
  - (i) in case of a gift of the Notes under a suspensive condition by an individual who at the date of the gift was neither resident nor deemed to be resident in the Netherlands, such individual is resident or

deemed to be resident in the Netherlands at the date (a) of the fulfillment of the condition; or (b) of his/her death and the condition of the gift is fulfilled after the date of his/her death.

- (ii) in case of a gift of Notes by an individual who at the date of the gift or - in case of a gift under a suspensive condition - at the date of the fulfillment of the condition was neither resident nor deemed to be resident in the Netherlands, such individual dies within 180 days after the date of the gift or the fulfillment of the condition, while being resident or deemed to be resident in the Netherlands.

### **EU Savings Directive**

The EU has adopted an EU Directive 2003/48/EC regarding the taxation of savings income (the **EU Savings Directive**). The EU Savings Directive requires Member States to provide to the tax authorities of another Member State details of payments of interest and other similar income paid by a person to an individual or to certain other persons in another Member State, except that Belgium, Luxembourg and Austria are instead entitled to impose a withholding system for a transitional period unless during such period they elect otherwise. If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of tax were to be withheld from that payment pursuant to the EU Savings Directive, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note that they would not have been liable to pay in the absence of the imposition of such withholding tax. A number of third countries and territories including Switzerland have adopted similar measures to the EU Savings Directive. On 13 November 2008, the European Commission submitted to the European Council a proposal for amendments to the EU Savings Directive, which included a number of suggested changes which, if implemented, would broaden the scope of the requirements described above. This proposal (or an amended form thereof) has not yet been adopted by the European Council. The Issuer is required to maintain a Paying Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the EU Savings Directive. Noteholders who are in any doubt as to their position should consult their professional advisers.

## PURCHASE AND SALE

Rabobank International and The Royal Bank of Scotland plc (together, the **Managers**) have pursuant to a notes purchase agreement dated 25 January 2011 among the Managers, the Issuer and the Seller (the **Notes Purchase Agreement**), severally agreed with the Issuer, subject to certain conditions, to purchase the Notes at their respective issue prices. There is no obligation of the Managers to purchase any Notes unless the Managers have (on)sold such Notes to third parties, including the Seller. The Managers have agreed to purchase such number of Notes of any Class as it has sold to third parties identified by the Managers at their sole discretion. The Seller has undertaken with each of the Managers that it will purchase any and all Notes that will not be sold to third parties identified by the Managers at their sole discretion, other than the Seller, from the Managers on the Closing Date. The Issuer has agreed to indemnify and reimburse the Managers against certain liabilities and expenses in connection with the issue of the Notes.

### European Economic Area

In relation to each Member State of the European Economic Area<sup>1</sup> which has implemented the Prospectus Directive (each a **Relevant Member State**), the Notes Purchaser has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of the Notes which are the subject of the offering contemplated by this Prospectus to the public in that Relevant Member State other than: (a) to any legal entity which is a qualified investor as defined in the Prospectus Directive; (b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the Arranger; or (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes shall require the Issuer or the Managers to publish a prospectus pursuant to Article 3 of the Prospectus..

For the purposes of this provision, the expression an **offer of the Notes to the public** in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression **Prospectus Directive** means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State and the expression **2010 PD Amending Directive** means Directive 2010/73/EU.

### United Kingdom

Each Manager has represented and agreed that (i) 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 (ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer.

### France

The Notes may only be offered or sold to qualified investors (*investisseurs qualifiés*) and/or to a restricted circle of investors (*cercle restreint d'investisseurs*), provided such investors act for their own account, and/or to persons providing portfolio management investment services for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*), in the Republic of France (*France*), within the meaning of Articles L.411-1, L.411-2 and D.411-1 to D.411-4 of the French Code Monétaire et Financier (Monetary and Financial Code) and the Decree 98-880 dated 1 October 1998; neither this Prospectus, which has not been submitted to the Autorité des Marchés Financiers, nor any information contained therein or any offering material relating to the Notes, may be distributed or caused to be distributed to the public in France.

### Italy

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

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<sup>1</sup> The EU plus Iceland, Norway and Liechtenstein

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

- (i) to the categories of qualified investors set out in paragraphs (i) to (iii) of Article 2(1)(e) of the Prospectus Directive, pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (**Decree No. 58**); or
- (ii) in any other circumstances where an express exemption from compliance with the offer restrictions applies, as provided under Decree No. 58 or CONSOB Regulation No. 11971 of 14 May 1999, as amended.

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

- (a) made by investment firms, banks of financial intermediaries permitted to conduct such activities in Italy in accordance with Legislative Decree No. 385 of 1 September 1993, as amended, Decree No. 58, CONSOB Regulation No. 16190 of 31 October 2007 and any other applicable laws and regulations; and
- (b) in compliance with any other applicable notification requirement or limitation which may be imposed by CONSOB or the Bank of Italy.

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

#### **United States**

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the **Securities Act**) and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meaning given to them by Regulation S under the Securities Act. The Notes are in bearer form and are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to, or for the account or benefit of, a U.S. person, except in certain transactions permitted by US tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

Each Manager has agreed that it will not offer, sell or deliver the Notes (i) as part of their distribution at any time or (ii) otherwise until forty (40) days after the later of the commencement of the offering or the Closing Date within the United States or to, or for the account or benefit of, U.S. persons and it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration to which it sells Notes during the distribution compliance period (as defined in Regulation S) a confirmation or other notice setting forth the restrictions on offers and sales of the Securities within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meaning given to them by Regulations under the Securities Act.

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 offering) may violate the registration requirements of the Securities Act, if such offer or sale is made otherwise than in accordance with available exemption from registration under the Securities Act.

#### **General**

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

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

## GENERAL INFORMATION

1. The issue of the Notes has been authorised by a resolution of the managing director of the Issuer passed on 21 January 2011.
2. Application has been made to list the Notes (other than the Subordinated Class F Notes) on Euronext Amsterdam on the Closing Date. The estimated total costs involved with such admission amount to euro 20,650.
3. The Senior Class A1 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 057233699, ISIN Code XS0572336997 and WKN Code A1GKFT.
4. The Senior Class A2 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 057233893, ISIN Code XS0572338936 and WKN Code A1GKFU.
5. 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 057234334, ISIN Code XS0572343340 and WKN Code A1GKFV.
6. The Mezzanine 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 057234598, ISIN Code XS0572345980 and WKN Code A1GKFW.
7. The Mezzanine 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 057234725, ISIN Code XS0572347259 and WKN Code A1GKFX.
8. The Junior Class E 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 057234873, ISIN Code XS0572348737 and WKN Code A1GKFY.
9. The Subordinated Class F Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg and will bear common code 057235039, ISIN Code XS0572350394 and WKN Code A1GKFZ.
10. The addresses of the clearing systems are: Euroclear, 1 Boulevard de Roi Albert II, 1210 Brussels, Belgium and Clearstream Luxembourg, 42 Avenue J.F. Kennedy, L-1855 Luxembourg.
11. Since its incorporation, the Issuer is not involved in any legal, arbitration or governmental proceedings which may have a significant effect on the Issuer's financial position or profitability nor are any such proceedings pending or, as far as the Issuer is aware, threatened against the Issuer.
12. Hard copies of the following documents may be inspected at the specified offices of the Security Trustee and the Paying Agents free of charge during normal business hours as long as the Notes are outstanding:
  - (i) the Deed of Incorporation including the Articles of Association of the Issuer;
  - (ii) the Mortgage Receivables Purchase Agreement;
  - (iii) the Paying Agency Agreement;
  - (iv) the Trust Deed;
  - (v) the Parallel Debt Agreement;
  - (vi) the Trustee Receivables Pledge Agreement;
  - (vii) the Trustee Assets Pledge Agreement;
  - (viii) the Issuer Services Agreement;
  - (ix) the Savings Insurance Sub-Participation Agreement;
  - (x) the Bank Savings Sub-Participation Agreement;
  - (xi) the Liquidity Facility Agreement;
  - (xii) the Floating Rate GIC;
  - (xiii) the Swap Agreement;
  - (xiv) the Master Definitions Agreement;

- (xv) the Beneficiary Waiver Agreement;
- (xvi) the Subordinated Loan Agreement;
- (xvii) the Management Agreement I;
- (xviii) the Management Agreement II; and
- (xix) the Management Agreement III.

13. The articles of association of the Issuer are incorporated herein by reference. The Issuer's articles of association will be available free of charge at the registered office of the Issuer as long as any Notes are outstanding.

14. A copy of the Prospectus will be available, free of charge, at the registered offices of the Issuer, the Security Trustee and the Paying Agents as long as any Notes are outstanding.

15. 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.

16. The audited financial statements of the Issuer prepared annually will be made available, free of charge, at the specified offices of the Issuer. The Issuer's auditors, Ernst & Young Accountants LLP, are a member of the Royal Dutch Institute for registered accountants (*Koninklijk Nederlands Instituut van Registeraccountants* (NIVRA)).

17. A quarterly report on the performance, including the arrears and the losses, of the transaction can be obtained at: [www.arenarmbs.nl](http://www.arenarmbs.nl).

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