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The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the underwriters or any affiliate of the underwriters is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the underwriters or such affiliate on behalf of the Issuer in such jurisdiction.

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PROSPECTUS

**HOLLAND MORTGAGE BACKED SERIES (HERMES) XVIII B.V.** as Issuer

(incorporated with limited liability in the Netherlands)

	Class A1	Class A2	Class A3	Class B	Class C	Class D	Class E
<b>Principal Amount</b>	EUR	EUR	EUR	EUR	EUR	EUR	EUR
	192,000,000	480,000,000	211,200,000	28,800,000	19,200,000	14,400,000	14,400,000
<b>Issue Price</b>	100 per cent.	100 per cent.	100 per cent.	100 per cent.	100 per cent.	100 per cent.	100 per cent.
<b>Floating Rate Notes - margin over EURIBOR until First Optional Redemption Date</b>	0.65 per cent. p.a.	1.30 per cent. p.a.	N/a	N/a	N/a	N/a	N/a
<b>Floating Rate Notes - margin over EURIBOR from First Optional Redemption Date</b>	1.30 per cent. p.a.	2.60 per cent. p.a.	N/a	N/a	N/a	N/a	N/a
<b>Fixed rate Notes - interest rate</b>	N/a	N/a	3.50 per cent. p.a.	N/a	N/a	N/a	N/a
<b>Expected credit ratings (Fitch/Moody's)</b>	AAA sf / Aaa (sf)	AAA sf / Aaa (sf)	AAA sf / Aaa (sf)	AA sf/ Aa2 (sf)	BBB+ sf/ A2 (sf)	BBB sf/ Baa2 (sf)	Not rated
<b>First Optional Redemption Date</b>	Notes Payment Date falling in September 2017	Notes Payment Date falling in September 2017	Notes Payment Date falling in September 2017	Notes Payment Date falling in September 2017	Notes Payment Date falling in September 2017	Notes Payment Date falling in September 2017	Notes Payment Date falling in September 2017
<b>Final Maturity Date</b>	Notes Payment Date falling in September 2044	Notes Payment Date falling in September 2044	Notes Payment Date falling in September 2044	Notes Payment Date falling in September 2044	Notes Payment Date falling in September 2044	Notes Payment Date falling in September 2044	Notes Payment Date falling in September 2044

<b>Sellers</b>	SNS Bank and RegioBank
<b>Closing Date</b>	The Issuer will issue the Notes in the classes set out above on the Closing Date.
<b>Underlying Assets</b>	The Issuer will make payments on the Notes from, <i>inter alia</i> , payments of principal and interest received from a portfolio comprising of mortgage loans originated by SNS Bank and RegioBank and secured over residential properties located in the Netherlands. Legal title of the resulting Mortgage Receivables will be assigned to the Issuer on the Closing Date. See section 6.2 ( <i>Description of Mortgage Loans</i> ) for more details.
<b>Security for the Notes</b>	The Noteholders will, together with the other Secured Creditors, benefit from security rights created in favour of the Security Trustee over, <i>inter alia</i> , the Mortgage Receivables (see section 4.7 ( <i>Security</i> )).
<b>Denomination</b>	The Notes will have a denomination of EUR 100,000.
<b>Form</b>	The Notes will be in bearer form. The Notes will be represented by Global Notes, without coupons attached. Interests in the Global Notes will only in limited circumstances be exchangeable for Notes in definitive form.
<b>Interest</b>	The Class A1 Notes and the Class A2 Notes will carry floating rates of interest as set out above, payable in arrear on each Notes Payment Date. The Class A3 Notes will carry a fixed rate of interest as set out above. The Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes will not carry any interest. See further section 4.1 ( <i>Terms and Conditions of the Notes</i> ), Condition 4 ( <i>Interest</i> ).
<b>Redemption Provisions</b>	Payments of principal on the Notes will be made in arrear on each Notes Payment Date in the circumstances set out in, and subject to and in accordance with the Conditions. The Notes will mature on the Final Maturity Date. On the First Optional Redemption Date and each Optional Redemption Date thereafter and in certain other circumstances, the Issuer will have the option to redeem all of the Notes. See further section 4.1 ( <i>Terms and Conditions of the Notes</i> ), Condition 6 ( <i>Redemption</i> ).
<b>Subscription and Sale</b>	The Class A1 & A2 Joint Lead Managers and the Co-Manager have agreed to purchase on the Closing Date, subject to certain conditions precedent being satisfied, the Class A1 Notes and the Class A2 Notes,.

	The Class A3 Joint Lead Managers and the Co-Manager have agreed to purchase on the Closing Date, subject to certain conditions precedent being satisfied the Class A3 Notes. The Co-Manager has agreed to purchase on the Closing Date all of the Class B Notes, Class C Notes, Class D Notes and Class E Notes.
<b>Credit Rating Agencies</b>	Each of the Credit Rating Agencies is established in the European Union and is registered under the CRA Regulation. As such each of the Credit Rating Agencies is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation.
<b>Ratings</b>	Credit ratings will be assigned to the Notes, other than the Class E Notes, as set out above on or before the Closing Date.  The credit ratings assigned by Fitch address the likelihood of (a) timely payment of interest due to the Noteholders on each Notes Payment Date and (b) full payment of principal by a date that is not later than the Final Maturity Date. The credit ratings assigned by Moody's address the expected loss to a Noteholder in proportion to the initial principal amount of the Class of Notes held by such Noteholder by the Final Maturity Date.  The assignment of credit ratings to the Notes, other than the Class E Notes, is not a recommendation to invest in the Notes. Any such credit rating may be reviewed, revised, suspended or withdrawn at any time. Any such review, revision, suspension or withdrawal could adversely affect the market value of the Notes.
<b>Listing</b>	Application has been made to Euronext Amsterdam for the Class A1 Notes, the Class A2 Notes, the Class A3 Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes to be admitted to the official list and trading on its regulated market. The Notes are expected to be issued on the Closing Date.  This Prospectus has been approved by the AFM and constitutes a prospectus for the purposes of the Prospectus Directive.
<b>Eurosystem Eligibility</b>	The Class A Notes are intended to be held in a manner which will allow Eurosystem eligibility. This means that the Class A Notes are intended upon issue to be deposited with Euroclear or Clearstream, Luxembourg as common safekeeper. It does not necessarily mean that the 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.
<b>Limited recourse obligations</b>	The Notes will be limited recourse obligations of the Issuer and the Security Trustee alone and will not be the obligations of, or guaranteed by, or be the responsibility of, any other entity. The Issuer will have limited sources of funds available. See section 2 ( <i>Risk Factors</i> ).
<b>Subordination</b>	The right to payment of interest and principal on the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes, if any, will be subordinated and may be limited as more fully described in the section 4.1 ( <i>Terms and Conditions of the Notes</i> ).
<b>Retention undertaking</b>	SNS Bank (i) in its capacity as Seller and (ii), with respect to RegioBank, in its capacity as allowed entity under paragraph 2 of article 122a of the Capital Requirements Directive, shall, or undertakes that any entity designated by SNS Bank as allowed entity under paragraph 2 of article 122a of the Capital Requirements Directive shall, retain, on an ongoing basis, a material net economic interest in the Notes which, in any event, shall not be less than 5 per cent.

For a discussion of some of the risks associated with an investment in the Notes, see section 2 (*Risk Factors*) herein.

The language of the prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

Unless otherwise indicated in this Prospectus or the context otherwise requires, capitalised terms used in this Prospectus have the meaning ascribed thereto in paragraph 1 (*Definitions*) of the Glossary of Defined Terms set out in this Prospectus.

The principles of interpretation set out in paragraph 2 (*Interpretation*) of the Glossary of Defined Terms in this Prospectus shall apply to this Prospectus.

The date of this Prospectus is 1 October 2012

<b>Class A1 &amp; A2 Joint Lead Managers:</b>	<b>Arrangers:</b>
BNP PARIBAS Credit Suisse Jefferies	SNS Bank BNP PARIBAS
<b>Class A3 Joint Lead Managers:</b>	<b>Co-Manager:</b>
Jefferies RBS	SNS Bank

## IMPORTANT INFORMATION AND RESPONSIBILITY STATEMENTS

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

SNS Bank is also responsible for the information contained in the following sections of this Prospectus: *Retention and disclosure requirements under the Capital Requirements Directive* in section 1.4 (*The Notes*), 3.4 (*The Sellers*), 4.4 (*Regulatory and Industry Compliance*), 6.1 (*Stratification Tables*), 6.2 (*Description of Mortgage Loans*), 6.3 (*Origination and Servicing by the Sellers*), 6.4 (*Dutch Residential Mortgage Market*) and 6.5 (*NHG Guarantee Programme*). To the best of SNS Bank's knowledge and belief (having taken all reasonable care to ensure that such is the case) the information contained and specified as such in these sections is in accordance with the facts and does not omit anything likely to affect the import of such information.

Any information from third-parties contained and specified as such in this Prospectus has been accurately reproduced and as far as the Issuer is aware and is able to ascertain from information published by that third-party, no facts have been omitted which would render the reproduced information inaccurate or misleading. The Issuer accepts responsibility accordingly.

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

No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Joint Lead Managers as to the accuracy or completeness of any information contained in this Prospectus.

The distribution of this document and the offering of the Notes in certain jurisdictions may be restricted by law.

Persons into whose possession this Prospectus (or any part thereof) comes are required to inform themselves about, and to observe, any such restrictions. A further description of the restrictions on offers, sales and deliveries of the Notes and on the distribution of this Prospectus is set out in section 4.3 (*Subscription and Sale*).

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

Neither the delivery of this Prospectus at any time nor any sale made in connection with the offering of the Notes shall imply that the information contained herein is correct at any time subsequent to the date of this Prospectus. Neither the Issuer nor SNS Bank has an obligation to update this Prospectus after the date on which the Notes are issued or admitted to trading.

None of the Managers expressly undertakes to review the financial conditions or affairs of the Issuer during the life of the Notes. Investors should review, *inter alia*, the most recent financial statements of the Issuer when deciding whether or not to purchase, hold or sell any Notes during the life of the Notes.

The Notes have not been and will not be registered under the Securities Act and include Notes in bearer form that are subject to United States tax law requirements. The Notes may not be offered, sold or delivered within the United States or to United States persons as defined in Regulation S under the

Securities Act, except in certain transactions permitted by US tax regulations and the Securities Act (see section 4.3 (*Subscription and Sale*)).

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# 1. TRANSACTION OVERVIEW

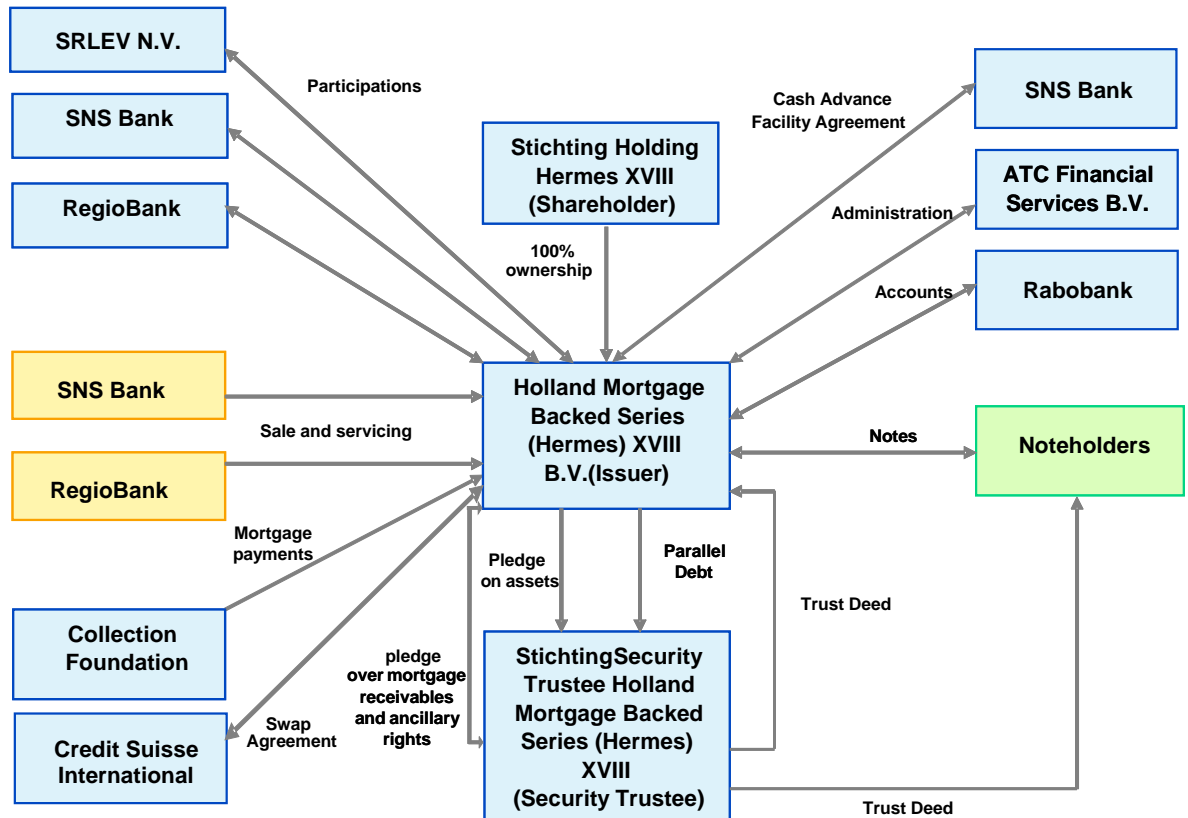
This overview must be read as an introduction to this Prospectus and any decision to invest in the Notes should be based on a consideration of the Prospectus as a whole, including any supplement thereto. Civil liability will only attach to the Issuer, if the overview is misleading, inaccurate or inconsistent when read together with other parts of the Prospectus. Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating the Prospectus before the legal proceedings are initiated.

Unless otherwise indicated in this Prospectus or the context otherwise requires, capitalised terms used in this Prospectus have the meaning ascribed thereto in paragraph 1 (Definitions) of the Glossary of Defined Terms set out in this Prospectus.

The principles of interpretation set out in paragraph 2 (Interpretation) of the Glossary of Defined Terms in this Prospectus shall apply to this Prospectus.

## 1.1 Structure diagram

The following structure diagram provides an indicative summary of the principal features of the transaction. The diagram must be read in conjunction with and is qualified in its entirety by the detailed information presented elsewhere in this Prospectus.





## **1.2 Risk factors**

There are certain factors which prospective Noteholders should take into account. These risk factors relate to, *inter alia*, the Notes. One of these risk factors concerns the fact that the liabilities of the Issuer under the Notes are limited recourse obligations whereby the ability of the Issuer to meet such obligations will be dependent on the receipt by it of funds under the Mortgage Receivables, the proceeds of the sale of any Mortgage Receivables and the receipt by it of other funds. Despite certain facilities, there remains a credit risk, liquidity risk, prepayment risk, maturity risk and interest rate risk (if any) relating to the Notes. Moreover, there are certain structural and legal risks relating to the Mortgage Receivables (see section 2 (*Risk Factors*)).

## 1.3 Principal parties

### **PARTIES:**

<b>Issuer:</b>	Holland Mortgage Backed Series (Hermes) XVIII B.V., incorporated under the laws of the Netherlands as a private company with limited liability (" <i>besloten vennootschap met beperkte aansprakelijkheid</i> "), having its corporate seat in Amsterdam, the Netherlands.
<b>Shareholder:</b>	Stichting Holding Hermes XVIII, organised under the laws of the Netherlands as a foundation (" <i>stichting</i> ") and established in Amsterdam, the Netherlands.
<b>Security Trustee:</b>	Stichting Security Trustee Holland Mortgage Backed Series (Hermes) XVIII, organised under the laws of the Netherlands as a foundation (" <i>stichting</i> ") and established in Amsterdam, the Netherlands.
<b>Sellers:</b>	SNS Bank N.V., incorporated under the laws of the Netherlands as a public company (" <i>naamloze vennootschap</i> "), having its corporate seat in Utrecht, the Netherlands; and  RegioBank N.V., incorporated under the laws of the Netherlands as a public company (" <i>naamloze vennootschap</i> "), having its corporate seat in Utrecht, the Netherlands.
<b>Servicers:</b>	SNS Bank and RegioBank.
<b>Issuer Administrator:</b>	ATC Financial Services B.V., incorporated under the laws of the Netherlands as a private company with limited liability (" <i>besloten vennootschap met beperkte aansprakelijkheid</i> "), having its corporate seat in Amsterdam, the Netherlands.
<b>Cash Advance Facility Provider:</b>	SNS Bank.
<b>Swap Counterparty:</b>	Credit Suisse International, incorporated under the laws of England and Wales and established in London, United Kingdom.
<b>Issuer Account Bank:</b>	Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (trading as Rabobank International) a cooperation with limited liability (" <i>coöperatie met beperkte aansprakelijkheid</i> ") organised under the laws of the Netherlands and established in Amsterdam, the Netherlands.
<b>Collection Foundation:</b>	Stichting Hypotheken Incasso, organised under the laws of the Netherlands as a foundation (" <i>stichting</i> ") and established in Amsterdam, the Netherlands.
<b>Directors:</b>	ATC Management B.V., the sole director of the Issuer and the Shareholder and Europe Management Company B.V., the sole director of the Security Trustee, both incorporated under the laws of the Netherlands as a private company with limited liability (" <i>besloten vennootschap met beperkte</i>

*aansprakelijkheid*"), having its corporate seat in Amsterdam, the Netherlands.

<b>Paying Agent:</b>	ABN AMRO Bank N.V., incorporated under the laws of the Netherlands as a public company (" <i>naamloze vennootschap</i> "). having its corporate seat in Amsterdam, the Netherlands.
<b>Reference Agent:</b>	ABN AMRO Bank N.V.
<b>Listing Agent:</b>	ABN AMRO Bank N.V.
<b>Common Service Provider:</b>	Bank of America Merrill Lynch.
<b>Common Safekeeper:</b>	Clearstream, Luxembourg in respect of the Class A Notes.  Bank of America National Association, London Branch in respect of the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes.
<b>Insurance Savings Participant:</b>	SRLEV N.V., incorporated under the laws of the Netherlands as a public company (" <i>naamloze vennootschap</i> "), having its corporate set in Alkmaar, the Netherlands.
<b>Bank Savings Participants:</b>	SNS Bank and RegioBank.

## 1.4 The Notes

	<b>1. Class A1</b>	<b>2. Class A2</b>	<b>3. Class A3</b>
<b>Principal Amount</b>	<b>EUR 192,000,000</b>	<b>EUR 480,000,000</b>	<b>EUR 211,200,000</b>
<b>Subordination</b>	<b>Class B Notes, Class C Notes, Class D Notes and Class E Notes</b>	<b>Class B Notes, Class C Notes, Class D Notes and Class E Notes</b>	<b>Class B Notes, Class C Notes, Class D Notes and Class E Notes</b>
<b>Floating rate Notes - margin over EURIBOR up to but excluding the First Optional Redemption Date</b>	<b>0.65 per cent. p.a.</b>	<b>1.30 per cent. p.a.</b>	<b>N/a</b>
<b>Floating rate Notes - Margin over EURIBOR from and including the First Optional Redemption Date</b>	<b>1.30 per cent. p.a.</b>	<b>2.60 per cent. p.a.</b>	<b>N/a</b>
<b>Fixed rate Notes - Interest rate</b>	<b>N/a</b>	<b>N/a</b>	<b>3.50 per cent. p.a.</b>
<b>Interest accrual</b>	<b>Act/360</b>	<b>Act/360</b>	<b>30/360</b>
<b>Notes Payment Dates</b>	<b>18<sup>th</sup> day of each March, June, September and December in each year, subject to adjustment for non-business days, modified following</b>	<b>18<sup>th</sup> day of each March, June, September and December in each year, subject to adjustment for non-business days, modified following</b>	<b>18<sup>th</sup> day of each March, June, September and December in each year, subject to adjustment for non-business days, modified following</b>
<b>Redemption</b>	<b>Sequential mandatory redemption on each Notes Payment Date</b>	<b>Sequential mandatory redemption on each Notes Payment Date after the Class A1 Notes have been fully redeemed</b>	<b>Sequential mandatory redemption on each Notes Payment Date after the Class A1 Notes and the Class A2 Notes have been fully redeemed</b>
<b>Final Maturity Date</b>	<b>Notes Payment Date falling in September 2044</b>	<b>Notes Payment Date falling in September 2044</b>	<b>Notes Payment Date falling in September 2044</b>
<b>Credit ratings (Fitch / Moody's')</b>	<b>AAA sf / Aaa (sf)</b>	<b>AAA sf / Aaa (sf)</b>	<b>AAA sf / Aaa (sf)</b>

	<b>4. Class B</b>	<b>5. Class C</b>	<b>6. Class D</b>	<b>7. Class E</b>
<b>Principal Amount</b>	<b>EUR 28,8000,000</b>	<b>EUR 19,200,000</b>	<b>EUR 14,400,000</b>	<b>EUR 14,400,000</b>
<b>Subordination</b>	<b>Class C Notes, Class D Notes and Class E Notes</b>	<b>Class D Notes and Class E Notes</b>	<b>Class E Notes</b>	<b>Not applicable</b>
<b>Floating Rate Notes - Margin up to but excluding the First Optional Redemption Date</b>	<b>N/a</b>	<b>N/a</b>	<b>N/a</b>	<b>N/a</b>
<b>Floating Rate Notes - Margin from and including the First Optional Redemption Date</b>	<b>N/a</b>	<b>N/a</b>	<b>N/a</b>	<b>N/a</b>
<b>Fixed rate Notes - Interest rate</b>	<b>N/a</b>	<b>N/a</b>	<b>N/a</b>	<b>N/a</b>
<b>Interest accrual</b>	<b>N/a</b>	<b>N/a</b>	<b>N/a</b>	<b>N/a</b>
<b>Notes Payment Dates</b>	<b>18<sup>th</sup> day of each March, June, September and December in each year, subject to adjustment for non-business days, modified following</b>	<b>18<sup>th</sup> day of each March, June, September and December in each year, subject to adjustment for non-business days, modified following</b>	<b>18<sup>th</sup> day of each March, June, September and December in each year, subject to adjustment for non-business days, modified following</b>	<b>18<sup>th</sup> day of each March, June, September and December in each year, subject to adjustment for non-business days, modified following</b>
<b>Redemption</b>	<b>Mandatory redemption on each Notes Payment Date after the Class A Notes have been fully redeemed</b>	<b>Mandatory redemption on each Notes Payment Date after the Class A Notes and the Class B Notes have been fully redeemed</b>	<b>Mandatory redemption on each Notes Payment Date after the Class A Notes, the Class B Notes and the Class C Notes have been fully redeemed</b>	<b>Mandatory redemption on each Notes Payment Date after the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes have been fully redeemed</b>
<b>Final Maturity Date</b>	<b>Notes Payment Date falling in September 2044</b>	<b>Notes Payment Date falling in September 2044</b>	<b>Notes Payment Date falling in September 2044</b>	<b>Notes Payment Date falling in September 2044</b>
<b>Credit ratings (Fitch / Moody's)</b>	<b>AA sf/ Aa2 (sf)</b>	<b>BBB+ sf / A2 (sf)</b>	<b>BBB sf / Baa2 (sf)</b>	<b>Not rated</b>

**Notes:** The Notes shall be the following notes of the Issuer, which are expected to be issued on or about the Closing Date:

- (i) the Class A1 Notes;
- (ii) the Class A2 Notes;
- (iii) the Class A3 Notes;
- (iv) the Class B Notes;
- (v) the Class C Notes;
- (vi) the Class D Notes; and
- (vii) the Class E Notes.

**Issue Price:** The issue prices of each Class or Sub-Class of Notes, as applicable, will be as follows:

- (i) the Class A1 Notes 100 per cent.;
- (ii) the Class A2 Notes 100 per cent.;
- (iii) the Class A3 Notes 100 per cent.;
- (iv) the Class B Notes 100 per cent.;
- (v) the Class C Notes 100 per cent.;
- (vi) the Class D Notes 100 per cent.; and
- (vii) the Class E Notes 100 per cent.

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

**Denomination:** The Notes will be issued in denominations of EUR 100,000.

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

See further section 4.1 (*Terms and Conditions of the Notes*).

**Interest:** Interest on the Class A1 Notes, the Class A2 Notes and the Class A3 Notes is payable by reference to successive Interest Periods.

The Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes will not bear any interest.

The interest on the Class A1 Notes and the Class A2 Notes will be calculated on the basis of the actual days elapsed in each applicable Interest Period divided by 360 days.

The interest on the Class A3 Notes will be calculated on the basis of the number of days (to be calculated on the basis of a year of 360 days with 12 30-day months) in each applicable Interest Period divided by 360 days.

Interest on the Class A1 Notes, the Class A2 Notes, the Class A3 Notes will be payable in arrear in euros in respect of the Principal Amount Outstanding of each of such Notes, on each Notes Payment Date.

**Floating rate of interest on the Class A1 Notes and Class A2 Notes:**

Interest on the Class A1 Notes and the Class A2 Notes for each Interest Period will accrue at an annual rate equal to the sum of EURIBOR for three month deposits in euros (determined in accordance with Condition 4(e) (or, in respect of the first Interest Period, the rate which represents the linear interpolation of EURIBOR for 2 and 3 months deposits in euro), plus a margin which will be:

- (i) for the Class A1 Notes (up to (but excluding) the First Optional Redemption Date), a margin of 0.65 per cent. per annum; and
- (ii) for the Class A2 Notes (up to (but excluding) the First Optional Redemption Date), a margin of 1.30 per cent. per annum.

**Interest Step-Up for the Class A1 Notes and Class A2 Notes:**

If on the First Optional Redemption Date the Class A1 Notes or the Class A2 Notes have not been redeemed in full, interest on the Class A1 Notes or the Class A2 Notes for each Interest Period will accrue at an annual rate equal to the sum of EURIBOR for three month deposits in euros (determined in accordance with Condition 4(e), plus a margin which will be:

- (i) for the Class A1 Notes, a margin of 1.30 per cent. per annum; and
- (ii) for the Class A2 Notes, a margin of 2.60 per cent. per annum.

**Fixed rate of interest on Class A3 Notes**

Interest on the Class A3 Notes will accrue at a fixed rate of 3.50 per cent. per annum.

**Mandatory Redemption of the Notes:**

The Issuer will be obliged to apply the Available Principal Funds to redeem, whether in full or in part, at their respective Principal Amount Outstanding, the Notes on each Notes Payment Date on a *pro rata* basis within a Class or Sub-Class, as applicable. The Notes will be redeemed in the

following order:

- (i) *first*, the Class A1 Notes, until fully redeemed and, subsequently, the Class A2 Notes, until fully redeemed, and, subsequently, the Class A3 Notes, until fully redeemed; and
- (ii) *second*, the Class B Notes until fully redeemed, and, thereafter,
- (iii) *third*, the Class C Notes until fully redeemed and, thereafter,
- (iv) *fourth*, the Class D Notes until fully redeemed and, thereafter,
- (v) *fifth*, the Class E Notes until fully redeemed.

**Optional Redemption of the Notes:**

Unless previously redeemed in full, the Issuer will have the option to redeem all of the Notes, but not some only, on each Optional Redemption Date at their Principal Amount Outstanding less (i) in the case of the Class B Notes, a Class B Principal Shortfall (if any), (ii) in the case of the Class C Notes, a Class C Principal Shortfall (if any), (iii) in the case of the Class D Notes, a Class D Principal Shortfall (if any) and (iv) in the case of the Class E Notes, a Class E Principal Shortfall (if any), all subject to and in accordance with the Conditions, in particular Conditions 6(d) and 9(a).

**Final Maturity Date for the Notes:**

Unless previously redeemed, the Issuer will, subject to and in accordance with Condition 9(a), redeem all of the Notes at their respective Principal Amount Outstanding on the Final Maturity Date.

**Clean-up Call Option:**

Pursuant to Condition 6(e), if on any Notes Payment Date the aggregate Principal Amount Outstanding of the Notes (in the case of a Principal Shortfall in respect of any Class of Notes, less such aggregate Principal Shortfall) is not more than ten (10) per cent. of the aggregate Principal Amount Outstanding of the Notes on the Closing Date, the Issuer has the right to redeem all of the Notes, in whole but not in part, at their Principal Amount Outstanding, subject to and in accordance with Condition 9(a). No Class of Notes may be redeemed under such circumstances unless the other Classes of Notes (or such of them as are then outstanding) are also redeemed in full at the same time.

**Redemption for tax reasons:**

Pursuant to Condition 6(f), (i) the Issuer is or will be obliged to make any withholding or deduction for, or on account of, any taxes, duties, or charges of whatsoever nature from payments in respect of any Class of Notes as a result of any change in, or amendment to, the application of the laws or regulations of the Netherlands (including any guidelines issued by the tax authorities) or any other jurisdiction or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which becomes effective on or after the Closing Date and such obligation cannot be avoided by the Issuer taking reasonable measures available to it; and (ii) the Issuer will have sufficient funds available on the Notes Calculation Date immediately preceding such Notes Payment Date to discharge all amounts of principal and interest, if any, due in respect of the Notes and any amounts required to



be paid in priority or *pari passu* with each Class or Sub-Class of Notes in accordance with the Trust Deed then the Issuer has the option to redeem the Notes, in whole but not in part, on any Notes Payment Date at their Principal Amount Outstanding, subject to and in accordance with Condition 9(a), together with interest accrued up to and including the date of redemption. No Class of Notes may be redeemed under such circumstances unless all Classes of Notes (or such of them as are then outstanding) are also redeemed in full at the same time.

**Retention and disclosure requirements under the Capital Requirements Directive:**

SNS Bank (i) in its capacity as Seller and (ii), with respect to RegioBank, in its capacity as allowed entity under paragraph 2 of article 122a of the Capital Requirements Directive, shall, or undertakes that any entity designated by SNS Bank as allowed entity under paragraph 2 of article 122a of the Capital Requirements Directive shall, retain, on an ongoing basis, a material net economic interest in the Notes which, in any event, shall not be less than 5 per cent.. Such interest will be retained in accordance with item (a) of article 122a paragraph 1 of the Capital Requirements Directive, by holding at least 5 per cent. of the Notes of each tranche (i.e. Class). In addition, each Seller shall (i) adhere to the requirements set out in paragraph 6 of article 122a of the Capital Requirements Directive and (ii) make appropriate ongoing disclosures to Noteholders about the retained net economic interest in the transaction and ensure that the Noteholders have readily available access to all materially relevant data as required under paragraph 7 of article 122a of the Capital Requirements Directive.

In each Notes Purchase Agreement, each Seller shall undertake to each Manager and the Issuer that it shall at all times comply with article 122a of the Capital Requirements Directive.

SNS Bank accepts responsibility for the information set out in this paragraph.

**Use of proceeds:**

The Issuer will use the net proceeds from the issue of the Notes to pay to the Sellers (part of) the Initial Purchase Price for the Mortgage Receivables pursuant to the provisions of the Mortgage Receivables Purchase Agreement and made between each of the Sellers, the Issuer and the Security Trustee.

**Withholding Tax:**

All payments of, or in respect of, principal and interest, if any, on the Notes will be made without withholding of, or deduction for, or on account of any present or future taxes, duties, assessments or charges of whatsoever nature imposed or levied by or on behalf of the Netherlands, any authority therein or thereof having power to tax unless the withholding or deduction of such taxes, duties, assessments or charges are required by law. In that event, the Issuer will make the required withholding or deduction of such taxes, duties, assessments or charges for the account of the Noteholders, as the case may be, and shall not pay any additional amounts to such Noteholders. In particular, but without limitation, no additional amounts shall be payable in respect of any Note or Coupon presented for payment where such withholding or

deduction is imposed on a payment to an individual and is required to be made pursuant to the European Union Directive on the taxation of savings that was adopted on 3 June 2003 or any law implementing or complying with, or introduced in order to conform to, such Directive.

**Method of Payment:**

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

**Security for the Notes:**

The Notes will be secured (indirectly):

(i) by a first ranking undisclosed right of pledge by the Issuer to the Security Trustee over (a) the Mortgage Receivables, including all rights ancillary thereto and (b) the Beneficiary Rights; and

(ii) by a first ranking disclosed right of pledge by the Issuer to the Security Trustee over the Issuer Rights.

After delivery of an Enforcement Notice, the amounts payable to the Noteholders and the other Secured Creditors 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 in respect of such rights of pledge and amounts received by the Security Trustee as creditor under the Parallel Debt Agreement. Payments to the Secured Creditors will be made in accordance with the Post-Enforcement Priority of Payments. See further sections 5 (*Credit Structure*) and 4.7 (*Security*).

**Security over Collection  
Foundation Accounts balances:**

The Collection Foundation will grant a first ranking right of pledge on the balances standing to the credit of the Collection Foundation Accounts in favour of the Security Trustee and the Previous Transaction Security Trustees and a second ranking right of pledge to the Issuer and the Previous Transaction SPVs jointly both under the condition that future issuers (and any future security trustees) in securitisation transactions and future vehicles in conduit transactions or similar transactions (and any security trustees relating thereto) initiated by any of the Sellers will after accession also have the benefit of such right of pledge. Such rights of pledge have been notified to the Foundation Account Providers.

**Parallel Debt Agreement:**

On the Closing Date, *inter alia* the Issuer and the Security Trustee will enter into the Parallel Debt Agreement for the benefit of the Secured Creditors under which the Issuer shall, by way of parallel debt, undertake to pay to the Security Trustee an amount equal to the aggregate amount, from time to time due by it to the Secured Creditors, in order to create a claim of the Security Trustee thereunder which can be validly secured by the rights of pledge created by the Pledge Agreements.

**Paying Agency Agreement:**

On the Closing Date the Issuer and the Security Trustee will

enter into the Paying Agency Agreement with the Paying Agent and the Reference Agent pursuant to which the Paying Agent undertakes, *inter alia*, to perform certain payment services on behalf of the Issuer towards the Noteholders.

**Listing:**

Application has been made to Euronext Amsterdam for the Notes to be admitted to the official list and trading on its regulated market.

**Credit ratings:**

It is a condition precedent to issuance that each of the Class A1 Notes, the Class A2 Notes and the Class A3 Notes, on issue, be assigned a "AAAsf" credit rating by Fitch and a Aaa(sf) credit rating by Moody's. It is expected that the Class B Notes, on issue, be assigned a "AAsf" credit rating by Fitch and a Aa2(sf) credit rating by Moody's, the Class C Notes, on issue, be assigned a "BBB+sf" credit rating by Fitch and a A2(sf) credit rating by Moody's and the Class D Notes, on issue, be assigned a "BBBsf" credit rating by Fitch and a Baa2(sf) credit rating by Moody's. The Class E Notes will not be rated. The Credit Rating Agencies are registered as credit rating agencies under the CRA Regulation.

**Settlement:**

Euroclear and Clearstream, Luxembourg.

**Governing Law:**

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 Netherlands, Italy, France, the United Kingdom, Japan and the United States and such other restrictions as may be required in connection with the offering and sale of the Notes. See section 3.4 (*Subscription and Sale*).

## 1.5 Credit structure

- Available Funds:** The Issuer will use receipts of principal and interest in respect of the Mortgage Receivables together with amounts it receives under the Cash Advance Facility Agreement, the Swap Agreement and the Issuer Collection Account, to make payments of, *inter alia*, principal and interest, if any, due in respect of the Notes.
- Priorities of Payments:** The obligations of the Issuer in respect of the Notes will rank subordinated to the obligations of the Issuer in respect of certain items set forth in the applicable priority of payments (see section 5 (*Credit Structure*) below) and the right to payment of interest, if any, and principal on the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes will be subordinated to the Class A Notes and limited as more fully described herein under sections 5 (*Credit Structure*) and 4.1 (*Terms and Conditions of the Notes*).
- The Class A2 Notes or the Class A3 Notes do not purport to provide credit enhancement to the Class A1 Notes or the Class A2 Notes, as the case may be.
- Swap Agreement:** On or before the Closing Date, the Issuer will enter into the Swap Agreement with the Swap Counterparty to hedge the interest rate risk between the interest to be received by the Issuer on a *pro rata* part of the Mortgage Receivables and the floating rate of interest payable by the Issuer on the Class A1 Notes and the Class A2 Notes (see section 5 (*Credit Structure*)).
- The interest rate risk on the Class A3 Notes will not be hedged.
- Cash Advance Facility:** On the Closing Date, the Issuer will enter into the Cash Advance Facility Agreement under which the Issuer will be entitled to make drawings in order to meet certain shortfalls in its available revenue receipts. See further section 5 (*Credit Structure*).
- Since a Cash Advance Facility Stand-by Drawing Event will have occurred and is continuing on the Closing Date, the Issuer will on the Closing Date make a Cash Advance Facility Stand-by Drawing and credit such amount to the Issuer Collection Account with a corresponding credit to the Cash Advance Facility Stand-by Ledger.
- Issuer Accounts:** The Issuer shall maintain with the Issuer Account Bank the following accounts:
- (i) the Issuer Collection Account, to which on each Mortgage Collection Payment Date all amounts of interest, prepayment penalties and principal received under the Mortgage Receivables will be transferred; and
  - (ii) the Swap Collateral Account, to which only

collateral pursuant to the Swap Agreement will be transferred

- Issuer Account Agreement:** The Issuer, the Security Trustee and the Issuer Account Bank will enter into the Issuer Account Agreement on the Closing Date, under which the Issuer Account Bank will agree to pay a rate of interest on the balance standing to the credit of the Issuer Accounts from time to time (i) determined by reference to EONIA or (ii) subject to certain conditions, as otherwise determined by the Issuer Account Bank, as further set out in the Issuer Account Agreement.
- Collection Foundation:** All payments to be made by the Borrowers in respect of the Mortgage Loans will be made or have been directed to be made into the Collection Foundation Accounts.
- Administration Agreement:** Under the terms of the Administration Agreement, the Issuer Administrator will agree to provide certain administration, calculation and cash management services for the Issuer on a day-to-day basis, including without limitation, all calculations to be made pursuant to the Conditions in connection with the Notes and in connection with the Financial Collateral Agreement.
- Financial Collateral Agreement:** On or about the Closing Date, the Issuer will enter into the Financial Collateral Agreement with the Sellers and the Security Trustee pursuant to which each Seller undertakes to transfer to the Issuer on each Notes Payment Date Eligible Collateral in an amount of and having a value equal to the relevant Delivery Amount to the Issuer Collection Account, with a corresponding credit to the Financial Cash Collateral Ledger. To the extent that the relevant Posted Collateral Value exceeds the relevant Potential Set-Off Required Amount on any Notes Payment Date, the relevant Return Amount shall be retransferred by the Issuer to the relevant Seller in the form of equivalent collateral. See section 5 (*Credit Structure*).
- Financial Cash Collateral Ledger:** Any Eligible Collateral transferred by a Seller to the Issuer under the Financial Collateral Agreement shall be deposited in the Issuer Collection Account with a corresponding credit to the Financial Cash Collateral Ledger. The Issuer shall on each Notes Payment Date debit from the Issuer Collection Account with a corresponding debit to the Financial Cash Collateral Ledger an amount equal to the relevant Set-Off Amount which each Seller is due to pay to the Issuer on the basis of the Mortgage Receivables Purchase Agreement and which is unpaid on such Notes Payment Date subject to and in accordance with the Trust Deed, which amount shall form part of the Available Revenue Funds on such date.

## 1.6 Portfolio information

### Key Characteristics of the Provisional Pool

Outstanding current balance	€ 999.775.596,15
Outstanding savings balance	€ 27.949.552,35
Outstanding net balance	€ 971.826.043,80
Number of mortgages	5.830
Number of mortgage loan parts	11.750
Average outstanding principal balance	166.694
Minimum outstanding principal balance	21.237
Maximum outstanding principal balance	500.000
Maximum current interest rate	9,20%
Minimum current interest rate	1,80%
Weighted average current interest rate	4,28%
Current Loan to Foreclosure Value ratio	88,76
Weighted average loan to market value (%)*	77,67
Weighted average seasoning	33
Weighted average current remaining Term to Maturity (yrs)	25,84

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

### Mortgage Loans:

Under the Mortgage Receivables Purchase Agreement, the Issuer will purchase from the relevant Seller the Relevant Mortgage Receivables, which include NHG Mortgage Receivables. The Mortgage Receivables will result from Mortgage Loans secured by first-ranking mortgage rights over the Mortgaged Assets, situated in the Netherlands and entered into by the relevant Seller and the relevant Borrowers which meet criteria set forth in the Mortgage Receivables Purchase Agreement and which will be selected prior to or on the Closing Date.

The Mortgage Loans will consist of (i) Interest-only Mortgage Loans ("*aflossingsvrije hypotheken*"), (ii) Insurance Savings Mortgage Loans ("*spaarhypotheken*"), (iii) Bank Savings Mortgage Loans ("*bankspaarhypotheken*"), (iv) Linear Mortgage Loans ("*lineaire hypotheken*"), (v) Annuity Mortgage Loans ("*annuïteitenhypotheken*"), (vi) Investment Mortgage Loans ("*beleggingshypotheken*"), (vii) (in respect of RegioBank only) Life Mortgage Loans ("*levenhypotheken*") or combinations of any of these types of mortgage loans ("*combinatiehypotheken*").

All Mortgage Loans are secured by a first ranking Mortgage which was vested for a principal sum which is at least equal to the principal sum of the Mortgage Loan when originated,

increased with interest, penalties, costs and any insurance premium. Mortgage Loans may consist of one or more loan parts ("*leningdelen*"), each of which normally constitutes a different mortgage type agreed with the relevant Borrower. If a Mortgage Loan consists of one or more of such loan parts, the relevant Seller shall sell and assign and the Issuer shall purchase and accept the assignment of all, but not some, loan parts of such Mortgage Loan. See section 6.2 (*Description of Mortgage Loans*).

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

**NHG Guarantee:**

Certain Mortgage Loans are NHG Mortgage Loans. The aggregate Outstanding Principal Amount of the NHG Mortgage Loan Receivables at Closing amounts to EUR 695,250,723.45. See further sections 6.2 (*Description of the Mortgage Loans*) and 6.5 (*NHG Guarantee Programme*).

**Insurance Savings Mortgage Loans:**

A portion of the Mortgage Loans will be in the form of Insurance Savings Mortgage Loans, which consist of Mortgage Loans entered into by the relevant Seller and the relevant Borrowers combined with a Savings Insurance Policy with the Insurance Savings Participant. A Savings Insurance Policy is a combined risk and capital insurance policy taken out by the relevant Borrower with the Insurance Savings Participant in connection with the relevant Insurance Savings Mortgage Loan. Under the Insurance Savings Mortgage Loan, no principal is paid by the Borrower prior to maturity of the Insurance Savings Mortgage Loan. Instead, the Borrower/insured pays Savings Premium on a monthly basis. The Savings Premium is calculated in such a manner that, on an annuity basis, the proceeds of the Savings Insurance Policy due by the Insurance Savings Participant to the relevant Borrower is equal to the principal amount due by the Borrower to the relevant Seller at maturity of the Insurance Savings Mortgage Loan. See further sections 2 (*Risk Factors*) and 6.2 (*Description of the Mortgage Loans*).

**Bank Savings Mortgage Loans:**

A portion of the Mortgage Loans (or parts thereof) will be in the form of Bank Savings Mortgage Loans ("*bankspaarhypotheken*") which consist of Mortgage Loans entered into by the relevant Seller and the relevant Borrower combined with a blocked Bank Savings Account. Under the Bank Savings Mortgage Loan no principal is paid by the Borrower prior to the maturity of the Bank Savings Mortgage Loan. Instead, the Borrower pays a monthly Bank Savings Deposit in the Bank Savings Account. The Bank Savings Deposit 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 relevant part of the amount due by the Borrower to the relevant Seller at maturity of the Bank Savings Mortgage Loan. See further sections 2 (*Risk Factors*) and 6.2 (*Description of the Mortgage Loans*).

## 1.7 Portfolio documentation

### **Mortgage Receivables:**

Under the Mortgage Receivables Purchase Agreement, the Issuer will purchase and on the Closing Date accept the assignment of the Mortgage Receivables. Each Seller has the benefit of Beneficiary Rights which entitle the relevant Seller to receive the final payment under the relevant Insurance Policies, which payment is to be applied towards redemption of the Relevant Mortgage Receivables. Under the Mortgage Receivables Purchase Agreement, each Seller will assign such Beneficiary Rights to the Issuer and the Issuer will accept such assignment.

### **Repurchase of Mortgage Receivables:**

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

- i. on the Mortgage Collection Payment Date immediately following the expiration of the relevant remedy period (as provided in the Mortgage Receivables Purchase Agreement), if any of the representations and warranties given by the relevant Seller in respect of the Relevant Mortgage Loans and the Relevant Mortgage Receivables, including the representation and warranty that the Mortgage Loans or, as the case may be, the Mortgage Receivables meet the Mortgage Loan Criteria, are untrue or incorrect in any material respect;
- ii. if, prior to partial termination of the relevant Mortgage following the occurrence of an Assignment Notification Event, the relevant Seller agrees with a Borrower to grant a Further Advance on the immediately following Mortgage Collection Payment Date;
- iii. on the Mortgage Collection Payment Date immediately following the date on which the relevant Seller agrees with a Borrower to a Mortgage Loan Amendment, provided that if such Mortgage Loan 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 such Relevant Mortgage Loan due to a deterioration of the credit quality of the relevant Borrower under the Relevant Mortgage Loan, the relevant Seller shall not repurchase the Relevant Mortgage Receivable; and
- iv. (a) if prior to foreclosure of a Relevant NHG Mortgage Loan, such Relevant NHG Mortgage Loan no longer has the benefit of an NHG Guarantee or (b) following foreclosure of a Relevant NHG Mortgage Loan, the amount actually reimbursed under the NHG Guarantee is lower than the amount claimable had the terms of the NHG



Guarantee been met, each time as a result of an action taken or omitted to be taken by the relevant Seller or the relevant Servicer, on the Mortgage Collection Payment Date immediately following the date on which the Relevant NHG Mortgage Receivable ceases to have the benefit of the NHG Guarantee or the payment under the NHG Guarantee has been received by the Issuer, as the case may be, on (i) the immediately following Mortgage Collection Payment Date or (ii) if such Mortgage Collection Payment Date referred to under (i) falls within fourteen (14) days of such date, the second Mortgage Collection Payment Date following such date.

The purchase price for the Relevant Mortgage Receivable in any such event payable by the relevant Seller will be equal to the Outstanding Principal Amount of the Mortgage Receivable, together with due and overdue interest and reasonable costs, if any (including any costs incurred by the Issuer in effecting and completing such sale and assignment), accrued up to (but excluding) the date of repurchase and re-assignment of the Relevant Mortgage Receivable, save that in the event of a repurchase set forth in item (iv)(b) above, the purchase price shall be equal to the amount that was not reimbursed under the NHG Guarantee as a result of an action taken or omitted to be taken by the relevant Seller or the relevant Servicer.

**Sale of Mortgage Receivables:**

The Issuer will have the right to sell and assign all, but not some, of the Mortgage Receivables (i) on each Optional Redemption Date, (ii) if it exercises the Clean-Up Call Option and (iii) if it exercises the Tax Call Option, each provided that the Issuer shall apply the proceeds of such sale, to the extent relating to principal, to redeem the Notes. If the Issuer decides to offer for sale the Mortgage Receivables, it will first offer the Relevant Mortgage Receivables to the relevant Seller. The purchase price of each Mortgage Receivable in the event of such sale shall be at least equal to the Outstanding Principal Amount, together with accrued interest due but unpaid and reasonable costs, if any, of each Mortgage Receivable, except that with respect to Mortgage Receivables which are in arrears for a period exceeding 90 days or in respect of which an instruction has been given to the civil-law notary to publicly sell the Mortgaged Assets, the purchase price shall be at least the lesser of (i) the sum of (a) an amount equal to the Indexed Foreclosure Value of the Mortgaged Assets and (b) with respect to the NHG Mortgage Loan Receivables, the amount claimable under the NHG Guarantee, and (ii) the sum of the Outstanding Principal Amount of the Mortgage Receivable, together with accrued interest due but unpaid, if any, and any other amounts due under the Mortgage Receivable.

**Sellers Clean-Up Call Option**

On each Notes Payment Date the Sellers, acting jointly, have the option (but not the obligation) to repurchase the Mortgage Receivables if on the Notes Calculation Date immediately preceding such Notes Payment Date the

aggregate Outstanding Principal Amount of the Mortgage Receivables is not more than 10 per cent. of the aggregate Outstanding Principal Amount of the Mortgage Receivables on the Cut-off Date.

The Issuer has undertaken in the Mortgage Receivables Purchase Agreement to sell and assign the Relevant Mortgage Receivables to the relevant Seller(s), or any third party appointed by the relevant Seller at its sole discretion, in case the Sellers exercise the Sellers Clean-Up Call Option. The proceeds of such sale shall be applied by the Issuer towards redemption of the Notes subject to and in accordance with Condition 6(b) and Condition 9(a). The purchase price will be as described in section 7.1 (*Purchase, repurchase and sale*).

**Substitution**

In certain limited circumstances, each Seller will have the obligation to substitute certain Relevant Floating Rate Mortgage Receivables or Relevant Mortgage Receivables, as the case may be, for other substitute floating rate mortgage receivables or mortgage receivables, as applicable. See section 7.1 (*Purchase, repurchase and sale*).

**Insurance Savings Participation Agreement:**

Under the terms of the Insurance Savings Participation Agreement with the Insurance Savings Participant, the Insurance Savings Participant will acquire participations in the relevant Insurance Savings Mortgage Receivables equal to amounts of Savings Premium paid by the relevant Borrower to the Insurance Savings Participant in respect of a Savings Insurance Policy. In the Insurance Savings Participation Agreement the Insurance Savings Participant will undertake to pay to the Issuer amounts equal to all amounts received as Savings Premium on the relevant Savings Insurance Policies. In return, the Insurance Savings Participant is entitled to receive the Insurance Savings Participation Redemption Available Amount from the Issuer. The amount of the Insurance Savings Participation with respect to an Insurance Savings Mortgage Receivable consists of (a) the Initial Insurance Savings Participation, being an amount equal to EUR 18,465,699, increased on a monthly basis with (b) the sum of (i) amounts equal to the Savings Premium received by the Insurance Savings Participant and paid to the Issuer and (ii) a *pro rata* part, corresponding to the Insurance Savings Participation in the relevant Insurance Savings Mortgage Receivable, of the interest paid by the Borrower in respect of such Insurance Savings Mortgage Receivable. See further section 7.6 (*Participation Agreements*).

**Bank Savings Participation Agreement:**

Under the terms of the Bank Savings Participation Agreement with the Bank Savings Participants, each Bank Savings Participant will acquire participations in the Relevant Bank Savings Mortgage Receivables in consideration for the undertaking of the Bank Savings Participant to pay to the Issuer all amounts received as Bank Savings Deposits. In return, the Bank Savings Participant is entitled to receive the Bank Savings Participation Redemption Available Amount from the Issuer. The amount

of the Bank Savings Participation with respect to a Relevant Bank Savings Mortgage Receivable consists of (a) the Initial Bank Savings Participation, being an amount equal to EUR 10,456,295, increased on a monthly basis with (b) the sum of (i) the monthly Bank Savings Deposit instalments received by the Bank Savings Participant in relation to the Relevant Bank Savings Mortgage Receivables 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 received by the Issuer in respect of such Relevant Bank Savings Mortgage Receivable. See section 7.6 (*Participation Agreements*).

**Servicing Agreement:**

Under the terms of the Servicing Agreement, the relevant Servicer will agree (i) to provide administration and management services in relation to the Relevant Mortgage Loans on a day-to-day basis, including, without limitation, the collection of payments of principal, interest and all other amounts in respect of the Relevant Mortgage Receivables and the implementation of arrears procedures including, if applicable, the enforcement of mortgages (see further section 6.3 (*Origination and servicing by the Sellers*)); (ii) to communicate with the relevant Borrowers, and (iii) to calculate the Potential Set-Off Required Amount.

## **1.8 General**

### **Management Agreements:**

Each of the Issuer, the Security Trustee and the Shareholder have entered into Management Agreements with the relevant Director, under which the relevant Director will undertake to act as director of the Issuer, the Security Trustee or the Shareholder, respectively, and to perform certain services in connection therewith.

## 2. 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 material risks inherent in investing in the Notes, but the inability of the Issuer to pay interest, if any, 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. 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 ISSUER**

#### **The Notes will be solely the obligations of the Issuer**

The Notes will be solely the obligations of the Issuer. The Notes will not be obligations or responsibilities of, or guaranteed by, any other entity or person, in whatever capacity acting, including, without limitation, any Seller, the Cash Advance Facility Provider, the Insurance Savings Participant, the Bank Savings Participants, the Swap Counterparty, the Servicers, the Issuer Administrator, the Directors, the Paying Agent, the Reference Agent, the Collection Foundation, the Managers, the Arrangers, the Issuer Account Bank and the Security Trustee, in whatever capacity acting. Furthermore, none of the Sellers, the Cash Advance Facility Provider, the Insurance Savings Participant, the Bank Savings Participants, the Swap Counterparty, the Servicers, the Issuer Administrator, the Directors, the Paying Agent, the Reference Agent, the Collection Foundation, the Managers, the Arrangers, the Issuer Account Bank and the Security Trustee, nor any other person in whatever capacity acting, will accept any liability whatsoever to Noteholders in respect of any failure by the Issuer to pay any amounts due under the Notes. None of the Sellers, the Cash Advance Facility Provider, the Insurance Savings Participant, the Bank Savings Participants, the Swap Counterparty, the Servicers, the Issuer Administrator, the Directors, the Paying Agent, the Reference Agent, the Collection Foundation, the Managers, the Arrangers, the Issuer Account Bank and the Security Trustee will be under any obligation whatsoever to provide additional funds to the Issuer (save in the limited circumstances pursuant to the Transaction Documents, such as the payments due under the Swap Agreement by the Swap Counterparty and the payments due under the Cash Advance Facility Agreement by the Cash Advance Facility Provider).

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

The ability of the Issuer to meet its obligations in full to pay principal of and interest, if any, on the Notes will be dependent on the receipt by it of funds under the Mortgage Receivables and the Beneficiary Rights relating thereto, the proceeds of the sale of any Mortgage Receivables, the receipt by it of payments under the Swap Agreement, drawings under the Cash Advance Facility Agreement and the receipt by it of interest in respect of the balance standing to the credit of the Issuer Collection Account. See section 5 (*Credit Structure*). The Issuer does not have any other resources available to it to meet its obligations under the Notes. Consequently, the Issuer may be unable to recover fully and/or timely funds necessary to fulfil its payment obligations under the Notes.

#### **The Issuer has counterparty risk exposure**

Counterparties to the Issuer may not perform their obligations under the Transaction Documents, which may result in the Issuer not being able to meet its obligations under the Notes. In respect of obligations of RegioBank, reference is made to the section *Risk of withdrawal of, or termination of liability under, the 403-Declaration*.

#### **Risk related to compulsory transfer of rights and obligations under a Transaction Document following downgrade of a counterparty of the Issuer**

Certain Transaction Documents to which the Issuer is a party such as the Issuer Account Agreement, the Cash Advance Facility Agreement, the Receivables Proceeds Distribution Agreement and the Swap

Agreement provide for minimum required credit ratings of the counterparties to such Transaction Documents. If the credit ratings of a counterparty fall below these minimum required credit ratings, the rights and obligations under such Transaction Document may have to be transferred to another counterparty having the minimum required credit ratings. In such event, there may not be a counterparty available that is willing to accept the rights and obligations under such Transaction Documents or such counterparty may only be willing to accept the rights and obligations under such Transaction Document if the terms and conditions thereof are modified. This may lead to losses under the Notes.

#### **Effectiveness of the rights of pledge to the Security Trustee in case of insolvency of the Issuer**

Under or pursuant to the Pledge Agreements, various rights of pledge will be granted by the Issuer to the Security Trustee. On the basis of these pledges the Security Trustee can exercise the rights afforded by Netherlands law to pledgees notwithstanding bankruptcy or suspension of payments of the Issuer. The Issuer is a special purpose vehicle and is therefore unlikely to become insolvent. However, any bankruptcy or suspension of payments involving the Issuer would affect the position of the Security Trustee as pledgee in some respects, the most important of which are: (i) payments made by the Borrowers to the Issuer after notification of the assignment to the Issuer, but prior to notification of the pledge to the Security Trustee and after bankruptcy or suspension of payments of the Issuer, will form part of the bankruptcy estate of the Issuer, although the Security Trustee has the right to receive such amounts by preference after deduction of certain costs, (ii) a mandatory 'cool-off' period of up to four months may apply in case of bankruptcy or suspension of payments involving the Issuer, which, if applicable would delay the exercise ("*uitwinnen*") of the right of pledge on the Mortgage Receivables and (iii) the Security Trustee may be obliged to enforce its right of pledge within a reasonable period following bankruptcy as determined by the judge-commissioner ("*rechter-commissaris*") appointed by the court in case of bankruptcy of the Issuer.

To the extent the receivables pledged by the Issuer to the Security Trustee are future receivables, the right of pledge on such future receivables cannot be invoked against the estate of the Issuer, if such future receivables come into existence after the Issuer has been declared bankrupt or has been granted a suspension of payments. The Issuer has been advised that the assets pledged to the Security Trustee under the Issuer Rights Pledge Agreement should probably be regarded as future receivables. This would for example apply to amounts paid to the Issuer Collection Account following the Issuer's bankruptcy or suspension of payments. With respect to Beneficiary Rights, reference is made to the section *Risks relating to Beneficiary Rights under the Insurance Policies*.

#### **Risks related to the creation of pledges on the basis of the Parallel Debt**

Under Netherlands law it is uncertain whether a security right can be validly created in favour of a party which is not the creditor of the claim which the security right purports to secure. Consequently, in order to secure the valid creation of the pledges under the Pledge Agreements in favour of the Security Trustee, the Issuer has in the Parallel Debt Agreement, as a separate and independent obligation, by way of parallel debt, undertaken to pay to the Security Trustee amounts equal to the amounts due by it to the Secured Creditors. There is no statutory law or case law available on the concept of parallel debts such as the Parallel Debt and the question whether a parallel debt constitutes a valid basis for the creation of security rights, such as rights of pledge (see also the section Security below). However, the Issuer has been advised that a parallel debt, such as the Parallel Debt, creates a claim of the Security Trustee thereunder which can be validly secured by a right of pledge such as the rights of pledge created by the Pledge Agreements.

Any payments in respect of the Parallel Debt and any proceeds received by the Security Trustee are, in the case of an insolvency of the Security Trustee, not separated from the Security Trustee's other assets. The Secured Creditors therefore have a credit risk on the Security Trustee.

#### **Risk related to the license requirement under the Wft**

Under the Wft, a special purpose vehicle which services ("*beheert*") and administers ("*uitvoert*") loans granted to consumers, such as the Issuer, must have a license under the Wft. An exemption from the license requirement is available, if the special purpose vehicle outsources the servicing of the loans and the administration thereof to an entity holding a license under the Wft. The Issuer has outsourced the servicing and administration of the Mortgage Receivables to the relevant Servicer. Each Servicer holds a license as intermediary ("*bemiddelaar*") and offeror of credit ("*aanbieder van krediet*") under the Wft

and the Issuer thus benefits from the exemption. If the Servicing 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 license itself. In the latter case, the Issuer will have to comply with the applicable requirements under the Wft. If the Servicing Agreement is terminated and the Issuer has not outsourced the servicing and administration of the Mortgage Receivables to a licensed entity and, in such case, it will not hold a license itself, the Issuer will have to terminate its activities and may have to sell the Mortgage Receivables, which could lead to losses under the Notes.

**Risk related to the termination of 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 equal the full amount that the Issuer would have received had no such withholding or deduction been required. The Swap Agreement will provide, however, that in case of a Tax Event, the Swap Counterparty may transfer its rights and obligations to another of its offices, branches or affiliates to avoid the relevant Tax Event. If the Swap Counterparty is unable to transfer its rights and obligations under the Swap Agreement to another office, branch or affiliate, it will 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. As a result, the Issuer may have insufficient funds to meet all payment obligations under the Class A1 Notes and the Class A2 Notes.

The Swap Agreement will be further terminable by either party - *inter alia*- (i) if an Event of Default (as defined therein) occurs in relation to the other party or (ii) a Termination Event (as defined therein) occurs, including (a) if it becomes unlawful for either party to perform its obligations under the Swap Agreement or (b) (by the Swap Counterparty only) if an Enforcement Notice is served. 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 terminates the Issuer may be obliged to make termination payments to the Swap Counterparty and furthermore will be exposed to changes in the relevant rates of interest. Termination payments will rank in priority to certain other amounts due by the Issuer in accordance with the Swapped Notes Revenue Priority of Payments or the Post-Enforcement Priority of Payments, as the case may be. As a result, the Issuer may have insufficient funds to meet all payment obligations under the Class A1 Notes and the Class A2 Notes.

**RISK FACTORS REGARDING THE NOTES**

**Risk that the Issuer will not exercise its right to redeem the Notes at the Optional Redemption Dates**

No guarantee can be given that the Issuer will on the First Optional Redemption Date or on any Optional Redemption Date thereafter actually exercise its right to redeem the Notes. The exercise of such right will, *inter alia*, depend on the ability of the Issuer to have sufficient funds available to redeem the Notes, for example through a sale of Mortgage Receivables still outstanding at that time. The Notes, other than the Class A Notes, can be redeemed at an amount less than their Principal Amount Outstanding (see Conditions 6(d) and 9(a) in section 4.1 (*Terms and Conditions of the Notes*)).

**Subordinated Notes bear a greater risk of non payment than higher ranking Classes of Notes**

To the extent set forth in Conditions 6 and 9, (a) the Class B Notes are subordinated in right of payment to the Class A Notes, (b) the Class C Notes are subordinated in right of payment to the Class A Notes and the Class B Notes, (c) the Class D Notes are subordinated in right of payment to the Class A Notes, the Class B Notes and the Class C Notes and (d) the Class E Notes are subordinated in right of payment to the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes. With respect to any Class of Notes, such subordination is designed to provide credit enhancement to any Class of Notes with a higher payment priority than such Class of Notes.

If, upon default by any Borrowers, the Issuer does not receive the full amount due from such Borrowers, Noteholders may receive by way of principal repayment on the Notes an amount less than the face amount of their Notes and the Issuer may be unable to pay in full interest due (if any) on the

Notes, to the extent set forth in Condition 9. On any Notes Payment Date, any Realised Losses on the Mortgage Loans will be allocated as described in section 5 (*Credit Structure*).

The Class A Notes comprise of the Class A1 Notes, the Class A2 Notes and the Class A3 Notes. The Class A1 Notes, the Class A2 Notes and the Class A3 Notes rank *pari passu* and *pro rata* without any preference or priority among all Notes of such Class in respect of the Security. Provided that no Enforcement Notice has been given, payments of principal on the Class A Notes are applied firstly to the Class A1 Notes and then to the Class A2 Notes and then to the Class A3 Notes. To the extent that the Available Principal Funds are insufficient to redeem the Class A1 Notes, the Class A2 Notes or the Class A3 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 Class A2 Notes or the Class A3 Notes do not therefore purport to provide credit enhancement to the Class A1 Notes or the Class A2 Notes, as the case may be. If, on any date, the Security is to be enforced and the proceeds of the enforcement would be insufficient to redeem the Class A Notes in full, such loss will be borne, *pro rata* and *pari passu*, by the holders of the Class A Notes. If the Class A1 Notes or the Class A2 Notes have been redeemed (in part or in full) at such time, this will result in the Class A2 Notes or the Class A3 Notes bearing a greater loss than that borne by the Class A1 Notes or the Class A2 Notes, as the case may be.

#### **Interest rate risk in respect of Class A3 Notes**

The interest rate risk on the Class A3 Notes has not been hedged under an interest rate swap agreement with a swap counterparty. Accordingly, the Issuer is exposed to interest rate risk, including the risk that the (scheduled) interest receipts are insufficient to pay interest due on the Class A3 Notes, which risk may for example materialise if, after interest rate resets in respect of certain Mortgage Receivables, the weighted average interest rate on the relevant Mortgage Receivables is below the interest rate payable on the Class A3 Notes.

#### **The obligations of the Issuer under the Notes are limited recourse**

Each of the Noteholders shall only have recourse in respect of any claim against the Issuer in accordance with the relevant priority of payments as set forth in the Trust Deed as reflected in this Prospectus. The Noteholders and the other Secured Creditors shall not have recourse on any assets of the Issuer other than (i) the Mortgage Receivables and the Beneficiary Rights relating thereto, (ii) the balance standing to the credit of the Issuer Collection Account and (iii) the amounts received under the Transaction Documents. 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 Notes are insufficient to pay in full all principal and interest, if any, and other amounts whatsoever due in respect of such Notes, the Noteholders shall have no further claim against the Issuer or the Security Trustee in respect of any such unpaid amounts.

If, upon default by the Borrowers and after exercise by any Servicer of all available remedies in respect of the Mortgage Receivables, the Issuer does not receive the full amount due from such Borrowers, the Noteholders may receive by way of principal repayment on the Notes an amount less than the face amount of their Notes and the Issuer may be unable to pay in full interest due (if any) on the Notes, to the extent set forth in Condition 9. On any Notes Payment Date, any such losses on the Mortgage Loans will be allocated as described in section 5 (*Credit Structure*).

#### **Risk relating to conflict of interest between the interests of holders of different Classes of Notes and other Secured Creditors**

Circumstances may arise when the interests of the holders of different Classes of Notes could conflict. The Trust Deed contains provisions requiring the Security Trustee to have regard to the interests of the Noteholders as regards all powers, trust, authorities, duties and discretions of the Security Trustee (except where expressly provided otherwise) but requiring the Security Trustee in any such case to have regard only to the interests of the holders of the Most Senior Class of Notes, if, in the Security Trustee's opinion, there is a conflict between the interests of the holders of the Most Senior Class of Notes on the one hand and the holders of junior ranking Notes on the other hand. In addition, the Security Trustee shall have regard to the interests of the other Secured Creditors and, in case of a conflict of interest between the Secured Creditors, the Post-Enforcement Priority of Payments set forth in the Trust Deed determines which interest of which Secured Creditor prevails.



**Risk related to absence of Mortgage Reports**

Pursuant to the Trust Deed, in case the Issuer Administrator does not receive a Mortgage Report from the Servicers with respect to a Mortgage Calculation Period, the Issuer (or the Issuer Administrator on its behalf) shall have the right to calculate and determine the Available Revenue Funds, the Available Principal Funds and all amounts payable under the Transaction Documents using the three most recent Mortgage Reports available in respect of three Mortgage Calculation Periods in accordance with the Administration Agreement.

When the Issuer or the Issuer Administrator on its behalf receives the Mortgage Reports relating to the Mortgage Calculation Period for which such calculations have been made, it will make reconciliation calculations and reconciliation payments and credit or debit, as applicable, such amounts from the Interest Reconciliation Ledger and the Principal Reconciliation Ledger as set out in the Administration Agreement. Any (i) calculations properly done in accordance with the Trust Deed and in accordance with the Administration Agreement, and (ii) payments made and payments not made under any of the Notes and Transaction Documents in accordance with such calculations and (iii) reconciliation calculations and reconciliation payments made or payments not made as a result of such reconciliation calculations, each in accordance with the Administration Agreement, shall be deemed to be done, made or not made in accordance with the provisions of the Transaction Documents and will in themselves not lead to an event of default or any other default or termination event under any of the Transaction Documents or breach of any triggers included therein (including but not limited to Assignment Notification Events and Pledge Notification Events). Therefore there is a risk that the Issuer pays out less or more interest, if any, and, respectively, less or more principal on the Notes than would have been payable if Mortgage Reports were available.

**Risk related to the limited liquidity of the Notes**

The secondary market for mortgage-backed securities is currently experiencing severe disruptions resulting from reduced investor demand for mortgage-backed securities and increased investor yield requirements for those securities. As a result, the secondary market for mortgage-backed securities is experiencing extremely limited liquidity. The conditions may continue or worsen in the future. Limited liquidity in the secondary market for mortgage-backed securities has had a severe adverse effect on the market value of mortgage-backed securities. Limited liquidity in the secondary market may continue to have a severe 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 its Notes readily. The 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 such investor. In addition, the forced sale into the market of mortgage-backed securities held by structured investment vehicles, hedge funds, issuers of collateralised debt obligations and other similar entities that are currently experiencing funding difficulties could adversely affect an investor's ability to sell, and/or the price an investor receives for, the Notes in the secondary market. Thus, Noteholders bear the risk of limited liquidity of the secondary market for mortgage-backed securities and the effect thereof on the value of the Notes.

**Risk related to Notes held in global form**

The Notes will initially be held by the Common Safekeeper on behalf of Euroclear and/or Clearstream, Luxembourg in the form of a Global Note which will be exchangeable for Definitive Notes in limited circumstances as more fully described in section 4.2 (*Form*). For as long as any Notes are represented by a Global Note held by the Common Safekeeper on behalf of Euroclear and/or Clearstream, Luxembourg, payments of principal, interest, if any, and any other amounts on a Global Note will be made through Euroclear and/or Clearstream, Luxembourg (as the case may be) against presentation or surrender (as the case may be) of the relevant Global Note and, in the case of a Temporary Global Note, certification as to non-U.S. beneficial ownership. The bearer of the relevant Global Note, being the common depositary for Euroclear and/or Clearstream, Luxembourg, shall be treated by the Issuer and the Paying Agent as the sole holder of the relevant Notes represented by such Global Note with respect to the payment of principal, interest, if any, and any other amounts payable in respect of the Notes.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and/or Clearstream, Luxembourg, as the case may be.

Thus, the Noteholders will have to rely on the procedures of Euroclear and/or Clearstream, Luxembourg for transfers, payments and communications from the Issuer, which may cause the Issuer being unable to meet its obligations under the Notes.

**The Security Trustee may agree to modifications without the Noteholders' prior consent**

Pursuant to the terms of the Trust Deed, the Security Trustee may agree without the consent of the Noteholders to (i) any modification of any of the provisions of the Trust Deed, the Notes or any other Transaction Document which is of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification, and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed, the Notes or any other Transaction Document which is in the opinion of the Security Trustee not materially prejudicial to the interests of the Noteholders provided that there is a Credit Rating Agency Confirmation. Any such modification, authorisation or waiver shall be binding on the Noteholders and other Secured Creditors and, if the Security Trustee so requires, such modification shall be notified to the Noteholders in accordance with Condition 13 as soon as practicable thereafter.

**Risk that Notes are not repaid upon maturity**

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

**No obligation for Issuer to compensate Noteholders for any tax withheld on behalf of any tax authority**

As provided in Condition 7, if withholding of, or deduction for, or on account of any present or future taxes, duties, assessments or changes of whatever nature are imposed by or on behalf of the Netherlands, any authority therein or thereof having power to tax, the Issuer will make the required withholding or deduction of such taxes, duties, assessments or charges for the account of the Noteholders, as the case may be, and shall not be obliged to pay any additional amounts to the Noteholders.

**In certain circumstances, the Issuer and the Noteholders may be subject to US withholding tax under FATCA**

The United States passed legislation (the Foreign Account Tax Compliance provisions of the U.S. Hiring Incentives to Restore Employment Act of 2010, commonly referred to as FATCA) which will impose new information reporting requirements with respect to certain holders of "financial accounts", as defined in the FATCA rules. If the Issuer does not enter into an agreement with the U.S. Internal Revenue Service and comply with these reporting requirements, it may become subject to a 30 per cent. U.S. withholding tax on the receipt of certain payments, which may reduce amounts available to the Issuer to make payments on the Notes. If the Issuer does enter into such an agreement with the U.S. Internal Revenue Service, and a Noteholder does not provide the information requested to establish that it is eligible to receive payments free of FATCA withholding, the Issuer may be required to withhold 30% on a portion of payments made on the Notes. Notes issued prior to 1 January 2013 that are classified as debt for U.S. federal income tax purposes are generally exempt from these rules. Prospective investors should consult their own advisors about the application of FATCA, in particular if they may be classified as financial institutions under the FATCA rules. No decision has been taken as to whether the Issuer would enter into such an agreement with the U.S. Internal Revenue Service.

**Insolvency proceedings and subordination provisions**

There is uncertainty as to the validity and/or enforceability of a provision which (based on contractual and/or trust principles) subordinates certain payment rights of a creditor to the payment rights of other creditors of its counterparty upon the occurrence of insolvency proceedings relating to that creditor. In particular, recent cases have focused on provisions involving the subordination of a hedging counterparty's payment rights in respect of certain termination payments upon the occurrence of insolvency proceedings or other default on the part of such counterparty (so-called "flip clauses"). Such

provisions are similar in effect to the terms which will be included in the Transaction Documents relating to the subordination of Swap Counterparty Default Payments.

The English Supreme Court has held that a flip clause as described above is valid under English law. The Issuer has been advised that such a flip clause would be enforceable against the parties that have validly agreed thereto under Dutch law. Contrary to this, however, the US Bankruptcy Court has held that such a subordination provision is unenforceable under US bankruptcy law and that any action to enforce such provision would violate the automatic stay which applies under such law in the case of a US bankruptcy of the counterparty. The implications of this conflicting judgment are not yet known, particularly as the US Bankruptcy Court approved, in December 2010, the settlement of the case to which the judgment relates and subsequently the appeal was dismissed.

If a creditor of the Issuer (such as the Swap Counterparty) or a related entity becomes subject to insolvency proceedings in any jurisdiction outside England and Wales or the Netherlands (including, but not limited to, the United States), and it is owed a payment by the Issuer, a question arises as to whether the insolvent creditor or any insolvency official appointed in respect of that creditor could successfully challenge the validity and/or enforceability of subordination provisions included in the English and Dutch law governed Transaction Documents (such as a provision of each of the Priorities of Payments which refers to the ranking of the Swap Counterparty's payment rights in respect of Swap Counterparty Default Payments). In particular, based on the decision of the US Bankruptcy Court referred to above, there is a risk that such subordination provisions would not be upheld under US bankruptcy laws. Such laws may be relevant in certain circumstances with respect to the Swap Counterparty given that the Swap Counterparty has assets and/or operations in the US and notwithstanding that the Swap Counterparty is a non-US established entity (and/or with respect to any replacement counterparty, depending on certain matters in respect of that entity). In general, if a subordination provision included in the Transaction Documents was successfully challenged under the insolvency laws of any relevant jurisdiction outside England and Wales or the Netherlands and any relevant foreign judgment or order was recognised by the English or Dutch courts, there can be no assurance that such actions would not adversely affect the rights of the Noteholders, the market value of the Notes and/or the ability of the Issuer to satisfy its obligations under the Notes.

**Risks related to early redemption of the Notes in case of Clean-up Call Option, Tax Call Option or Sellers Clean-up Call Option**

The Issuer has the option to redeem the Notes prematurely, in the following circumstances: (i) subject to and in accordance with Condition 6(e), if on any Notes Payment Date the Principal Amount Outstanding of the Notes (in the case of a Principal Shortfall in respect of any Class of Notes, less such aggregate Principal Shortfall) is not more than 10 per cent. of the Principal Amount Outstanding of the Notes on the Closing Date by exercise of the Clean-up Call Option and (ii) subject to and in accordance with Condition 6(f), for certain tax reasons by exercise of the Tax Call Option. Should the Clean-up Call Option or the Tax Call Option be exercised, all Notes may be redeemed prematurely. The Sellers may also exercise the Sellers Clean-up Call Option, as a result of which the Notes will be mandatorily redeemed by the Issuer using the proceeds of the repurchase of the Mortgage Receivables in accordance with Condition 6(b). Noteholders may not be able to invest the amounts received as a result of the redemption of the Notes on conditions similar to those of the Notes.

**Risk of redemption of Class B Notes, Class C Notes, Class D Notes and Class E Notes with a Principal Shortfall**

In accordance with Condition 9(a), a Class B Note, a Class C Note, a Class D Note and/or a Class E Note may be redeemed in part, subject to a Class B Principal Shortfall, a Class C Principal Shortfall, a Class D Principal Shortfall or a Class E Principal Shortfall respectively. As a consequence a holder of a Class B Note, a Class C Note, a Class D Note or a Class E Note may not receive the full Principal Amount Outstanding of such Note upon redemption in accordance with and subject to Condition 6.

**Risk that changes of law will have an effect on the Notes**

The structure of the issue of the Notes and the credit ratings which are to be assigned to the Notes, other than the Class E Notes, are based on the laws of the Netherlands and, with respect to the Swap Agreement, the laws of England and Wales, in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible change to the laws or regulations of the Netherlands (or

England and Wales) or any other jurisdiction or administrative practice in the Netherlands or England and Wales after the date of this Prospectus.

Currently, the laws, regulations and administrative practice relating to mortgage-backed securities such as the Notes are in a significant state of flux in Europe and it is impossible for the Issuer to predict how these changes may in the future impact investors in the Notes, whether directly or indirectly.

**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 mortgage-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 Managers nor the Sellers makes any representation to any prospective investor or purchaser of the Notes regarding the regulatory capital treatment of their investment on the date hereof or at any time in the future.

In particular, in Europe, investors should be aware of Article 122a of the Capital Requirements Directive, as implemented in the Netherlands by the Dutch Regulation Securitisations of 26 October 2010 ("*Regeling securitisaties Wft 2010*") which applies in general to new securitisations issued on or after 1 January 2011 and, after 31 December 2014, to existing securitisations where new underlying exposures are added or substituted after 31 December 2014. 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 per cent. 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 ongoing 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.

Prospective noteholders 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.

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.

**Proposed Changes to the Basel Capital Accord and Solvency II**

On 26 June 2004, the Basel Committee on Banking Supervision published the text of the Basel II capital accord, which places enhanced emphasis on market discipline and sensitivity to risk, serves as a basis for national and supra-national rulemaking and approval processes for banking organisations. Basel II has been put into effect for credit institutions in Europe via the recasting of a number of prior directives in a consolidating directive referred to as the Capital Requirements Directive. The Basel Committee on Banking Supervision proposed new Basel III rules amending the existing Basel II Accord on bank capital requirements. 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 countries will be required to implement the new capital standards 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. It is uncertain when the European Commission's corresponding proposals to implement the changes (through amendments to the Capital Requirements Directive known as CRD IV) will be implemented.

Furthermore, pursuant to the proposed Solvency II rules, more stringent rules will apply for European insurance companies from January 2013 in respect of instruments such as the Notes in order to qualify as regulatory capital (*toetsingsvermogen c.q. solvabiliteitsmarge*).

Basel II, as published, and Basel III even to a greater extent, will affect risk-weighting of the Notes for investors subject to the new framework following its implementation (whether via the Capital Requirements Directive or otherwise by non-EU regulators if not amended from its current form when or if implemented by non-EU regulators). This could affect the market value of the Notes in general and the relative value for the investors in the Notes.

Potential investors should consult their own advisers as to the consequences to and effect on them of the application of Basel II, as implemented by their own regulator or following implementation, and any changes thereto pursuant to Basel III, and the application of Solvency II, to their holding of any Notes. The Issuer, the Security Trustee and the Managers are not responsible for informing Noteholders of the effects on the changes to risk-weighting or regulatory capital which amongst others may result for investors from the adoption by their own regulator of Basel II, Basel III or Solvency II (whether or not implemented by them in its current form or otherwise).

#### **Risks related to prepayment on the Mortgage Loans**

The Issuer is obliged to apply the Available Principal Funds towards repayment of the Notes in accordance with Condition 6(b). The maturity of the Notes will depend on, *inter alia*, the amount and timing of payment of principal (including full and partial prepayments, sale of the Mortgage Receivables by the Issuer, Net Foreclosure Proceeds upon enforcement of a Mortgage Receivable and repurchase by the relevant Seller of Relevant Mortgage Receivables) on all relevant Mortgage Loans. The average maturity of the Notes may be adversely affected by a higher or lower than anticipated rate of prepayments on the Mortgage Loans. The rate of prepayment of Mortgage Loans is influenced by a wide variety of economic, social and other factors, including prevailing market interest rates, changes in tax laws (including, but not limited to, amendments to mortgage interest tax deductibility), local and regional economic conditions and changes in Borrowers' behaviour (including, but not limited to, home-owner mobility). No guarantee can be given as to the level of prepayment that the Mortgage Loans may experience.

#### **Payments to Noteholders may be subject to withholding tax pursuant to the 2003/48/EC EU Council Directive**

Under the EU Council Directive 2003/48/EC on the taxation of savings income, Member States are required, to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. For a transitional period, currently Luxembourg and Austria are instead required (unless they elect otherwise during that period) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories have adopted similar measures. Pursuant to Condition 5(d), the Issuer undertakes that it will ensure that it maintains a paying agent in an EU Member State that will not be obliged to withhold or deduct any tax pursuant to the EU Council Directive 2003/48/EC. It may be possible that such a paying agent does not perform its obligations in this respect under its agreement with the Issuer, which may result in the Issuer not being able to meet its obligation pursuant to the afore-mentioned Condition 5(d), in which case there is a risk that under certain circumstances the interest payments under the Notes, if any, become subject to withholding tax, which would reduce payments to the Noteholders.

**Legal investment considerations may restrict certain investments in the Notes**

The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Notes are legal investments for such potential investor, (2) the Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to such potential investor's purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk based capital or similar rules. A failure to consult may lead to damages being incurred or a breach of applicable law by the investor.

**Risk of withdrawal of, and termination of liability under, the 403-Declaration**

On 19 May 2003, SNS REAAL deposited the 403-Declaration with the Commercial Register of the Chamber of Commerce in Utrecht in which it has declared to be jointly and severally liable for the debts resulting from legal acts of RegioBank. On the basis of the 403-Declaration, SNS REAAL will be jointly and severally liable with RegioBank for debts incurred by RegioBank resulting from legal acts, which include the Mortgage Receivables Purchase Agreement and the Administration Agreement.

SNS REAAL will have the right to withdraw the 403-Declaration at any time by depositing a declaration to this effect with the Commercial Register of the Chamber of Commerce in Utrecht. The Issuer has been advised that irrespective of such withdrawal SNS REAAL will continue to be jointly and severally liable for all debts incurred by RegioBank respectively resulting from legal acts.

SNS REAAL can also file a notice of its intention to terminate its remaining liability after withdrawal of the 403-Declaration. Such remaining liability will terminate if certain conditions are met, *inter alia*, that (i) RegioBank no longer belongs to the same group of companies as SNS REAAL and (ii) a two (2) month notice period has expired and no relevant creditor has opposed the intention to terminate in time or such opposition was dismissed by the court.

**Risk that the credit rating of the Notes changes**

The credit ratings to be assigned to the Notes, other than the Class E Notes, by the Credit Rating Agencies are based, *inter alia*, on the value and cash flow generating ability of the Mortgage Receivables and other relevant structural features of the transaction, and reflect only the view of each of the Credit Rating Agencies. There is no assurance that any such credit rating will continue for any period of time or that they will not be reviewed, revised, suspended or withdrawn entirely by any of the Credit Rating Agencies if, in any of the Credit Rating Agencies' judgement, circumstances so warrant. The Issuer does not have an obligation to maintain the credit ratings assigned to the Notes, other than the Class E Notes.

**Credit ratings may not reflect all risks**

The credit rating of each Class or Sub-Class of Notes, as applicable, other than the Class E Notes, addresses the assessments made by the Credit Rating Agencies and/or the likelihood of full and timely payment of interest, if any, and ultimate payment of principal on or before the Final Maturity Date.

Any decline in the credit ratings of the Notes or changes in credit rating methodologies may affect the market value of the Notes. Furthermore, the credit ratings may not reflect the potential impact of all rights related to the structure, market, additional factors discussed above or below and other factors that may affect the value of the Notes.

A credit 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 credit rating organisation if in its judgment, the circumstances (including possibly a reduction in the credit rating of the Issuer Account Bank, the Cash Advance Facility Provider, the Swap Counterparty or the Foundation Account Provider) in the future so require.

**Risk related to Credit Rating Agency Confirmations**

A credit rating is an assessment of credit risk and does not address other matters that may be of relevance to the Noteholder. A Credit Rating Agency Confirmation regarding any action proposed to be

taken by Security Trustee and the Issuer does not, for example, confirm that such action (i) is permitted by the terms of the Transaction Documents or (ii) is in the best interests of, or not prejudicial to, the Noteholders. While Noteholders are entitled to have regard to the fact that the Credit Rating Agencies have confirmed that the then current credit ratings of the relevant Class (or Sub-Class) of Notes would not be adversely affected, a Credit Rating Agency Confirmation does not impose or extend any actual or contingent liability on the Credit Rating Agencies to the Noteholders, the Issuer, the Security Trustee or any other person or create any legal relationship between the Credit Rating Agencies and the Noteholders, the Issuer, the Security Trustee or any other person whether by way of contract or otherwise.

Any Credit Rating Agency Confirmation may or may not be given at the sole discretion of each Credit Rating Agency. It should be noted that, depending on the timing of delivery of the request and any information needed to be provided as part of any such request, it may be the case that a Credit Rating Agency cannot provide a Credit Rating Agency Confirmation in the time available or at all, and the Credit Rating Agency shall not be responsible for the consequences thereof. A Credit Rating Agency Confirmation, if given, will be given on the basis of the facts and circumstances prevailing at the relevant time and in the context of cumulative changes to the transaction of which the securities form part since the Closing Date.

A Credit Rating Agency Confirmation represents only a restatement or confirmation of the opinions given as at the Closing Date and cannot be construed as advice for the benefit of any parties to the transaction.

The Credit Rating Agencies may change their criteria and methodologies and it may therefore be required that the Transaction Documents be restructured in connection therewith to prevent a downgrade of the credit ratings assigned to the Notes. There is, however, no obligation for any party to the Transaction Documents, including the Issuer, to cooperate with or to initiate or propose such a restructuring. A failure to restructure the transaction may lead to a downgrade of the credit ratings assigned to the Notes.

#### **Forecasts and estimates**

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 actual results will vary therefrom. Consequently, the actual result might differ from the projections and such differences might be significant.

#### **Class A Notes may not be recognized as eligible Eurosystem collateral**

The Class A Notes are intended to be held in a manner which will allow Eurosystem eligibility, which means that the Class A Notes are intended to be deposited upon issue with one of the ICSDs as Common Safekeeper. This does not necessarily mean that the 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.

## RISK FACTORS REGARDING THE MORTGAGE RECEIVABLES

### **Risk related to payments received by a Seller prior to notification of the assignment to the Issuer**

Under Netherlands law, assignment of the legal title of claims, such as the Mortgage Receivables, can be effectuated by means of a notarial deed of assignment or a private deed of assignment and registration thereof with the appropriate tax authorities, without notification of the assignment to the debtors being required ("*stille cessie*"). The legal title of the Relevant Mortgage Receivables will be assigned on the Closing Date by the relevant Seller to the Issuer through a deed of assignment and registration thereof with the appropriate tax authorities. The Mortgage Receivables Purchase Agreement will provide that the assignment of the Relevant Mortgage Receivables by the relevant Seller to the Issuer will not be notified by the relevant Seller or, as the case may be, the Issuer to the Borrowers except that notification of the assignment of the Relevant Mortgage Receivables may be made upon the occurrence of any of the Assignment Notification Events. For a description of these notification events reference is made to section 7.1 (*Purchase, repurchase and sale*).

The Sellers have entered into a collection foundation structure including the Receivables Proceeds Distribution Agreement with the Collection Foundation in view of the fact that, until notification of the assignment has been made to the Borrowers, the Borrowers under the Relevant Mortgage Receivables can only validly pay to the relevant Seller in order to fully discharge their payment obligations ("*bevrijdend betalen*") in respect thereof. The relevant Seller has undertaken in the Mortgage Receivables Purchase Agreement to transfer or procure transfer by the Collection Foundation of all amounts received during the immediately preceding Mortgage Calculation Period in respect of the Relevant Mortgage Receivables to the Issuer Collection Account. However, receipt of such amounts by the Issuer is subject to such payments actually being made. If the relevant Seller is declared bankrupt or subject to emergency regulations prior to making such payments, the Issuer has no right of any preference in respect of such amounts.

If payments were to be made by Borrowers to the relevant Seller prior to notification of the assignment of the Relevant Mortgage Receivables to the Issuer but after bankruptcy, suspension of payments or emergency regulations in respect of the relevant Seller having been declared, such payments would form part of the relevant Seller's bankruptcy estate. In respect of these payments, the Issuer would be a creditor of the estate ("*boedelschuldeiser*") and would receive payment prior to (unsecured) creditors with ordinary claims, but after preferred creditors of the estate and after deduction of general bankruptcy costs ("*algemene faillissementskosten*"), which may be material.

The risks set out in the preceding two paragraphs are mitigated by the following structural features. The Issuer has been informed by each of the Sellers that each Borrower has given a power of attorney to the relevant Seller or any sub-agent of the relevant Seller respectively to collect amounts from his account due under the Relevant Mortgage Loan by direct debit from this account. Under the Receivables Proceeds Distribution Agreement, the Sellers have requested the Collection Foundation to collect by direct debit all amounts of principal and interest to the Collection Foundation Accounts held and maintained by the Collection Foundation. As a consequence, the Collection Foundation has a claim against the relevant Foundation Account Provider, in respect of the balances standing to credit of the Collection Foundation Accounts.

The Collection Foundation Accounts are currently held with SNS Bank and RegioBank. Under the Receivables Proceeds Distribution Agreement, the Collection Foundation Accounts have to be transferred to Rabobank, as Foundation Account Provider, upon the occurrence of a Collection Foundation Trigger Event with respect to SNS Bank. Since a Collection Foundation Trigger Event with respect to SNS Bank has occurred, each Seller has undertaken in the Mortgage Receivables Purchase Agreement to procure that (i) the Collection Foundation Accounts will be transferred to Rabobank as Foundation Account Provider before 1 January 2013 and (ii) until such transfer of the Collection Foundation Accounts, that all amounts of principal, interest and prepayment penalties received by the Collection Foundation in respect of the Relevant Mortgage Receivables and paid to the relevant Collection Foundation Account will continue to be transferred to the Issuer Collection Account on the same day as such funds are received. Prior to the transfer of the Collection Foundation Accounts, the Foundation Account Providers are the same legal entities as the Sellers and thus the Collection Foundation will have a claim against the Sellers for the amount standing to the credit of the Collection



Foundation Accounts. If and for so long as any Seller is the Collection Foundation Account Provider, in the event of a bankruptcy of the relevant Seller, any amounts standing to the credit of the Collection Foundation Accounts relating to the relevant Mortgage Receivables will form part of the bankruptcy estate of the relevant Seller.

The Collection Foundation is set up as a passive bankruptcy remote entity. The objects clause of the Collection Foundation is limited to collecting, managing and distributing amounts received on the Collection Foundation Accounts to the persons who are entitled to receive such amounts pursuant to the Receivables Proceeds Distribution Agreement.

Upon receipt of such amounts, the Collection Foundation will distribute to the Issuer or, after the Enforcement Date, to the Security Trustee any and all amounts relating to the Mortgage Receivables received by it on the Collection Foundation Accounts, in accordance with the relevant provisions of the Receivables Proceeds Distribution Agreement. Pursuant to the Receivables Proceeds Distribution Agreement, SNS Bank as Foundation Administrator and, after an insolvency event relating to SNS Bank, a new foundation administrator appointed for such purpose, respectively, will perform such payment transaction services on behalf of the Collection Foundation (see for a description of the cash collection arrangements section 5 (*Credit Structure*)).

There is a risk that any Seller (prior to notification of the assignment) or its bankruptcy trustee (following bankruptcy or suspension of payments but prior to notification) instructs the Borrowers to pay to another bank account. Any such payments by a Borrower would be valid ("*bevrijdend*"). This risk is, however, mitigated by the following. Firstly, each Seller has under the Receivables Proceeds Distribution Agreement undertaken to the Issuer and the Security Trustee not to instruct the Borrowers to pay any amounts under Relevant Mortgage Receivables into an account other than the Collection Foundation Accounts without (i) the prior written approval of each of the Collection Foundation, the Issuer and the Security Trustee and (ii) notification to the Credit Rating Agencies.

In addition, SNS Bank in its capacity as Foundation Administrator has undertaken in the Receivables Proceeds Distribution Agreement to disregard any instructions or orders from any of the Sellers to cause the transfer of amounts in respect of the Relevant Mortgage Receivables to be made to another account than the relevant Collection Foundation Accounts without prior approval of the Issuer and the Security Trustee. Regardless of the above, each Seller is obliged to pay to the Issuer any amounts received by it in respect of the Relevant Mortgage Receivables from a Borrower which were not paid to the Collection Foundation Accounts but to the relevant Seller directly.

The Collection Foundation will grant a first ranking right of pledge on the balances standing to the credit of the Collection Foundation Accounts in favour of the Security Trustee and the Previous Transaction Security Trustees and a second ranking right of pledge to the Issuer and the Previous Transaction SPVs jointly as security for (*inter alia*) any and all liabilities of the Collection Foundation to, respectively, the Security Trustee and the Issuer and the Previous Transaction SPVs and Previous Transaction Security Trustees in view of the (remote) bankruptcy risk of the Collection Foundation. The pledge is shared between the Security Trustee and the Previous Transaction Security Trustees and the Issuer and the Previous Transaction SPVs, which are set up as bankruptcy remote securitisation special purpose vehicles. Each Previous Transaction Security Trustee and the Security Trustee have a certain *pari passu* ranking undivided interest, or "share" ("*aandeel*") in the co-owned pledge, entitling it to part of the foreclosure proceeds of the pledge over the Collection Foundation Accounts. As a consequence, the rules applicable to co-ownership ("*gemeenschap*") apply to the joint right of pledge. The share of the Security Trustee will be determined on the basis of the amounts in the Collection Foundation Accounts relating to the relevant Mortgage Receivables owned by the Issuer. Section 3:166 of the Dutch Civil Code provides that co-owners will have equal shares, unless a different arrangement follows from their legal relationship. The co-pledgees have agreed that each pledgee's share within the meaning of section 3:166 of the Dutch Civil Code ("*aandeel*") in respect of the balances of the Collection Foundation Accounts from time to time is equal to their entitlement in respect of the amounts standing to the credit of the Collection Foundation Accounts which relate to the mortgage receivables owned and/or pledged to them, from time to time. In case of foreclosure of the co-owned right of pledge on the Collection Foundation Accounts (i.e. if the Collection Foundation defaults in forwarding or transferring the amounts received by it, as agreed), the proceeds will be divided according to each Previous Transaction Security Trustee's and the Security Trustee's share. It is uncertain whether this

sharing arrangement constitutes a sharing arrangement within the meaning of section 3:166 of the Dutch Civil Code and thus whether it is enforceable in the event of bankruptcy or suspension of payments of one of the pledgees. The same applies to the pledge for the Issuer and the Previous Transaction SPVs. The Collection Foundation Accounts Pledge Agreement provides that future issuers (and any security trustees) in securitisation transactions or future similar transactions (and any security trustees relating thereto) initiated by the Sellers will after accession also have the benefit of the right of pledge on the balance standing to the credit of the Collection Foundation Accounts and the relevant parties to the Collection Foundation Accounts Pledge Agreement undertake to cooperate with such provisions.

**Risk that set-off by Borrowers may affect the proceeds under the Mortgage Receivables**

Under Netherlands law a debtor has a right of set-off if it has a claim that corresponds to its debt owed to the same counterparty and it is entitled to pay its debt as well as to enforce its claim. Subject to these requirements being met, each Borrower will be entitled to set off amounts due by the relevant Seller to it (if any) with amounts it owes in respect of the Relevant Mortgage Receivable prior to notification of the assignment of the Relevant Mortgage Receivable to the Issuer having been made. Claims which are enforceable ("*afdwingbaar*") by a Borrower could, *inter alia*, result from current account balances or deposits made with such Seller and, in respect of Relevant Bank Savings Mortgage Loans, the Bank Savings Account balances of a Borrower held with the Bank Savings Participants (see *Risk of set-off or defences in case of Mortgage Receivables resulting from Bank Savings Mortgage Loans* below). Also, such claims of a Borrower could, *inter alia*, result from (x) services rendered by a Seller to the Borrower, if rendered at all, such as investment advice rendered by SNS Bank in connection with Investment Mortgage Loans or for which the relevant Seller is responsible or (y) services for which the relevant Seller is liable. As a result of the set-off of amounts due and payable by a Seller to the Borrower with amounts the Borrower owes in respect of the Relevant Mortgage Receivable, the Relevant Mortgage Receivable will, partially or fully, be extinguished ("*gaat teniet*"). Set-off by Borrowers could thus lead to losses under the Notes.

The conditions applicable to the Mortgage Loans originated by SNS Bank and RegioBank provide that payments by the Borrowers should be made without set-off. Although this clause is intended as a waiver by the Borrowers of their set-off rights vis-à-vis SNS Bank or RegioBank, under Netherlands law it is uncertain whether such waiver will be valid. Should such waiver be invalid, the Borrowers will have the set-off rights described in this paragraph.

After assignment of the Mortgage Receivables to the Issuer and notification thereof to a Borrower, such Borrower will also have set-off rights vis-à-vis the Issuer, provided that the legal requirements for set-off are met (see above), and further provided that (i) the counterclaim of the Borrower results from the same legal relationship as the relevant Mortgage Receivable or (ii) the counterclaim of the Borrower has originated ("*opgekomen*") and became due and payable ("*opeisbaar*") prior to the assignment of the Mortgage Receivable and notification thereof to the relevant Borrower. The question whether a court will come to the conclusion that the Relevant Mortgage Receivable and the claim of the Borrower against the relevant Seller result from the same legal relationship will depend on all relevant facts and circumstances involved. But even if these would be held to be different legal relationships, set-off will be possible if the counterclaim of the Borrower has originated and became due and payable prior to notification of the assignment, provided that all other requirements for set-off have been met (see above). A balance on a current account is due and payable at any time and, therefore, this requirement will be met. In the case of deposits it will depend on the terms of the deposit whether the balance thereof will be due and payable at the moment of notification of the assignment. The Issuer has been informed by SNS Bank and RegioBank that in most cases a balance on a deposit account can be withdrawn at any time and, consequently, such balance is due and payable at any time. If following receipt of notification of assignment of the Mortgage Receivable, amounts are debited from or credited to the current account or the deposit account, as the case may be, the Borrower will only be permitted to set-off its claim vis-à-vis the Issuer for the amount of its claim at the moment such notification has been received, after deduction of amounts which have been debited from the current account or the deposit account after receipt of such notification, notwithstanding that amounts may have been credited.

The Mortgage Receivables Purchase Agreement provides that if a Borrower sets off amounts due to it by the relevant 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 Receivables, the relevant Seller will pay to the Issuer an amount equal to the difference between the

amount which the Issuer would have received in respect of the Relevant Mortgage Receivable if no set-off had taken place and the amount actually received by the Issuer in respect of such Mortgage Receivable. To secure the payment obligations of the Sellers in this respect, the Issuer will enter into the Financial Collateral Agreement with the Sellers and the Security Trustee pursuant to which each Seller shall have an obligation to transfer Eligible Collateral in an amount of and having a value equal to the Delivery Amount (see section 5 (*Credit Structure*)). Notwithstanding the above, if a Seller would not meet its obligations under the Mortgage Receivables Purchase Agreement or the Financial Collateral Agreement or if the set-off amount would exceed the balance standing to the credit of the Financial Cash Collateral Ledger, set-off by Borrowers could lead to losses under the Notes.

If notification of the assignment of the Mortgage Receivables is made after the bankruptcy, suspension of payments or emergency regulations of the relevant Seller having become effective, it is defended in legal literature that the Borrower will, irrespective of the notification of the assignment, continue to have the broader set-off rights afforded to it in the Netherlands Bankruptcy Code. Under the Bankruptcy Code a person which is both debtor and creditor of the bankrupt entity can set off its debt with its claims, if each such claim (i) came into existence prior to the moment at which 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 suspension of payments or emergency regulations.

For specific set-off issues relating to the Life Insurance Policies or, as the case may be, Savings Insurance Policies connected to the Mortgage Loans or specific set off issues relating to the Investment Mortgage Loans, reference is made to the paragraph *Risk of set-off or defences by Borrowers in case of insolvency of Insurance Companies* and *Risks related to offering of Investment Mortgage Loans and Life Insurance Policies* below.

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

Each Relevant Bank Savings Mortgage Loan has the benefit of the balances standing to the credit of the relevant Bank Savings Account, which is held with the relevant Bank Savings Participant. In respect of the relevant Bank Savings Account balances, the intention is that at the maturity of the relevant Bank Savings Mortgage Loans, such balances will be used to repay the relevant Mortgage Receivable, whether in full or in part. If any of the Bank Savings Participants 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 relevant Seller, the Issuer or the Security Trustee, as the case may be, which may have the result that the relevant Mortgage Receivables will be, fully or partially, extinguished ("*tenietgaan*") or cannot be recovered for other reasons, which could lead to losses under the Notes.

Since the Bank Savings Mortgage Loans have been originated by the relevant Bank Savings Participant as Seller, if the conditions for set-off by Borrowers have been met (see *Risk that set-off by Borrowers may affect the proceeds under the Mortgage Receivables*) each Borrower under such Relevant Bank Savings Mortgage Loan will be entitled to set off amounts due by the relevant Seller under the Bank Savings Deposit with the Relevant Bank Savings Mortgage Receivable. To mitigate this risk, the Bank Savings Participation Agreement has been entered into between the Issuer, the Security Trustee and each Bank Savings Participant (see also section 7.6 (*Participation Agreements*)). 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. The remaining risk will be that if and to the extent that the amount for which a Borrower successfully invokes set-off or defences would exceed the relevant Bank Savings Participation, such set-off or defences could lead to losses under the Notes.

**Risk that the All Monies Security Rights will not follow the Mortgage Receivables upon assignment to the Issuer**

The mortgage deeds relating to the Mortgage Receivables to be sold to the Issuer provide for All Monies Mortgages, meaning that the mortgage rights created pursuant to such mortgage deeds, not only secure the loan granted to the Borrower for the purpose of acquiring the relevant Mortgaged Asset, but also other liabilities and moneys that the Borrower, now or in the future, may owe to the relevant Seller. The Mortgage Loans also provide for All Monies Pledges granted in favour of the relevant Seller.

Under Netherlands law a mortgage right is an accessory right ("*afhankelijk recht*") which follows by operation of law the receivable with which it is connected. Furthermore, a mortgage right is an ancillary right ("*nevenrecht*") and the assignee of a receivable secured by an ancillary right will have the benefit of such right, unless the ancillary right by its nature is, or has been construed as, a purely personal right of the assignor or such transfer is prohibited by law.

The prevailing view of Dutch legal commentators has been for a long time that upon the assignment of a receivable secured by an All Monies Security Right, such security right does not pass to the assignee as an accessory and ancillary right in view of its non-accessory or personal nature. It was assumed that an All Monies Security Right only follows a receivable which it secures, if the relationship between the bank and the borrower has been terminated in such a manner that following the assignment the bank cannot create or obtain further receivables from the relevant borrower secured by the security right. These commentators claim that this view is supported by case law.

There is a trend in legal literature to dispute the view set out in the preceding paragraph. Legal commentators following such trend argue that in case of assignment of a receivable secured by an All Monies Security Right, the security right will in principle (partially) pass to the assignee as an accessory right. In this argument the transfer does not conflict with the nature of an All Monies Security Right, which is -in this argument- supported by the same case law. Any further claims of the assignor will also continue to be secured and as a consequence the All Monies Security Right will be jointly-held by the assignor and the assignee after the assignment. In this view an All Monies Security Right only continues to secure exclusively claims of the original holder of the security right and will not pass to the assignee, if this has been explicitly stipulated in the deed creating the security right.

Although the view prevailing in the past, to the effect that given its nature an All Monies Security Right will as a general rule not follow as an accessory right upon assignment of a receivable which it secures, is still defended, the Issuer has been advised that the better view is that as a general rule an All Monies Security Right in view of its nature follows the receivable as an accessory right upon its assignment. Whether in the particular circumstances involved the All Monies Security Right will remain with the original holder of the security right, will be a matter of interpretation of the relevant deed creating the security right.

In respect of (i) the Mortgage Loans originated by SNS Bank before the end of 2005 and of (ii) the Mortgage Loans originated by former BLG Hypotheekbank (which merged into SNS Bank on 11 October 2010) and the Mortgage Loans originated by SNS Bank under the name BLG Hypotheken after the merger of BLG Hypotheekbank into SNS Bank, the relevant mortgage deeds stipulate that in case of assignment of the receivable the mortgage right will follow if this is stipulated upon the assignment. The conditions applicable to Mortgage Loans originated by SNS Bank as of the end of 2005 provide that in case of assignment or pledge of the receivable the Borrower and SNS Bank have the explicit intention that the assignee or pledgee will have the benefit of (a *pro rata* part of) the mortgage rights and rights of pledge securing such receivable, unless SNS Bank determines otherwise prior to the assignment or pledge. These stipulations are a clear indication of the intentions of the parties in this respect. The Issuer has been advised that, in the absence of circumstances giving an indication to the contrary, the inclusion of these provisions in the Mortgage Loans makes clear that the All Monies Security Right (partially) follows the Mortgage Receivable as accessory and ancillary right upon its assignment, but that there is no case law explicitly supporting this advice.

The Mortgage Loans (i) originated by SNS Bank before the end of 2005 and (ii) by former BLG Hypotheekbank (which merged into SNS Bank on 11 October 2010) and by SNS Bank under the name BLG Hypotheken after the merger of BLG Hypotheekbank into SNS Bank, do not provide for the All

Monies Pledges to partially follow the Mortgage Receivable upon assignment or pledge thereof. Also, the Mortgage Loans originated by RegioBank do not provide for the All Monies Security Rights to follow the Mortgage Receivables upon the assignment or pledge thereof. Consequently, there is no clear indication of the intention of the parties. The Issuer has been advised that also in such case the All Monies Pledge or All Monies Security Right, as the case may be, should (partially) follow the receivable as accessory and ancillary right upon its assignment, but that there is no case law explicitly supporting this advice and that, consequently, it is not certain what the Netherlands courts would decide if this matter were to be submitted to them, particularly taking into account the prevailing view of Dutch legal commentators on All Monies Security Rights in the past as described above, which view continues to be defended by some legal commentators.

The above applies *mutatis mutandis* in the case of the pledge of the Mortgage Receivables by the Issuer to the Security Trustee under the Issuer Mortgage Receivables Pledge Agreement. However, the terms and conditions applicable to the Mortgage Loans, as set forth in the Mortgage Conditions in respect of (i) the Mortgage Loans originated by SNS Bank before the end of 2005 and (ii) the Mortgage Loans originated by former BLG Hypotheekbank (which merged into SNS Bank on 11 October 2010), and the Mortgage Loans originated by SNS Bank under the name BLG Hypotheken after the merger of BLG Hypotheekbank into SNS Bank and RegioBank do not provide that in case of a pledge of the Mortgage Receivable the mortgage right will (partially) follow the Mortgage Receivable. Therefore, there is no clear indication of the intention of the parties and, consequently, the view expressed in the above paragraph does not apply to the pledge of the Mortgage Receivables. However, a good argument can be made that the intention of the parties in case of an assignment of the Mortgage Receivable also includes the intention in case of a pledge of such Mortgage Receivable. Even if the Mortgage Conditions do not provide a clear indication on the intentions of the parties in case of pledge, the Issuer has been advised that the Security Trustee as pledgee should have the benefit of the All Monies Security Rights as accessory and ancillary right upon notification of the assignment of the Mortgage Receivables to the Issuer and the pledge to the Security Trustee. It should be noted, however, that there is no case law explicitly supporting this view. Therefore it is not certain what the Netherlands courts would decide if the matter were to be submitted to them, particularly taking into account the prevailing view of Dutch legal commentators on All Monies Security Rights in the past, which view continues to be defended by some legal commentators.

Furthermore, with respect to the NHG Mortgage Loan Receivables it is noted that if the Issuer or the Security Trustee, as the case may be, does not have the benefit of the All Monies Mortgage, it also will not be entitled to claim under any NHG Guarantee.

**Risk related to jointly-held All Monies Security Rights by the relevant Seller, the Issuer and the Security Trustee**

If the All Monies Security Rights have (partially) followed the Mortgage Receivables upon their assignment, the All Monies Security Rights will be jointly-held by the Issuer (or the Security Trustee, as pledgee) and the relevant Seller and will secure both the Relevant Mortgage Receivables held by the Issuer (or the Security Trustee, as pledgee) and any Other Claims. This will not apply to the All Monies Mortgages, securing (i) the Mortgage Loans originated by SNS Bank before the end of 2005 and (ii) the Mortgage Loans originated by former BLG Hypotheekbank (which merged into SNS Bank on 11 October 2010), since the relevant mortgage deeds relating to those Mortgage Loans provide that following assignment or pledge of the Relevant Mortgage Receivable the All Monies Mortgage no longer secures such Other Claims.

Where the All Monies Security Rights are jointly-held by both the Issuer or the Security Trustee and the relevant Seller, the rules applicable to a joint estate ("*gemeenschap*") apply. The Netherlands Civil Code provides for various mandatory rules applying to such jointly-held rights. In the Mortgage Receivables Purchase Agreement each Seller, the Issuer and the Security Trustee have agreed that the Issuer and/or the Security Trustee (as applicable) will manage and administer such jointly-held rights (together with the arrangements regarding the share ("*aandeel*") set out in the next paragraph, the "**Joint Security Right Arrangements**"). Certain acts, including acts concerning the day-to-day management ("*beheer*") of the jointly-held rights, may under Dutch law be transacted by each of the participants ("*deelgenoten*") in the jointly-held rights. All other acts must be transacted by all of the participants acting together in order to bind the jointly-held rights. It is uncertain whether the

foreclosure of the All Monies Security Rights will be considered as day-to-day management, and, consequently it is uncertain whether the consent of the relevant Seller, the relevant Seller's bankruptcy trustee ("*curator*") (in case of bankruptcy) or administrator ("*bewindvoerder*") (in case of emergency regulations) may be required for such foreclosure.

Each Seller, the Issuer and the Security Trustee will agree that in case of foreclosure the share ("*aandeel*") in each jointly-held All Monies Security Right of the Issuer and/or the Security Trustee will be equal to the Outstanding Principal Amount of the Mortgage Receivable, increased with interest and costs, if any, and the share of the relevant Seller will be equal to the Net Foreclosure Proceeds less the Outstanding Principal Amount, increased with interest and costs, if any. The Issuer has been advised that although a good argument can be made that this arrangement will be enforceable against the relevant Seller or, in case of its bankruptcy or emergency regulations, its trustee or administrator, as the case may be, this is not certain. Furthermore, it is noted that this Joint Security Right Arrangement may not be effective against the Borrower.

If the relevant Seller, or its bankruptcy trustee or administrator, would, notwithstanding the Joint Security Right Arrangement set out above, enforce the jointly-held All Monies Security Rights, the Issuer and/or the Security Trustee would have a claim against the relevant Seller (or, as the case may be, its bankruptcy estate) for any damages as a result of a breach of the contractual arrangements, but such claim would be unsecured and non-preferred.

#### **Risk related to partial termination of the All Monies Security Rights**

The Mortgage Receivables Purchase Agreement provides that upon the occurrence of an Assignment Notification Event the relevant Seller is required to give notice to the Borrowers of partial termination of, (i) in respect of Mortgage Loans originated by SNS Bank, the All Monies Security Rights securing the Relevant Mortgage Receivables originated after the end of 2005 (other than the Borrower Securities Pledges) and the All Monies Pledges securing the Relevant Mortgage Receivables originated before the end of 2005 (other than the Borrower Insurance Pledges and the Borrower Securities Pledges), and (ii) in respect of Mortgage Loans originated by former BLG Hypotheekbank (which merged into SNS Bank on 11 October 2010) and the Mortgage Loans originated by BLG Hypotheekbank and the Mortgage Loans originated by SNS Bank under the name BLG Hypotheken after the merger of BLG Hypotheekbank into SNS Bank, the All Monies Pledges securing the Relevant Mortgage Receivables and (iii) in respect of Mortgage Loans originated by RegioBank, the All Monies Security Rights securing the Relevant Mortgage Receivables. As a consequence of such partial termination, the relevant All Monies Security Rights will only secure the Relevant Mortgage Receivables and the joint estate will be terminated (see *Risk related to jointly-held All Monies Security Rights by the Seller, the Issuer and the Security Trustee*).

The Issuer has been advised that each Seller can effectively partially terminate the All Monies Security Rights in this manner, but that there is no case law supporting this opinion.

Each Seller's undertaking to partially terminate the All Monies Security Rights is no longer enforceable if such Seller would be declared bankrupt or become subject to emergency regulations. The co-operation of the relevant Seller's administrator (in case of emergency regulations) or bankruptcy trustee (in case of bankruptcy) would be required for such act and it is not certain whether such co-operation will be forthcoming. Also, the power of attorney given to the Issuer and the Security Trustee, respectively, to effectuate such partial termination on behalf of the relevant Seller would terminate or become ineffective in such event. If partial termination of the All Monies Security Rights is no longer possible, the All Monies Security Rights will, following notification of the assignment and pledge, be jointly-held by the relevant Seller, the Issuer and the Security Trustee as pledgee, see *Risk related to jointly-held All Monies Security Rights by the relevant Seller, the Issuer and the Security Trustee*.

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

The mortgage rights securing the Mortgage Loans may be vested on a long lease ("*erfpacht*"), as further described in section 6.2 (*Description of Mortgage Loans*). A long lease will, *inter alia*, end as a result of expiration of the long lease term (in the case of a lease for a fixed period), or termination of the long lease by the leaseholder or the landowner. The landowner can terminate the long lease if the leaseholder has not paid the remuneration due for a period exceeding two consecutive years or seriously breaches

("in ernstige mate tekortschiet") other obligations under the long lease. If the long lease ends, the landowner will have the obligation to compensate the leaseholder. In such event the mortgage right will, by operation of law, be replaced by a right of pledge on the claim of the (former) leaseholder on the landowner for such compensation. The amount of the compensation will, *inter alia*, be determined by the conditions of the long lease and may be less than the market value of the long lease.

When underwriting a Mortgage Loan to be secured by a mortgage right on a long lease, the relevant Seller will take into consideration certain conditions, in particular the term of the long lease. Therefore, the Mortgage Conditions used by each Seller provide that the Outstanding Principal Amount of a Mortgage Receivable, including interest, will become immediately due and payable, *inter alia*, if the long lease terminates or if the lease holder materially breaches the conditions of the long lease.

Accordingly, certain Mortgage Loans may become due and payable prematurely as a result of early termination of a long lease due to a leaseholder default or for other reasons. In such event there is a risk that the Issuer will upon enforcement receive less than the market value of the long lease, which could lead to losses under the Notes.

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

All rights of a Borrower under the Insurance Policies have been pledged to the relevant Seller under a 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 Netherlands court as a future right. The pledge of a future right is, under Netherlands law, not effective if the pledgor is declared bankrupt, granted a suspension of payments or is subject to emergency regulations, prior to the moment such right comes into existence. This means that it is uncertain whether such pledge will be effective. The same applies to Borrower Investment Pledge to the extent the rights of the Borrower qualify as future claims, such as options ("*opties*").

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

The relevant Seller has been appointed as beneficiary under the relevant Insurance Policy, except that in certain cases another beneficiary is appointed with respect to the Beneficiary Rights who will rank ahead of the relevant Seller, provided that, *inter alia*, there is a Borrower Insurance Proceeds Instruction. The Issuer has been advised that it is unlikely that the appointment of the relevant Seller as beneficiary will be regarded as an ancillary right and that it will follow the Mortgage Receivables upon assignment or pledge thereof to the Issuer or the Security Trustee. However, in the form of the Borrower Insurance Pledge with respect to Life Insurance Policies used by SNS Bank as of 25 September 2000 and in the forms of mortgage deeds with respect to Savings Insurance Policies used by SNS Bank as of the end of 2005, any successor in title ("*rechtsopvolgers onder algemene en bijzondere titel*") is also appointed as beneficiary, which may, subject to the legal requirements for a valid assignment and subject to any requirements stipulated by the Life Insurance Policy or Savings Insurance Policy, as the case may be, include the Issuer upon the assignment. The Beneficiary Rights will be assigned by the relevant Seller to the Issuer and will be pledged to the Security Trustee by the Issuer (see section 4.7 (*Security*)). However, the Issuer has been advised that it is uncertain whether this assignment and pledge will be effective.

The Issuer and the Security Trustee will enter into the Beneficiary Waiver Agreement with the Sellers and the Insurance Savings Participant under which SNS Bank and RegioBank, without prejudice to the rights of the Issuer as assignee and the rights of the Security Trustee as pledgee and subject to the condition precedent of the occurrence of an Assignment Notification Event, waive their rights as beneficiaries under the Savings Insurance Policies and appoint as first beneficiary (i) the Issuer subject to the dissolving condition ("*ontbindende voorwaarde*") of a Pledge Notification Event and (ii) the Security Trustee under the condition precedent ("*opschortende voorwaarde*") of the occurrence of a Pledge Notification Event. It is, however, uncertain whether such waiver and unlikely that such appointment will be effective. In the event that such waiver and appointment are not effective in respect of the Savings Insurance Policies and, furthermore, in respect of the Life Insurance Policies, each Seller and, in respect of the Savings Insurance Policies, the Insurance Savings Participant will undertake in the Beneficiary Waiver Agreement that they will use their best efforts upon the occurrence of an Assignment Notification Event to terminate the appointment of the relevant Seller as beneficiary under the Insurance Policies and to appoint the Issuer or the Security Trustee, as the case may be, as first

beneficiary under the Insurance Policies.

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

If (i) the Issuer or the Security Trustee, as the case may be, has not become beneficiary of the Insurance Policies or receiver of the final payment on the basis of the Borrower Insurance Proceeds Instruction and (ii) the assignment and pledge of the Beneficiary Rights is not effective and (iii) the waiver of the Beneficiary Rights is not effective, the relevant Seller will be entitled to any proceeds under the Insurance Policies or another beneficiary will be entitled to such proceeds. If the proceeds are paid to the relevant 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 relevant Seller and the relevant Seller does not pay such amount to the Issuer or the Security Trustee, as the case may be, e.g. in case of bankruptcy of the relevant 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 relevant Seller or another beneficiary, as the case may be.

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

Under certain types of Mortgage Loans the relevant Seller has the benefit of rights under the Insurance Policies. Under the Insurance Policies the Borrowers pay premium consisting of a risk element and a savings or investment element. The intention of the Insurance Policies is that at maturity of the relevant Mortgage Loan, the proceeds of the savings or investments can be used to repay the relevant Mortgage Loan, whether in full or in part. If any of the Insurance Companies is no longer able to meet its obligations under the Insurance Policies, for example as a result of bankruptcy or having become subject to emergency regulations, this could result in the amounts payable under the Insurance Policies either not, or only partly, being available for application in reduction of the relevant Mortgage Receivables. This may lead to the Borrowers trying to invoke set-off rights and defences which may have the result that the Mortgage Receivables will be, fully or partially, extinguished ("*teniet gaan*") or cannot be recovered for other reasons, which could lead to losses under the Notes.

As set out in *Risk that set-off by Borrowers may affect the proceeds under the Mortgage Receivables* above, the Borrowers, other than Borrowers under Mortgage Loans originated by former BLG Hypotheekbank (which merged into SNS Bank on 11 October 2010), have waived their set-off rights, but it is uncertain whether such waiver is effective. With a view to further reducing the risk of set-off by Borrowers, the Mortgage Conditions applicable to Mortgage Loans originated by SNS Bank after the end of 2005 have been changed to provide that the Borrower will not have the right to set off claims under insurance policies with obligations under mortgage loans and confirm that (i) the bank and the relevant insurance company are different legal entities and (ii) the rights and obligations under the insurance policies are independent from the rights and obligations under the mortgage loans. This provision provides arguments for a defence against Borrowers invoking set-off rights or other defences (see below), but it is uncertain whether this provision in the Mortgage Conditions will be effective.

If the set-off rights of the Borrowers have not been validly waived or the conditions applicable to the Mortgage Loans do not contain a waiver of set-off rights, the Borrowers will, in order to invoke a right of set-off, need to comply with the applicable legal requirements for set-off. One of these requirements is that the Borrower should have a claim, which corresponds to his debt to the same counterparty. The Insurance Policies are contracts between the relevant Insurance Company and the Borrowers and the



Mortgage Loans are contracts between the relevant Seller and the Borrowers. Therefore, in order to invoke a right of set-off, the Borrowers would have to establish that the relevant Seller and the relevant Insurance Company should be regarded as one legal entity or, possibly, based upon interpretation of case law, that set-off is allowed, even if the relevant Seller and the relevant Insurance Company are not considered as one legal entity, since the Insurance Policies and the Mortgage Loans might be regarded as one inter-related legal relationship.

Furthermore, the Borrowers should have a counterclaim that is enforceable. If the relevant Insurance Company is declared bankrupt or has become subject to emergency regulations, the Borrower will have the right unilaterally to terminate the Insurance Policy and to receive a commutation payment ("*afkoopson*"). These rights are subject to the Borrower Insurance Pledge. However, despite this pledge, it could be argued that the Borrower will be entitled to invoke a right of set-off for the commutation payment, vis-à-vis the relevant Seller. However, the Borrower may, as an alternative to the right to terminate the Insurance Policies, possibly rescind the Insurance Policy and may invoke a right of set-off vis-à-vis the relevant Seller or, as the case may be, the Issuer for its claim for restitution of premiums paid and/or supplementary damages. It is uncertain whether such claim is subject to the Borrower Insurance Pledge. If not, the Borrower Insurance Pledge would not obstruct a right of set-off in respect of such claim by the Borrowers.

Set-off vis-à-vis the Issuer and/or the Security Trustee after notification of the assignment would be subject to the additional requirements for set-off after assignment being met (see *Risk that set-off by Borrowers may affect the proceeds under the Mortgage Receivables* above). In the case of Insurance Savings Mortgage Loans (one of) these requirements is likely to be met, since it is likely that the Insurance Savings Mortgage Loans and the Savings Insurance Policies are to be regarded as one legal relationship. If the Insurance Savings Mortgage Loan and the Savings Insurance Policy are regarded as one legal relationship the assignment will not interfere with the set-off. The Issuer has been advised that it is unlikely, however, that the Mortgage Loans and the Life Insurance Policies should be regarded as one legal relationship.

Even if the Borrowers cannot invoke a right of set-off, they may invoke defences vis-à-vis the relevant Seller, the Issuer and/or the Security Trustee, as the case may be. The Borrowers will naturally have all defences afforded by Netherlands law to debtors in general. A specific defence one could think of would be based upon interpretation of the Mortgage Conditions and the promotional materials relating to the Mortgage Loans. Borrowers could argue that the Mortgage Loans and the Insurance Policies are to be regarded as one inter-related legal relationship and could on this basis claim a right of annulment or rescission of the Mortgage Loans or possibly suspension of their obligations thereunder. They could also argue that it was the intention of the Borrower, the relevant Seller and the relevant Insurance Company, at least they could rightfully interpret the Mortgage Conditions and the promotional materials in such a manner, that the Mortgage Receivable would be (fully or partially) repaid by means of the proceeds of the relevant 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, a defence could be based upon principles of reasonableness and fairness ("*redelijkheid en billijkheid*") in general, i.e. that it is contrary to principles of reasonableness and fairness for the Borrower to be obliged to repay the Mortgage Receivable to the extent that he has failed to receive the proceeds of the Insurance Policy. The Borrowers could also base a defence on "error" ("*dwalig*"), i.e. that the Mortgage Loans and the Insurance Policy were 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 relevant Mortgage Receivable.

#### *Mortgage Loans to which a Life Insurance Policy is connected*

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

one combined mortgage and life insurance product or under one name, and (iii) the Borrowers are not obliged to enter into the Life Insurance Policy with a Life Insurance Company which is a group company of the relevant Seller, it is unlikely that a court would honour set-off or defences of the Borrowers, as described above, if the Life Insurance Company is not a group company of the relevant Seller within the meaning of article 2:24b of the Netherlands Civil Code. However, if the Life Insurance Company is a group company of the relevant Seller, the Issuer has been advised that the possibility cannot be disregarded ("*kan niet worden uitgesloten*") that the courts will honour set-off or defences by the Borrowers.

#### *Insurance Savings Mortgage Loans*

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

In respect of Insurance Savings Mortgage Loans, the Insurance Savings Participation Agreement will provide that should a Borrower invoke a defence, including but not limited to a right of set-off or counterclaim in respect of such Insurance Savings Mortgage Loan if, for whatever reason, the Insurance Savings Participant does not pay the insurance proceeds when due and payable, whether in full or in part, under the relevant Savings Insurance Policy and, as a consequence thereof, the Issuer will not have received any amount outstanding prior to such event in respect of the relevant Insurance Savings Mortgage Receivable, the relevant Insurance Savings Participation of the Insurance Savings Participant will be reduced by an amount equal to the amount which the Issuer has failed to receive. The amount of the Insurance Savings Participation is equal to the amounts of Savings Premium received by the Issuer plus the accrued yield on such amount (see section 7.6 (*Participation Agreements*)), provided that the Insurance Savings Participant will have paid all amounts equal to the amounts due under the Insurance Savings Participation Agreement to the Issuer. Therefore, normally the Issuer will not suffer any damages if the Borrower invokes any such set-off or defence, if and to the extent that the amount for which the Borrower invokes set-off or defences does not exceed the amount of the Insurance Savings Participation. However, the amount for which the Borrower can invoke set-off or defences may, depending on the circumstances, exceed the amount of the Insurance Savings Participation. The remaining risk will be that if and to the extent that the amount for which a Borrower successfully invokes set-off or defences would exceed the Insurance Savings Participation, such set-off or defences could lead to losses under the Notes.

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

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 and 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 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 relevant Seller, the co-operation of the trustee (in bankruptcy) or administrator (in emergency regulations) would be required to reset the interest rates.

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

The Sellers have represented that under the Investment Mortgage Loans, the relevant securities are purchased for the account of the Borrowers by a bankruptcy remote securities giro ("*effectengiro*"), a bank or an investment firm ("*beleggingsonderneming*"), which is by law obliged to ensure that these securities are held in custody by an admitted institution for Euroclear Netherlands if these securities qualify as securities as defined in the Wge or, if they do not qualify as such, by a separate depository vehicle. The Issuer has been advised that on the basis of this representation the relevant investments should be effectuated on a bankruptcy remote basis and that, in respect of these investments, the risk of set-off or defences by the Borrowers should not be relevant in this respect. 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 *Risk that set-off by Borrowers may*

*affect the proceeds under the Mortgage Receivables and Risk of set-off and defences by Borrowers in case of insolvency of Insurance Companies.*

### **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 by one of the Life Insurance Companies 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 Netherlands law applicable to offerors of financial products, such as Investment Mortgage Loans and Mortgage Loans to which Life Insurance Policies are connected. In addition, several codes of conduct apply on a voluntary basis. On the basis of these provisions offerors of these products (and intermediaries) have a duty, *inter alia*, to provide the 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 the customer on the basis of breach of contract or tort or the relevant contract may be dissolved ("*ontbonden*") or nullified ("*vernietigd*") or a Borrower may claim set-off or defences against the relevant 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 risk of such claims being made increases, if the value of investments made under Investment Mortgage Loans or Life Insurance Policies is not sufficient to redeem the relevant Mortgage Loans.

Since 2006, an issue has arisen in the Netherlands regarding the costs of investment insurance policies ("*beleggingsverzekeringen*"), such as the Life Insurance Policies, commonly known as the "usury insurance policy affair" ("*woekerpolisaffaire*"). It is generally alleged that the costs of these products are disproportionately high, that in some cases a legal basis for such costs is lacking and that the information provided to the insured regarding these costs has not been transparent. On this topic there have been (i) several reports, including reports from the AFM, (ii) a letter from the Minister of Finance to Parliament and (iii) a recommendation, at the request of the Minister of Finance, by the Financial Services Ombudsman to insurers to compensate customers of investment insurance policies for costs exceeding a certain level. Furthermore, there have been press articles stating (i) that individual law suits and class actions may be, and have been, started against individual insurers and (ii) that certain individual insurers have reached agreement with claimant organisations on compensation of its customers for the costs of investment insurance policies entered into with the relevant insurer. The discussion on the costs of the investment insurance policies is currently still continuing, since consumer tv-shows and "no-win, no fee" legal advisors argue that the agreements reached with claimant organisations do not offer adequate compensation. Rulings of courts and the Complaint Institute for Financial Services ("*Klachteninstituut Financiële Dienstverlening*") have been published, some of which are still subject to appeal, which were generally favourable for the insured.

If Life Insurance Policies related to the Mortgage Loans would for the reasons described in this paragraph be dissolved or nullified, this will affect the collateral granted to secure these Mortgage Loans (the Borrower Insurance Pledges and the Beneficiary Rights would cease to exist). The Issuer has been advised that in such case the Mortgage Loans connected thereto can possibly also be dissolved or nullified, but that this will depend on the particular circumstances involved. Even if the Mortgage Loan is not affected, the Borrower/insured may invoke set-off or other defences against the Issuer. The analysis in that situation is similar to the situation in case of insolvency of the insurer (see *Risk of set-off and defences by Borrowers in case of insolvency of Insurance Companies*), except if the relevant Seller is itself liable, whether jointly with the insurer or separately, *vis-à-vis* the Borrower/insured. In this situation, which may depend on the involvement of the relevant Seller in the marketing and sale of the insurance policy, set-off or defences against the Issuer could be invoked, which will probably only become relevant if the insurer and/or the relevant Seller will not indemnify the Borrower. Any such set-off or defences lead to losses under the Notes.

**Payments on the Mortgage Receivables are subject to credit, liquidity and interest rate risks**

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

**Risks related to NHG Guarantees**

NHG Mortgage Loans will have the benefit of a NHG Guarantee. Pursuant to the terms and conditions ("*voorwaarden en normen*") applicable to the NHG Guarantee, the Stichting 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. Each Seller will in the Mortgage Receivables Purchase Agreement represent and warrant that (i) each NHG Guarantee, connected to the Relevant NHG Mortgage Loan was granted for the full Outstanding Principal Amount of the Relevant NHG Mortgage Loan at origination and constitutes legal, valid and binding obligations of the Stichting WEW, enforceable in accordance with their terms, (ii) all terms and conditions ("*voorwaarden en normen*") applicable to the NHG Guarantee at the time of origination of the Relevant NHG Mortgage Loans were complied with and (iii) it is not aware of any reason why any claim made in accordance with the requirements pertaining thereto under any NHG Guarantee in respect of the Relevant NHG Mortgage Loan should not be met in full and in a timely manner.

Furthermore, the terms and conditions of the NHG Guarantee stipulate that the NHG Guarantee, will terminate upon expiry of a period of thirty years after the establishment of the NHG Guarantee. Since part of the NHG Mortgage Loans will have a maturity date which falls after the expiry date of the relevant NHG Guarantee, this will result in the Issuer not being able to claim for payment with the Stichting WEW of a loss incurred after the term of the NHG Guarantee, has expired.

Finally, the terms and conditions of the NHG Guarantees stipulate that each NHG Guarantee (irrespective of the type of redemption of the mortgage loan) 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 section 6.2 (*Description of Mortgage Loans*)). This may result in the Issuer not being able to fully recover a loss incurred with the Stichting WEW under the NHG Guarantee and may lead to a Realised Loss in respect of such NHG Mortgage Loan and consequently, in the Issuer not being able to fully repay the Notes.

For a description of the NHG Guarantees, see section 6.5 (*NHG Guarantee Programme*).

**Risk that the credit rating of the State of the Netherlands will be lowered**

The credit ratings assigned to the Notes, other than the Class E Notes, by the Credit Rating Agencies take into account the NHG Guarantee granted in connection with certain of the Mortgage Receivables. The NHG Guarantee is backed by the State of the Netherlands (see section 6.5 (*NHG Guarantee Programme*)) which is currently rated "Aaa" by Moody's (negative outlook) and "AAA" by Fitch. Moreover, Stichting WEW is rated "Aaa" by Moody's and "AAA" by Fitch. In the event that (i) the State of the Netherlands ceases to be rated "Aaa" by Moody's and "AAA" by Fitch, respectively, or (ii) the Stichting WEW ceases to be rated "Aaa" by Moody's and "AAA" by Fitch, this may result in a review by the Credit Rating Agencies of the credit ratings assigned to the Notes and could potentially result in a corresponding downgrade of the Notes, other than the Class E Notes.

**Risks of Losses Associated with Declining Values of Mortgaged Assets**

The security for the Notes created pursuant to the Issuer Mortgage 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 have remained or will remain at the level at which they were on the date of origination of the related Mortgage Loans. A decline in value may result in losses to the Noteholders if the relevant security rights on the Mortgaged Assets are required to be enforced. The

relevant Seller will not be liable for any losses incurred by the Issuer in connection with the Relevant Mortgage Receivables.

**Changes to tax treatment of interest may impose various risks**

The Dutch tax system allows borrowers to deduct, subject to certain limitations, all mortgage interest payments for owner-occupied residences from their taxable income. There is currently a wide tendency within political parties in the Netherlands to end (part of) the favourable tax treatment of mortgage debts or introduce other changes to the tax treatment of such residences or the funding thereof that may affect the value of the tax deduction of mortgage interest payments (hereinafter: "*changes in tax treatment*"). It is not clear whether this will happen in the near future, but it is likely. In this respect it should be noted that five political parties (which together constitute a majority in parliament) have agreed to several new proposals to reduce the state deficit, including a proposal to limit the above described tax deduction for new loans as of January 2013 (see further section 6.4 (*Dutch Residential Mortgage Market*)).

Changes in tax treatment could ultimately have an adverse impact on the ability of Borrowers to pay interest and principal on their Mortgage Loans. In addition, changes in tax treatment may lead to increased (or decreased) prepayments by Borrowers on their Mortgage Loans. Finally, changes in tax treatment may have an adverse effect on the value of the Mortgaged Assets. However it is too early to predict what the implications of the current discussions on changes in tax treatment will be as the measures might be partly offset by other measures regarding the current taxation of housing or the tax system in general.

**Risk related to the Special Measures Financial Institutions Act**

The Special Measure Financial Institutions Act, which entered into force on 13 June 2012, contains far-reaching intervention powers for (i) DNB with regard to a bank or insurer having its corporate seat in the Netherlands and (ii) the Minister of Finance with regard to financial institutions ("*financiële ondernemingen*"), in particular if this is necessary to safeguard the stability of the financial system. This includes (amongst others) (i) powers for DNB with respect to a bank which it deems to be potentially in financial trouble, to procure that all or part of the deposits held with such bank and/or other assets and liabilities of such bank, are transferred to a third party and (ii) extensive powers for the Minister of Finance to intervene at financial institutions if the Minister of Finance deems this necessary to safeguard the stability of the financial system. In order to increase the efficacy of these special measures, the Special Measures Financial Institutions Act contains provisions restricting the contractual rights of counterparties of a bank or insurer. These include (amongst others) the restriction of the counterparty's ability to invoke (i) certain contractual provisions without prior DNB consent or (ii) notification events, which such counterparty would, by the terms hereof, be entitled to invoke as a result of the bank or insurer having been subjected to certain measures pursuant to the Special Measures Financial Institutions Act. There is therefore a risk that the enforceability of the rights and obligations of the parties to the Transaction Documents, including, without limitation, the Sellers, may be affected on the basis of the Special Measures Financial Institutions Act, which may lead to losses under the Notes.

## 3. PRINCIPAL PARTIES

### 3.1 Issuer

The Issuer was incorporated with limited liability under the laws of the Netherlands on 29 August 2012. The corporate seat ("*statutaire zetel*") of the Issuer is in Amsterdam, the Netherlands. The Issuer operates on a cross-border basis when offering the Notes in certain countries. The registered office of the Issuer is at Frederik 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 55939244.

The Issuer is a special purpose vehicle, which objectives are (a) to acquire, purchase, conduct the management of, dispose of and to encumber receivables under or in connection with loans granted by a third party or by third parties and to exercise any rights connected to such receivables, (b) to acquire monies to finance the acquisition of the receivables, mentioned under a., by way of issuing notes, securities or by way of entering into loan agreements, (c) to invest and on-lend any funds held by the company, (d) to hedge interest rate and other financial risks, amongst others by entering into derivatives agreements, such as swaps and options, (e) incidental to the foregoing: (i) to borrow funds, amongst others to repay the obligations under the securities mentioned under b., and (ii) to grant security rights to third parties, or to release these security rights; and (f) to perform all activities which are, in the widest sense of the word, incidental to and/or which may be conducive to any of the foregoing.

The Issuer has an authorised share capital of EUR 90,000, of which EUR 18,000 has been issued and is fully paid. All shares of the Issuer are held by the Shareholder.

#### **Statement by managing director of the Issuer**

Since its incorporation 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 are no legal, arbitration or governmental proceedings 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 Transaction Documents.

The sole managing director of the Issuer is ATC Management B.V. The managing directors of ATC Management B.V. are R. Arendsen, R. Rosenboom, R. Posthumus, R. Langelaar 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. is also the Director of the Shareholder. ATC Management B.V. belongs to the same group of companies as ACT Financial Services B.V., which is the Issuer Administrator. The sole shareholders of ATC Management B.V. and ACT 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) to act as finance company, and (c) to conduct the management of legal entities.

The Director of the Issuer has entered into the Issuer Management Agreement pursuant to which the Director agrees and undertakes to, *inter alia*, (i) it shall manage the affairs of the Issuer in accordance with proper and prudent Netherlands business practice and in accordance with the requirements of Netherlands law and Netherlands accounting practice and with the same care that it exercises or would exercise in connection with the administration of similar matters held for its own account or for the account of third parties and (ii) refrain from taking any action detrimental to the Issuer's ability to meet its obligations under any of the Transaction Documents. In addition, the Issuer's Director agrees in the

Issuer Management Agreement it shall not as director of the Issuer (i) agree to any alteration of any agreement including, but not limited to, the Transaction Documents, except in accordance with the Trust Deed;

There are no potential conflicts of interest between any duties of the Director's duties to the Issuer and private interests or other duties of the Director.

The financial year of the Issuer coincides with the calendar year. The first financial year will end on 31 December 2013.

### **Capitalisation**

The following table shows the capitalisation of the Issuer as of the date of this Prospectus as adjusted to give effect to the issue of the Notes:

#### **Share Capital**

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

#### **Borrowings**

Class A1 Notes	euro	192,000,000
Class A2 Notes	euro	480,000,000
Class A3 Notes	euro	211,200,000
Class B Notes	euro	28,800,000
Class C Notes	euro	19,200,000
Class D Notes	euro	14,400,000
Class E Notes	euro	14,400,000
Initial Participation	euro	28,921,994

## 3.2 Shareholder

Stichting Holding Hermes XVIII is a foundation ("*stichting*") incorporated under the laws of the Netherlands on 7 August 2012. The objects of Stichting Holding Hermes XVIII are, *inter alia*, to incorporate, acquire and to hold shares in the share capital of the Issuer to exercise all rights attached to such shares, to grant loans to the Issuer and to dispose of an encumber such shares in the Issuer. The sole managing director of Stichting Holding Hermes XVIII is ATC Management B.V.

ATC Management B.V. is also the Director of the Issuer.

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

The Director of the Shareholder has entered into the Holding Management Agreement pursuant to which the Director agrees and undertakes to, *inter alia*, (i) manage the affairs of the Shareholder in accordance with proper and prudent Netherlands business practice and in accordance with the requirements of Netherlands law and Netherlands accounting practices, and (ii) refrain from any action detrimental to the Issuer's ability to meet its obligations under any of the Transaction Documents.



### 3.3 Security Trustee

The Security Trustee is a foundation ("*stichting*") incorporated under the laws of the Netherlands on 10 August 2012. The statutory seat of the Security Trustee is in Amsterdam and its registered office is at Telestone 8 - Teleport, Naritaweg 165, 1007 JE Amsterdam, the Netherlands.

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

The sole director of the Security Trustee is Europe Management Company B.V., having its registered office at Amsterdam, the Netherlands.

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 Transaction Document to which it is a party, except in the event of its wilful misconduct ("*opzet*") or gross negligence ("*grove 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.

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 Creditors 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. 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 Creditors, other than the Noteholders) has been contracted to act as director of the Security Trustee, subject to an Extraordinary Resolution by the Noteholders in accordance with the Trust Deed and provided that the Credit Rating Agencies have provided a Credit Rating Agency Confirmation.

### 3.4 The Sellers

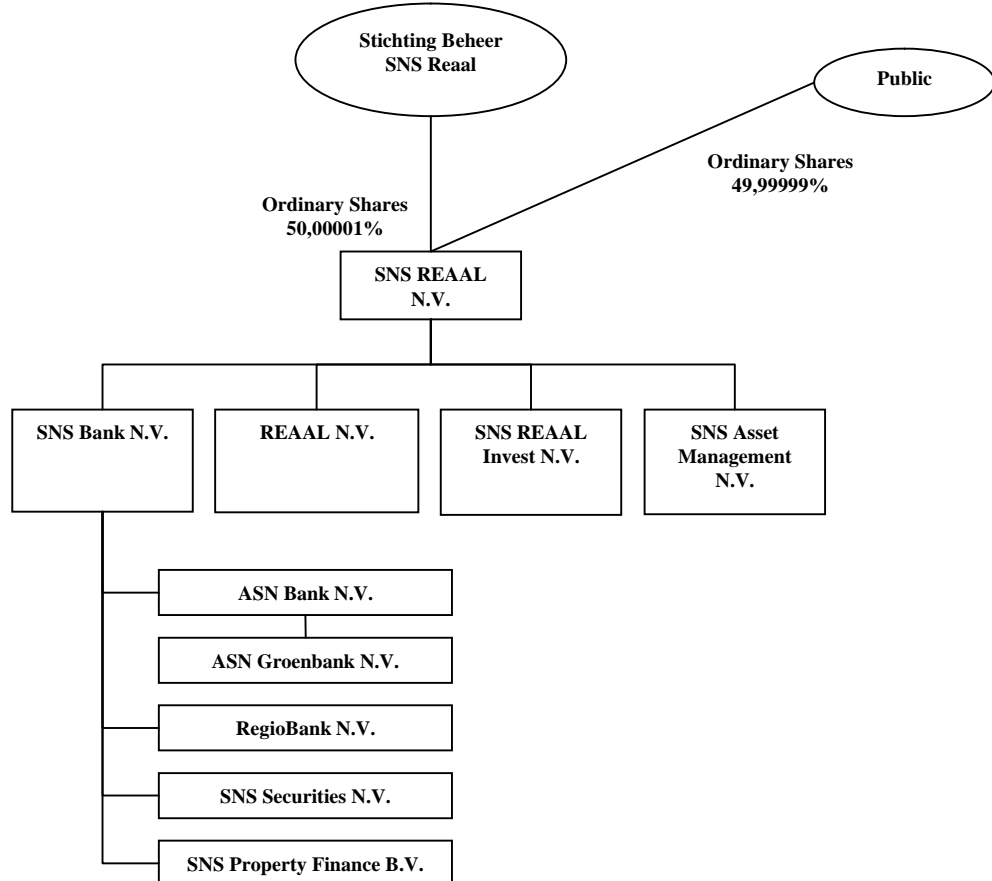
#### Incorporation

SNS Bank N.V., a public limited liability company (*naamloze vennootschap*), was incorporated under the laws of the Netherlands on 18 December 1990 as a result of the merger of several regional savings banks. The corporate seat of SNS Bank is in Utrecht, The Netherlands. The registered office of SNS Bank is Croeselaan 1, 3521 BJ, Utrecht, The Netherlands and SNS Bank is registered in the Commercial Register of the Utrecht Chamber of Commerce (*handelsregister van de Kamer van Koophandel en Fabrieken in Utrecht*), under number 16062338. The telephone number of SNS Bank is +31(0)30 291 5100. The articles of association of SNS Bank were lastly amended by notarial deed on 22 September 2011 before a Mr. J.D.M. Schoonbrood, civil law notary practising in Amsterdam.

#### Ownership

SNS Bank is a 100% subsidiary of SNS REAAL N.V. and is part of the SNS REAAL Group. As of 27 July 2005 all of the shares issued by SNS REAAL were held by Stichting Beheer SNS REAAL. On 18 May 2006 the shares of SNS REAAL were listed on NYSE Euronext in Amsterdam as part of the IPO of SNS REAAL. As per the date of this Prospectus, Stichting Beheer SNS REAAL owns approximately 50.00001% of SNS REAAL's outstanding share capital.

Since April 2008, the share capital of SNS REAAL consists of two types of shares, namely ordinary shares and B shares. In order to finance the acquisition of Zwitserleven in 2008, six B shares in the capital of SNS REAAL (hereinafter also to be referred to as: the "B shares") were issued to Stichting Beheer SNS REAAL for a total issue price of €600,000,000 in cash. The total nominal amount of the B shares amounts to €9.78. The issue price exceeds this total nominal amount by €599,999,990.22. The surplus was added to the share premium reserve that will be linked to the B shares in the capital of SNS REAAL. The issue of the B shares was effected by executing a notarial deed of issue of shares on 28 April 2008. As per the date of this Prospectus, the issued and paid up share capital of SNS REAAL is €468,820,329.99 consisting of 287,619,867 ordinary shares and six B shares.



### **Core Tier 1 securities Stichting Beheer SNS REAAL and the Dutch State**

On 12 November 2008 SNS REAAL decided to strengthen its solvency with €500 million in capital securities issued to Stichting Beheer SNS REAAL and €750 million in capital securities to be issued to the Dutch State in view of the market environment and in recognition of higher capital market solvency requirements for financial institutions. Aforementioned transactions were completed on 11 December 2008. The documentation is available on [www.snsreaal.com](http://www.snsreaal.com) under the heading 'Investor relations'. The proceeds of the transaction have been used mainly to increase SNS Bank's core capital by €260 million and to strengthen the solvency capital of REAAL by €975 million. The Dutch State obtained the right to nominate two members for the SNS REAAL Supervisory Board and announced in December 2008 that it would nominate Charlotte Insinger and Ludo Wijngaarden for appointment to SNS REAAL N.V.'s Supervisory Board. After their appointment at SNS REAAL's General Meeting of Shareholders on 15 April 2009 they have also become members of the Supervisory Boards of SNS Bank and REAAL and members of the Audit Committee of SNS Bank.

At year end 2011, the Dutch State's capital support is still €565 million and the Stichting's capital support EUR 435 million. Since Stichting Beheer SNS REAAL capital support is loss absorbing, the book value of this capital support was lower at year end 2011 (€415 million).

#### *Credit Rating Agencies*

SNS Bank has been rated by independent credit rating agencies Moody's, Standard & Poor's and Fitch. The most recently published reports by these credit rating agencies, expressing opinions on any of the credit ratings assigned to SNS Bank, are made available on [www.snsreaal.nl](http://www.snsreaal.nl) in the section 'Investors' under the heading 'Credit ratings'.

### **Company Structure and Profile**

#### **SNS REAAL**

With a balance sheet total of over €132 billion as of the end of December 2011, SNS REAAL is a major financial bank-insurance company in The Netherlands. As a bank and insurer, SNS REAAL holds a distinct position in its market by quickly and effectively translating client needs into accessible and transparent products. In-depth knowledge of products and efficient processes lead to effective standardisations and combination options within product and client groups. SNS REAAL is a decisive and flexible organisation that through its core brands SNS Bank and REAAL and specialised sales labels enjoy strong positions in the Dutch market. Furthermore, the combination has involved the following:

- a single group management centre has been established in Utrecht;
- centralisation of staff departments within the SNS REAAL Group such as risk management, audit, finance, legal affairs, compliance, fiscal affairs and human resources; and;
- creation of centralised competence centres and service centres.

#### **SNS Bank**

SNS Bank comprises of the business unit SNS Bank and of Property Finance. The business unit SNS Bank can be divided into two business lines: SNS Retail Bank for its retail operations and SNS SME (*SNS Zakelijk*) for small and medium enterprise ("SME") operations. The wholesale activities of SNS Securities are performed from SNS Bank's wholly owned subsidiary SNS Securities N.V.

#### *SNS Retail Bank*

SNS Retail Bank comprises the brands SNS Bank, RegioBank, ASN Bank and BLG Wonen. Its customers are private individuals in The Netherlands and its core product groups are mortgages, savings and investments. SNS Retail Bank aims to simplify finance for its customers by offering them accessible, transparent products and good service. Its shared IT infrastructure serves to achieve efficiency and economies of scale in management and administration.

The SNS Retail Bank brands are developing their own independent positions and distinctive customer values in order to best meet the needs of their target groups.

—SNS Bank is the broad and accessible consumer brand for banking and insurance products with an emphasis on sales and information over the internet and telephone. It provides additional information and advice through its own shops, franchisers' shops and location-independent advisors. SNS Bank also sells its mortgages through third-party websites and retail chains.

—ASN Bank is the brand for sustainable savings, investment and payments and sells its products solely over the internet.

—RegioBank is the bank formula for intermediaries in provinces, focusing on local and personal service.

—BLG Wonen is a specialist intermediary brand for mortgages and savings and intermediary activities in relation to insurances.

SNS Retail Bank seeks to reinforce its distribution capabilities. Its key objectives are to further develop on-line sales, collaboration within SNS REAAL in the areas of distribution and production, a nationwide network of compact SNS Shops (70% of which would include franchise shops) and RegioBank intermediaries, a complete range based on its own standardised products as well as third-party products, and continued growth of ASN Bank. Closer collaboration in production, systems and distribution between the banking labels and with the other business units are expected to create synergies in terms of costs and revenues.

#### SNS SME

As per 1 January 2011, certain (investment) loans of Property Finance to SME customers were integrated into (the financial reporting of) SNS Bank (no legal transfer was involved). As of 1 January 2012, SNS SME (*SNS Zakelijk*) is the trade name for the combination of the former SME activities of SNS Retail Bank and part of Property Finance's Dutch loan portfolio, mostly investment finance.

SNS SME offers products for SME markets in the field of payments and credit, insurance, investment financing and focuses on corporate loans secured by property collateral.

#### Property Finance

The former business unit Property Finance operated in all phases of the property cycle, from short-term (project) loans for land purchase, construction and trading transactions to long-term loans for investment properties. As per 1 January 2011, certain loans of Property Finance were integrated into SNS Bank (see above under "SNS SME"). Virtually all project loans, domestic and international remained within the renamed non-core activities of Property Finance. These loans are being phased out.

#### SNS Securities

SNS Securities provides securities services (shares, bonds and derivatives) to national and international professional investors. In addition, it supports SME and larger companies in private and public capital market transactions and offers investment management and securities services to high-net-worth private investor's. The securities research conducted by SNS Securities mainly focuses on Dutch small-cap and mid-cap funds. The macroeconomic research is also used for SNS REAAL's risk management.

<b>Business unit / activities</b>	<b>Brand</b>	<b>Product groups</b>	<b>Clients</b>	<b>Distribution channels</b>
SNS Bank – SNS Retail Bank	SNS Bank	Mortgages, savings, investments, payments, loans, insurance, commercial credit	Retail	SNS shops, internet, intermediaries, telephone
	ASN Bank	Savings, investments, payments	Retail	Internet
	RegioBank	Mortgages, savings, investments	Retail, SME	Franchise offices

	BLG Wonen	Mortgages, savings, insurance	Retail, SME	Intermediaries, distribution partners
SNS Bank – SNS SME		Payments, credit, insurance, investment financing, corporate loans	SME	Telephone, offices, account management
Property Finance	Property Finance	Property finance (investments, projects, participations)	Companies, professional investors, project developers, housing corporations	Offices
SNS Securities		Securities research, institutional brokerage, corporate finance, asset management	Financial institutions (international), wealthy individuals	Account management

### RegioBank

In 2007 SNS REAAL acquired RegioBank from ING. CVB Bank N.V. and RegioBank merge as a result, under the name SNS Regio Bank. It appeared that the difference between SNS Regio Bank and SNS Bank was not very clear for various target groups, despite their different positioning. Therefore, in January 2011, SNS Regio Bank name was changed back into RegioBank. This change is well received by customers and intermediaries.

RegioBank is the regional banking formula for independent advisors (intermediaries). The formula is based on personal contact and advice. As many other banks are leaving the less crowded towns, RegioBank meets a growing need for local bank branches that provide personal service. RegioBank has a flexible and low cost structure, in part because of the good alignment with the common systems of SNS REAAL Group's retail bank brands.

At the end of 2011, RegioBank collaborated with 529 independent advisors throughout the Netherlands. It has its own banking license issued by De Nederlandsche Bank and is covered by the Dutch Deposit Guarantee Scheme and Investor Compensation System.

SNS REAAL has provided a 403-Guarantee for RegioBank.

### Recent developments

On 8 December 2011, SNS REAAL issued a press statement in relation to announcements by the European Banking Authority ("EBA") and the Dutch Central Bank regarding requirements for banks to strengthen their capital position by building up a temporary capital buffer against sovereign debt exposures measured at market value. The EBA required banks to establish buffers such that their core Tier 1 ratio would reach 9% by the end of June 2012, valuing sovereign debt exposures at market prices as per 30 September 2011. SNS Bank had reported a core Tier 1 ratio of 8.6% as per 30 September 2011, based on Basel II including the 80% transition floor of Basel I for risk weighted assets calculation. Applying the EBA methodology, which includes the capital buffer in relation to sovereign debt, the core Tier 1 ratio was 8.2% as per 30 September 2011. To reach the EBA core Tier 1 ratio of 9%, SNS Bank needed to address a capital shortfall of €159 million. At the end of 2011, SNS Bank's EBA core Tier 1 ratio had increased from 8.2% to 8.8%, driven by both an increase of available core Tier 1 capital and a reduction of risk-weighted assets. In all, the EBA capital shortfall was reduced to €32 million per 31 December 2011. By the end of June 2012 this EBA shortfall had been fully addressed, driven by an increase of available core Tier 1 capital and the reduction of risk-weighted assets.

On 19 December 2011, the European Commission has reconfirmed approval for the capital support by the Dutch State to SNS REAAL. The reconfirmation of approval follows the renotification by the Dutch State earlier in 2011. SNS REAAL and the Dutch State have committed to the repurchase by SNS REAAL of the capital support by the Dutch State by the end of 2013. Under the reconfirmation of approval by the European Commission, SNS REAAL is required to execute, where necessary, measures in addition to the current plan to facilitate full Dutch State repayment by the end of 2013, subject to regulatory approval. The Dutch authorities will continue to report to the European Commission on SNS REAAL's progress regarding repurchase of the capital support, by means of a monitoring report. In

case the capital support by the Dutch State will not be repurchased in full by the end of 2013, renotification to the European Commission will be required in January 2014.

On 15 February 2012, Moody's placed all ratings of SNS REAAL, SNS Bank and its other operating entities on review for possible downgrade. The review was part of a wider review of the ratings of a number of European banks in relation to which Moody's wants to reassess the influence of a weakening macro-economic environment, more costly market funding and a pressure on profits.

On 1 March 2012, Standard & Poor's lowered all ratings of SNS REAAL, SNS Bank and its other operating entities with one notch, while at the same time replacing the 'negative outlook' by a 'stable outlook'.

On 8 March 2012, Fitch Ratings affirmed all Long- and Short-term issuer default ratings of SNS REAAL, SNS Bank and its other operating entities and remained the 'stable outlook'

On 8 March 2012, SNS REAAL published its annual report 2011, including SNS REAAL's publicly available financial statements and auditors report for the year ended 31 December 2011, which are incorporated herein by reference.

On 8 March 2012, SNS Bank published its annual report 2011, including SNS Bank's publicly available financial statements and auditors report for the year ended 31 December 2011, which are incorporated herein by reference.

On 15 May 2012, SNS REAAL published its trading update for the first quarter of 2012 and reported a net profit of EUR 23 million.

On 15 June 2012, Moody's lowered all ratings of SNS REAAL, SNS Bank and its other operating entities with one notch with a 'stable outlook'. These new ratings were the outcome of a wider review of the ratings of a number of European banks in relation to which Moody's wants to reassess the influence of a weakening macro-economic environment, more costly market funding and a pressure on profits.

On 28 June 2012, SNS Bank redeemed the first series of SNS Participation Certificates. These subordinated perpetual notes were issued on 28 June 2002 for a total nominal amount of EUR 125 million against 6.6% interest. SNS Bank had the option to call and redeem these notes as from ten years after the issue date.

On 13 July 2012, SNS REAAL repeated that in line with its strategic priorities it focuses on the run off of property finance loans and the strengthening of its capital position. In doing so, SNS REAAL is exploring various possibilities together with advisors. The sale of parts of its business activities is one of the options that is being explored. No decision has been made on any of the various possibilities.

In July 2012 Standard & Poor's and Fitch revised the outlooks for the long term credit ratings of SNS REAAL and SNS Bank in reaction to the announcement of SNS REAAL on 13 July 2012.

On 16 August 2012 SNS REAAL published its 2012 interim financial report and reported a net profit of EUR 115 million over the first half of 2012.

On 16 August 2012, SNS Bank published its 2012 interim financial report and reported a net loss of EUR 53 million over the first half of 2012. SNS Bank further reported that the core Tier 1 ratio of SNS Bank increased from 9.2% at year-end 2011 to 9.6%, due mainly to a decline in risk-weighted assets.

On 24 August 2012, SNS Bank announced that it has placed € 1 billion of covered bonds, due 30 August 2017. The covered bonds were issued at a price of 99.995 per cent and will carry a coupon of 2.125 per cent per annum. The spread for the Covered Bonds was 115 basis points over mid-swaps. The Covered Bonds have an AAA (rating watch negative) Fitch rating and an Aa2 Moody's rating and is issued in accordance with Dutch covered bond legislation (UCITS and CRD compliant).

### **3.5 The Servicers**

The Issuer has appointed SNS Bank and RegioBank to each act as its Servicer in accordance with the terms of the Servicing Agreement, to provide certain of the Mortgage Loan Services in respect of the Mortgage Receivables.

For further information regarding SNS Bank and RegioBank see section 3.4 (*The Sellers*).

### 3.6 The Issuer Administrator

The Issuer has appointed ATC Financial Services B.V. to act as its Issuer Administrator in accordance with the terms of the Administration Agreement.

ATC Financial Services B.V. will be appointed as Issuer Administrator pursuant to and under the terms of the Administration Agreement (see further under section 5.7 (*Administration Agreement*)). ATC Financial Services B.V. is a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of the Netherlands on 20 June 1963. It has its official seat (*statutaire zetel*) in Amsterdam, the Netherlands and its registered office at Fred. Roeskestraat 123-I, 1076 EE Amsterdam, the Netherlands. The Issuer Administrator is registered with the Trade Register under number 33210270.

The objects of the Issuer Administrator are (a) to represent financial, economic and administrative interests in the Netherlands and other countries, (b) to act as trust company, as well as to participate in, manage and administer other enterprises, companies and legal entities and (c) to perform any and all acts which are related, incidental or which may be conducive to the above. The managing directors of the Issuer Administrator are J.H. Scholts, F.E.M. Kuijpers, R. Posthumus and R. Rosenboom. The sole shareholder of the Issuer Administrator is ATC Group B.V., a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of the Netherlands and having its official seat (*statutaire zetel*) in Amsterdam, the Netherlands, which entity is also the sole shareholder of each of the Directors.

ATC Financial Services B.V. is under supervision of and licensed by the Dutch Central Bank.



### 3.7 Other parties

<b>Cash Advance Facility Provider:</b>	SNS Bank.
<b>Swap Counterparty:</b>	Credit Suisse International.
<b>Issuer Account Bank:</b>	Rabobank.
<b>Collection Foundation:</b>	Stichting Hypotheken Incasso, incorporated under the laws of the Netherlands as a foundation (" <i>stichting</i> ") and established in Amsterdam, the Netherlands.
<b>Collection Foundation Account Provider:</b>	SNS Bank and RegioBank. Since a Collection Foundation Trigger Event with respect to SNS Bank has occurred, each Seller has undertaken in the Mortgage Receivables Purchase Agreement to procure that the Collection Foundation Accounts will be transferred to Rabobank as Foundation Account Provider before 1 January 2013.
<b>Foundation Administrator:</b>	SNS Bank.
<b>Previous Transaction SPVs:</b>	Holland Mortgage Backed Series (Hermes) VIII B.V.; Holland Mortgage Backed Series (Hermes) IX B.V.; Holland Mortgage Backed Series (Hermes) X B.V.; Holland Mortgage Backed Series (Hermes) XI B.V.; Holland Mortgage Backed Series (Hermes) XII B.V.; Holland Mortgage Backed Series (Hermes) XIII B.V.; Holland Mortgage Backed Series (Hermes) XIV B.V.; Holland Mortgage Backed Series (Hermes) XV B.V.; Holland Mortgage Backed Series (Hermes) XVI B.V.; Holland Mortgage Backed Series (Hermes) XVII B.V.; PEARL Mortgage Backed Securities 1 B.V.; PEARL Mortgage Backed Securities 2 B.V.; PEARL Mortgage Backed Securities 3 B.V.; PEARL Mortgage Backed Securities 4 B.V.; Lowland Mortgage Backed Securities 1 B.V.; and SNS Covered Bond Company B.V.
<b>Previous Transaction Security Trustees:</b>	Stichting Security Trustee Holland Mortgage Backed Series (Hermes) VIII; Stichting Security Trustee Holland Mortgage Backed Series (Hermes) IX; Stichting Security Trustee Holland Mortgage Backed Series (Hermes) X; Stichting Security Trustee Holland Mortgage Backed Series (Hermes) XI; Stichting Security Trustee Holland Mortgage Backed Series (Hermes) XII; Stichting Security Trustee Holland Mortgage Backed Series (Hermes) XIII; Stichting Security Trustee Holland Mortgage Backed Series (Hermes) XIV; Stichting Security Trustee Holland Mortgage Backed Series

(Hermes) XV;  
 Stichting Security Trustee Holland Mortgage Backed Series  
 (Hermes) XVI;  
 Stichting Security Trustee Holland Mortgage Backed Series  
 (Hermes) XVII;  
 Stichting Security Trustee PEARL Mortgage Backed  
 Securities 1;  
 Stichting Security Trustee PEARL Mortgage Backed  
 Securities 2;  
 Stichting Security Trustee PEARL Mortgage Backed  
 Securities 3;  
 Stichting Security Trustee PEARL Mortgage Backed  
 Securities 4;  
 Stichting Security Trustee Lowland Mortgage Backed  
 Securities 1; and  
 Stichting Security Trustee SNS Covered Bond Company.

**Directors:** ATC Management B.V., the sole director of the Issuer and the Shareholder and Europe Management Company B.V., the sole director of the Security Trustee, both incorporated under the laws of the Netherlands as a private company with limited liability ("*besloten vennootschap met beperkte aansprakelijkheid*"), having its corporate seat in Amsterdam, the Netherlands.

**Paying Agent:** ABN AMRO Bank N.V..

**Reference Agent:** ABN AMRO Bank N.V.

**Listing Agent:** ABN AMRO Bank N.V.

**Common Service Provider:** Bank of America Merrill Lynch.

**Common Safekeeper:** Clearstream, Luxembourg in respect of the Class A Notes.  
  
Bank of America National Association, London Branch in respect of the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes.

**Insurance Savings Participant:** SRLEV N.V., incorporated under the laws of the Netherlands as a public company ("*naamloze vennootschap*").

**Bank Savings Participants:** SNS Bank and RegioBank.

**Arrangers:** SNS Bank and BNP Paribas, London Branch

**Class A1 & A2 Joint Lead Managers:** BNP Paribas London Branch, Credit Suisse Securities (Europe) Limited and Jefferies International Limited.

**Class A3 Joint Lead Managers:** The Royal Bank of Scotland plc and Jefferies International Limited

**Co-Manager:** SNS Bank.

## 4 THE NOTES

### 4.1 Terms and Conditions of the Notes

If Notes are issued in definitive form, 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 section 4.2 (Form).

The issue of the EUR 192,000,000 Class A1 Mortgage-Backed Floating Rate Notes 2012 due 2044 (the "**Class A1 Notes**"), the EUR 480,000,000 Class A2 Mortgage-Backed Floating Rate Notes 2012 due 2044 (the "**Class A2 Notes**"), the EUR 211,200,000 Class A3 Mortgage-Backed Fixed Rate Notes 2012 due 2044 (the "**Class A3 Notes**" and, together with the Class A1 Notes and the Class A2 Notes, the "**Class A Notes**"), the EUR 28,800,000 Class B Mortgage-Backed Notes 2012 due 2044 (the "**Class B Notes**"), the EUR 19,200,000 Class C Mortgage-Backed Notes 2012 due 2044 (the "**Class C Notes**"), the EUR 14,400,000 Class D Mortgage-Backed Notes 2012 due 2044 (the "**Class D Notes**") and the EUR 14,400,000 Class E Mortgage-Backed Notes 2012 due 2044 (the "**Class E Notes**", and, together with the Class A1 Notes, the Class A2 Notes, the Class A3 Notes, the Class B Notes, the Class C Notes and the Class D Notes, the "**Notes**") was authorised by a resolution of the managing director of the Issuer passed on 26 September 2012. The Notes are issued under the Trust Deed.

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 Coupons, the forms of the Temporary Global Notes and the Permanent Global Notes, (ii) the Paying Agency Agreement, (iv) the Parallel Debt Agreement and (v) the Pledge Agreements.

Copies of the Trust Deed, the Paying Agency Agreement, the Parallel Debt Agreement, the Pledge Agreements and the Master Definitions Agreement and certain other Transaction Documents (see section 8 (*General*)) are available for inspection, free of charge, by Noteholders and prospective noteholders at the specified office of the Security Trustee and the Paying Agent, being at the date hereof Gustav Mahlerlaan 10, 1082 PP Amsterdam, the Netherlands and in electronic form upon e-mail request at [AmsStructuredFinance@citco.com](mailto:AmsStructuredFinance@citco.com) or [corporate.broking@nl.abnamro.com](mailto:corporate.broking@nl.abnamro.com). The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed, the Paying Agency Agreement, the Parallel Debt Agreement, the Pledge Agreements and the Master Definitions Agreement.

#### 1. Form, Denomination and Title

The Notes will be in bearer form serially numbered with Coupons attached on issue in denominations of EUR 100,000 each. Under Netherlands law, the valid transfer of Notes or Coupons requires, *inter alia*, delivery ("*levering*") thereof. The Issuer, the Security Trustee and the Paying Agent may, to the fullest extent permitted by law, treat the holder of any Note and of the Coupons appertaining thereto as its absolute owner for all purposes (whether or not payment under such Note or Coupon shall be overdue and notwithstanding any notice of ownership or writing thereon or any notice of previous loss or theft thereof) for any purposes, including payment and no person shall be liable for so treating such holder. The signatures on the Notes will be in facsimile.

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

- (a) The Notes of each Class or Sub-Class are direct and unconditional obligations of the Issuer and rank *pari passu* and rateably without any preference or priority among Notes of the same Class. The Class A Notes comprise of the Class A1 Notes, the Class A2 Notes and the Class A3 Notes. The Class A1 Notes, the Class A2 Notes and the Class A3 Notes rank *pari passu* and *pro rata* without any preference or priority among all Notes of such Sub-Class in respect of the Security. Provided that no Enforcement Notice has been given, payments of principal on the Class A Notes are applied firstly to the Class A1 Notes and then to the Class A2 Notes and then to the Class A3 Notes.

- (b) In accordance with the provisions of Conditions 4, 6 and 9 and the Trust Deed (i) payments of principal on the Class B Notes are subordinated to, *inter alia*, payments of principal and interest on the Class A Notes (ii) payments of principal on the Class C Notes are subordinated to, *inter alia*, payments of principal and interest on the Class A Notes and the Class B Notes and (iii) payments of principal on the Class D Notes are subordinated to, *inter alia*, payments of principal and interest on the Class A Notes, the Class B Notes and the Class C Notes and (iv) payments of principal on the Class E Notes are subordinated to, *inter alia*, payments of principal and interest on the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes.
- (c) The Security for the obligations of the Issuer towards, *inter alia*, the Noteholders 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 pledge by the Issuer to the Security Trustee over the Mortgage Receivables and the Beneficiary Rights;
- (ii) a pledge by the Issuer to the Security Trustee over the Issuer Rights.
- (d) The obligations under the Notes will be secured indirectly by the Security. The obligations under the Class A Notes (being the Class A1 Notes, Class A2 Notes and Class A3 Notes jointly) will rank in priority to the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes, the obligations under the Class B Notes will rank in priority to the Class C Notes, the Class D Notes and the Class E Notes, the obligations under the Class C Notes will rank in priority to the Class D Notes and the Class E Notes and the obligations under the Class D Notes will rank in priority to the Class E Notes, each in the event of the Security being enforced. The Trust Deed contains provisions requiring the Security Trustee to have regard to the interests of the Class A Noteholders, the Class B Noteholders, the Class C Noteholders, the Class D Noteholders and the Class E Noteholders each as a Class and not to the consequences of such exercise upon individual Noteholders, but requiring the Security Trustee in any such case to have regard only to the interests of the holders of the Most Senior Class of Notes, if, in the Security Trustee's opinion, there is a conflict between the interests of the holders of the Most Senior Class of Notes on the one hand and the holders of junior ranking Notes on the other hand.
- In addition, the Security Trustee shall have regard to the interests of the other Secured Creditors. In case of a conflict of interest between the Secured Creditors, the Post-Enforcement Priority of Payments set forth in the Trust Deed, determines which interest of which Secured Creditor prevails.

### 3. Covenants of the Issuer

As long as any of the Notes remain outstanding, the Issuer shall carry out its business in accordance with proper and prudent Netherlands business practice and in accordance with the requirements of Netherlands law and accounting practice and shall not, except to the extent permitted by Transaction Documents or with the prior written consent of the Security Trustee:

- (a) carry out any business other than as described in the Prospectus relating to the issue of the Notes and as contemplated by the Transaction Documents;
- (b) incur any indebtedness in respect of borrowed money whatsoever or give any guarantee or indemnity in respect of any indebtedness;
- (c) create or promise to create any mortgage, charge, pledge, lien or other security interest whatsoever over any of its assets, or use, invest, sell, transfer or otherwise dispose of or grant any options or rights on any part of its assets;
- (d) consolidate or merge with any other person or convey or transfer its assets substantially or as an entirety to one or more persons;
- (e) permit the validity or effectiveness of the Transaction Documents, or the priority of the security created thereby or pursuant thereto to be amended, terminated, postponed or discharged, or permit any person whose obligations form part of such security rights to be released from such obligations or consent to any waiver;
- (f) have any employees or premises or have any subsidiary or subsidiary undertaking;
- (g) have an interest in any bank account other than the Issuer Accounts, 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 action which will cause its "centre of main interests" within the meaning of the insolvency regulation to be located outside of the Netherlands.

#### **4. Interest**

(a) *Period of Accrual*

The Class A1 Notes, the Class A2 Notes and the Class A3 Notes shall bear interest on their Principal Amount Outstanding from and including the Closing Date. Each such Note (or in the case of the redemption of part only of a Note, that part only of such Note) shall cease to bear interest from its due date for redemption unless, upon due presentation, payment of the relevant amount of principal or any part thereof is improperly withheld or refused. In such event, interest will continue to accrue thereon (before and after any judgment) at the rate applicable to such Note up to but excluding the date on which, on presentation of such Note, payment in full of the relevant amount of principal is made or (if earlier) the seventh day after notice is duly given by the Paying Agent to the holder thereof (in accordance with Condition 13) that upon presentation thereof, such payments will be made, provided that upon such presentation payment is in fact made.

Whenever it is necessary to compute an amount of interest in respect of any Note for any period, such interest shall be calculated (i) with respect to the Class A1 Notes and the Class A2 Notes, on the basis of the actual days elapsed in the Interest Period divided by a 360 day year and (ii) with respect to the Class A3 Notes on the basis of the number of days (to be calculated on the basis of a year of 360 days with 12 30-day months) in the Interest Period divided by a 360 day year.

(b) *Interest Periods and Notes Payment Dates*

Interest on the Class A1 Notes, the Class A2 Notes and the Class A3 Notes is payable by reference to successive Interest Periods. Each successive Interest Period will commence on (and include) a Notes Payment Date and end on (but exclude) the next succeeding Notes Payment Date, except for the first Interest Period which will commence on (and include) the Closing Date and end on (but exclude) the Notes Payment Date falling in December 2012.

Interest on the Class A1 Notes, the Class A2 Notes and the Class A3 Notes shall be payable quarterly in arrear in euros, in each case in respect of the Principal Amount Outstanding of each of such Notes quarterly on each Notes Payment Date, being the 18<sup>th</sup> day of March, June, September, December (or, if such day is not a Business Day, the next succeeding Business Day, unless such Business Day falls in the next succeeding calendar month in which event interest on the Notes will be payable on the Business Day immediately preceding such day) in each year.

(c) *Interest on the Class A1 Notes and the Class A2 Notes*

The rate of interest applicable to the Class A1 Notes and the Class A2 Notes, for each Interest Period shall be equal to EURIBOR for three months deposits in euros (determined in accordance with paragraph (e) below) (or, in respect of the first Interest Period, the rate which represents the linear interpolation of EURIBOR for 2 and 3 months deposits in euro), plus:

- (i) for the Class A1 Notes (up to (but excluding) the First Optional Redemption Date), a margin of 0.65 per cent. per annum; and
- (ii) for the Class A2 Notes (up to (but excluding) the First Optional Redemption Date), a margin of 1.30 per cent. per annum.

(d) *Interest on the Class A1 Notes and Class A2 Notes following the First Optional Redemption Date*

If on the First Optional Redemption Date the Class A1 Notes or the Class A2 Notes have not been redeemed in full, the rate of interest applicable to the Class A1 Notes or the Class A2 Notes will accrue in the Interest Period commencing on the First Optional Redemption Date and each Interest Period thereafter at an annual rate equal to the sum of EURIBOR for three months deposits in euros, plus:

- (i) for the Class A1 Notes, a margin of 1.30 per cent. per annum;
- (ii) for the Class A2 Notes, a margin of 2.60 per cent. per annum;

(e) *EURIBOR*

For the purpose of Conditions 4(c) and 4(d), EURIBOR ("**EURIBOR**") will be determined as follows:

- (i) The Reference Agent will obtain for each Interest Period the rate equal to EURIBOR for three months deposits in euros. The Reference Agent shall use the EURIBOR rate as determined and published jointly by the European Banking Federation and ACI - The Financial Market Association and which appears for information purposes on the Reuters Screen EURIBOR03, (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 am (Brussels time) on the day that is two Business Days preceding the first day of each Interest Period (each an "**Interest Determination Date**")
- (ii) If, on the relevant Interest Determination Date, such EURIBOR rate is not determined and published jointly by the European Banking Association and ACI — The Financial Market Association, or if it is not otherwise reasonably practicable to calculate the rate under (i) above, the Reference Agent will, after having consulted the Swap Counterparty:
  - (A) request the principal Euro-zone office of each of four major banks in the Euro-zone interbank market (the "**EURIBOR Reference Banks**") selected by the Reference Agent to provide a quotation for the rate at which three months EUR deposits are offered by it in the Euro-zone interbank market at approximately 11.00 am (Brussels time) on the relevant Interest Determination Date to prime banks in the Euro-zone interbank market in an amount that is representative for a single transaction at that time; and
  - (B) if at least two quotations are provided, determine the arithmetic mean (rounded, if necessary, to the fifth decimal place with 0.000005 being rounded upwards) of such quotations as provided; and
  - (C) if fewer than two such quotations are provided as requested, the Reference Agent will determine the arithmetic mean (rounded, if necessary to the fifth decimal place with 0.000005 being rounded upwards) of the rates quoted by major banks, of which there shall be at least two in number, in the Euro-zone, selected by the Reference Agent, at approximately 11.00 am (Brussels time) on the relevant Interest Determination Date for three months deposits to leading Euro-zone banks in an amount that is representative for a single transaction in that market at that time,

and EURIBOR for such Interest Period shall be the rate per annum equal to EURIBOR for three month EUR deposits as determined in accordance with this Condition 4(e), provided that if the Reference Agent is unable to determine EURIBOR in accordance with the above provisions in relation to any Interest Period, EURIBOR applicable to the Class A1 Notes and the Class A2 Notes during such Interest Period will be EURIBOR last determined in relation thereto.

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

The Reference Agent will, as soon as practicable after 11.00 am (Brussels time) on each Interest Determination Date, determine the Floating Interest Rate for each of the Class A1 Notes and the Class A2 Notes and calculate the Floating Rate Interest Amount by applying, as provided in Condition 4(a), the Floating Interest Rate to the Principal Amount Outstanding of the Class A1 Notes and the Class A2 Notes. The determination of the Floating Interest Rate and the Floating Rate Interest Amount by the Reference Agent shall (in the absence of manifest error) be final and binding on all parties on the relevant Notes Payment Date.

(g) *Notification of Floating Interest Rate and Floating Rate Interest Amounts*

The Reference Agent will cause the Floating Interest Rate and the Floating Rate Interest Amount and the Notes Payment Date applicable to the Class A1 Notes and the Class A2 Notes, to be notified to the Issuer, the Security Trustee, the Paying Agent, the Issuer Administrator,

Euronext Amsterdam and notice thereof to be published in accordance with Condition 13, as soon as possible after the determination. The Floating Interest Rate, Floating Rate Interest Amount and Notes Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period.

(h) *Determination or Calculation by Security Trustee*

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

(i) *Reference Agent*

The Issuer will procure that, as long as the Class A1 Notes and the Class A2 Notes remain 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 days' notice in writing to that effect. Notice of such termination will be given to the holders of the Notes in accordance with Condition 13. If any person shall be unable or unwilling to continue to act as the Reference Agent (as the case may be) 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 (as the case may be) to act in its place, provided that neither the resignation nor removal of the Reference Agent shall take effect until a successor approved in writing by the Security Trustee has been appointed.

(j) *Interest on the Class A3 Notes*

The rate of interest applicable to the Class A3 Notes in respect of each Interest Period shall be 3.50 per cent. per annum.

(k) *Calculation of Fixed Rate Interest Amounts*

The Reference Agent will, as soon as practicable after 11.00 am (Brussels time) on each Interest Determination Date, calculate the Fixed Rate Interest Amount by applying, as provided in Condition 4(a), the Fixed Interest Rate to the Principal Amount Outstanding of the Class A3 Notes. The determination of the Fixed Interest Amount by the Reference Agent shall (in the absence of manifest error) be final and binding on all parties on the relevant Notes Payment Date.

(l) *Notification of Fixed Rate Interest Amounts*

The Reference Agent will cause the Fixed Rate Interest Amount and the Notes Payment Date applicable to the Class A3 Notes, to be notified to the Issuer, the Security Trustee, the Paying Agent, the Issuer Administrator, Euronext Amsterdam and notice thereof to be published in accordance with Condition 13, as soon as possible after the determination. The Fixed Rate Interest Amount and Notes Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period.

(m) *Determination or Calculation by Security Trustee*

If the Reference Agent fails to calculate the Floating Rate Interest Amount in accordance with Condition 4(k) above, the Security Trustee shall calculate the Fixed Rate Interest Amount in accordance with Condition 4(k) above, and each such determination or calculation shall (in the absence of manifest error) be final and binding on all parties.

(n) *No Interest on Class B Notes, Class C Notes, Class D Notes and Class E Notes*

The Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes will not bear any interest.

**5. Payment**

- (a) Payment of principal and interest, if any, in respect of Notes will be made upon presentation of the Note and against surrender of the relevant Coupon appertaining thereto at any specified office of the Paying Agent by transfer to a EUR account. All such payments are subject to any fiscal or other laws and regulations applicable in the place of payment.
- (b) At the Final Maturity Date, or such earlier date the Notes become due and payable, the Notes should be presented for payment together with all unmatured Coupons appertaining thereto, failing which the full amount of any such missing unmatured Coupons (or, in the case of payment not being made in full, that proportion of the full amount of such missing unmatured Coupons which the sum of principal so paid bears to the total amount of principal due) will be deducted from the sum due for payment. Each amount so deducted will be paid in the manner mentioned above against surrender of the relevant missing Coupon at any time before the expiry of five years following the due date for payment of such principal (whether or not such Coupons would have become void pursuant to Condition 8).
- (c) If the relevant Notes Payment Date is not a day on which banks are open for business in the place of presentation of the relevant Note or Coupon, the holder thereof shall not be entitled to payment until the next following day on which banks are open for business in the place of presentation, or to any interest or other payment in respect of such delay, provided that in the case of payment by transfer to an EUR account as referred to above, the Paying Agent shall not be obliged to credit such account until the day on which banks in the place of such account are open for business immediately following the day on which banks are open for business in the Netherlands.
- (d) The Issuer reserves the right at any time to vary or terminate the appointment of the Paying Agent and to appoint additional or other paying agents provided that no paying agent located in the United States of America will be appointed and that the Issuer will ensure that it maintains a paying agent in an EU Member State that will not be obliged to withhold or deduct any tax pursuant to EU Council Directive 2003/48/EC. Notice of any termination or appointment of a Paying Agent and of any changes in the specified offices of the Paying Agent will be given to the Noteholders in accordance with Condition 13.

**6. Redemption**

- (a) *Final redemption*  
If and to the extent not otherwise redeemed, the Issuer will, subject to and in accordance with Condition 9(a), redeem the Notes at their respective Principal Amount Outstanding on the Final Maturity Date, being the Notes Payment Date falling in September 2044.
- (b) *Mandatory redemption*  
Provided that no Enforcement Notice has been served in accordance with Condition 10, the Issuer shall be obliged to apply the Available Principal Funds to redeem, whether in full or in part, at their respective Principal Amount Outstanding, the Notes on each Notes Payment Date on a *pro rata* basis within each Class or Sub-Class, as applicable, as follows (i) firstly, the Class A1 Notes until fully redeemed and, thereafter, the Class A2 Notes until fully redeemed and, thereafter, the Class A3 Notes until fully redeemed and, thereafter; (ii) the Class B Notes until fully redeemed and, thereafter, (iii) the Class C Notes until fully redeemed and, thereafter, (iv) the Class D Notes until fully redeemed and, thereafter, (v) the Class E Notes until fully redeemed.

The Redemption Amount so redeemable in respect of each relevant Note on the relevant Notes Payment Date shall be the Available Principal Funds (as applicable to each Class of Notes) on the Notes Calculation Date relating to that Notes Payment Date divided by the number of Notes of the relevant Class or Sub-Class subject to such redemption (rounded down to the nearest euro), provided always that the Redemption Amount may never exceed the Principal Amount Outstanding of the relevant Note of the relevant Class. Following application of the Redemption Amount to redeem a Note, the Principal Amount Outstanding of such Note shall be reduced accordingly.



(c) *Determination of the Redemption Amount, the Available Principal Funds and Principal Amount Outstanding*

- (i) On each Notes Calculation Date, the Issuer shall determine (or cause the Issuer Administrator to determine) (x) the Available Principal Funds and (y) the Redemption Amount due for the Notes of the relevant Class on the Notes Payment Date, and (z) the Principal Amount Outstanding of the relevant Note on the first day following the Notes Payment Date. Each such determination by or on behalf of the Issuer shall in each case (in the absence of manifest error) be final and binding on all persons.
- (ii) The Issuer or the Issuer Administrator on its behalf will on each Notes Calculation Date cause each determination of (x) the Available Principal Funds, (y) the Redemption Amount due for the relevant Class of Notes on the Notes Payment Date, and (z) the Principal Amount Outstanding of the Notes to be notified forthwith to the Security Trustee, the Paying Agent, the Reference Agent, Euronext Amsterdam and notice thereof shall be published in accordance with Condition 13. If no Redemption Amount is due to be made on the Notes on any applicable Notes Payment Date, a notice to this effect will be given to the Noteholders in accordance with Condition 13.
- (iii) If the Issuer or the Issuer Administrator on its behalf does not at any time for any reason determine (x) the Available Principal Funds, (y) the Redemption Amount due for the relevant Class of Notes on the Notes Payment Date and (z) the Principal Amount Outstanding of the Notes, such (x) Available Principal Funds, (y) Redemption Amount due for the relevant Class of Notes on the Notes Payment Date and (z) Principal Amount Outstanding of the Notes shall be determined by the Security Trustee in accordance with Condition 6(a) and (b) (but based upon the information in its possession on the Notes Calculation Date as to the Redemption Amount due for the relevant Class(es) of Notes on the Notes Payment Date) and each such determination or calculation shall be deemed to have been made by the Issuer and shall in each case (in the absence of manifest error) be final and binding on all persons.

(d) *Optional Redemption*

Unless previously redeemed in full, the Issuer may, at its option, on the First Optional Redemption Date, being the Notes Payment Date falling in September 2017 and on any Optional Redemption Date thereafter redeem all (but not some only) Notes at their Principal Amount Outstanding on such date if the Issuer has sufficient funds available to it for this purpose, subject to and in accordance with Condition 9(a). No Class of Notes may be redeemed under such circumstances unless the other Classes of Notes (or such of them as are then outstanding) are also redeemed in full at the same time.

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

(e) *Clean-up Call Option*

If on any Notes Payment Date the aggregate Principal Amount Outstanding of the Notes (in the case of a Principal Shortfall in respect of any Class of Notes, less such aggregate Principal Shortfall) is not more than ten (10) per cent. of the aggregate Principal Amount Outstanding of the Notes on the Closing Date, the Issuer may exercise the right, to redeem all of the Notes, in whole but not in part, at their Principal Amount Outstanding, subject to and in accordance with Condition 9(a). No Class of Notes may be redeemed under such circumstances unless the other Classes of Notes (or such of them as are then outstanding) are also redeemed in full at the same time.

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

(f) *Redemption for tax reasons*

All Notes (but not some only) may be redeemed at the option of the Issuer, on any Notes Payment Date at their Principal Amount Outstanding, subject to and in accordance with Condition 9(a), together with interest accrued up to and including the date of redemption, if, immediately prior to giving such notice, the Issuer has satisfied the Security Trustee that:

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

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

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

**7. Taxation**

All payments of, or in respect of, principal of and interest on the Notes will be made without withholding of, or deduction for, or on account of any present or future taxes, duties, assessments or charges of whatsoever nature imposed or levied by or on behalf of the Netherlands, any authority therein or thereof having power to tax unless the withholding or deduction of such taxes, duties, assessments or charges is required by law. In that event, the Issuer will make the required withholding or deduction of such taxes, duties, assessments or charges for the account of the Noteholders, as the case may be, and shall not pay any additional amounts to such Noteholders. In particular, but without limitation, no additional amounts shall be payable in respect of any Note or Coupon presented for payment where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to the European Union Directive on the taxation of savings that was adopted on 3 June 2003 or any law implementing or complying with, or introduced in order to conform to, such Directive.

**8. Prescription**

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

**9. Subordination**

(a) *Principal*

Until the date on which the Principal Amount Outstanding of all Class A Notes is reduced to zero, the Class B Noteholders will not be entitled to any repayment of principal in respect of the Class B Notes. If, on any Notes 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 Class B Note on such Notes Payment Date shall not exceed its Principal Amount Outstanding less the Class B Principal Shortfall on such Notes Payment Date. The "**Class B Principal Shortfall**" shall mean an amount equal to the quotient of the balance on the Class B Principal Deficiency Ledger and the number of Class B Notes outstanding on such Notes Payment Date. The Class B Noteholders shall have no further claim against the Issuer for the Principal Amount Outstanding on the Class B 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 Issuer Collection Account and the Issuer has no further rights under or in connection with any of the Transaction Documents.

Until the date on which the Principal Amount Outstanding of all Class A Notes and Class B Notes are reduced to zero, the Class C Noteholders will not be entitled to any repayment of principal in respect of the Class C Notes. If, on any Notes 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 Class C Note on such Notes Payment Date shall not exceed its Principal Amount Outstanding less the Class C Principal Shortfall on such Notes Payment Date. The "**Class C Principal Shortfall**" shall mean an amount equal to the quotient of the balance on the Class C Principal Deficiency Ledger and the number of Class C Notes outstanding on such Notes Payment Date. The Class C Noteholders shall have no further claim against the Issuer for the Principal Amount Outstanding on the 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 Issuer Collection Account and the Issuer has no further rights under or in connection with any of the Transaction Documents.

Until the date on which the Principal Amount Outstanding of all Class A Notes, Class B Notes and Class C Notes are reduced to zero, the Class D Noteholders will not be entitled to any repayment of principal in respect of the Class D Notes. If, on any Notes 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 Class D Note on such Notes Payment Date shall not exceed its Principal Amount Outstanding less the Class D Principal Shortfall on such Notes Payment Date. The "**Class D Principal Shortfall**" shall mean an amount equal to the quotient of the balance on the Class D Principal Deficiency Ledger and the number of Class D Notes outstanding on such Notes Payment Date. The Class D Noteholders shall have no further claim against the Issuer for the Principal Amount Outstanding on the 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 Issuer Collection Account and the Issuer has no further rights under or in connection with any of the Transaction Documents.

Until the date on which the Principal Amount Outstanding of all Class A Notes, Class B Notes, Class C Notes and Class D Notes are reduced to zero, the Class E Noteholders will not be entitled to any repayment of principal in respect of the Class E Notes. If, on any Notes 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 Class E Note on such Notes Payment Date shall not exceed its Principal Amount Outstanding less the Class E Principal Shortfall on such Notes Payment Date. The "**Class E Principal Shortfall**" shall mean an amount equal to the quotient of the balance on the Class E Principal Deficiency Ledger and the number of Class E Notes outstanding on such Notes Payment Date. The Class E Noteholders shall have no further claim against the Issuer for the Principal Amount Outstanding on the 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 Issuer Collection Account and the Issuer has no further rights under or in connection with any of the Transaction Documents.

(b) *General*

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

## 10. Events of Default

The Security Trustee at its discretion may, and if so directed by an Extraordinary Resolution of the Most Senior Class of Notes (subject, in each case, to being indemnified to its satisfaction) (in each case, the "**Relevant Class**") shall (but in the case of the occurrence of any of the events mentioned in (b) below, only if the Security Trustee shall have certified in writing to the Issuer that such an event is, in its opinion, materially prejudicial to the Noteholders of the Relevant Class) give an Enforcement Notice to the Issuer that the Notes are, and each Note shall become, immediately due and payable at their or its Principal Amount Outstanding, together with accrued interest, if any of the following shall occur:

- (a) default is made for a period of seven (7) days in the payment of principal of, or default is made for a period of 14 days in the payment of interest on, the Notes of the Relevant Class when and as the same ought to be paid in accordance with these Conditions; or
- (b) the Issuer fails to perform any of its other obligations binding on it under the Notes of the Relevant Class, the Trust Deed, the Paying Agency Agreement or the Pledge Agreements and such default continues for a period of 21 days after written notice by the Security Trustee to the Issuer requiring the same to be remedied, except where such failure, in the reasonable opinion of the Security Trustee, is incapable of remedy, in which case no remedy period shall apply; or
- (c) if a conservatory attachment ("*conservatoir beslag*") or an executory attachment ("*executoriaal beslag*") on any major part of the Issuer's assets is made and not discharged or released within a period of 21 days; or
- (d) if any order shall be made by any competent court or other authority or a resolution is passed for the dissolution or winding-up of the Issuer or for the appointment of a liquidator or receiver of the Issuer or of all or substantially all of its assets; or
- (e) the Issuer makes an assignment for the benefit of, or enters into any general assignment ("*akkoord*") with, its creditors; or
- (f) the Issuer files a petition for a suspension of payments ("*surseance van betaling*") or for bankruptcy ("*faillissement*") or is declared bankrupt,

(each an "**Event of Default**").

## 11. Enforcement

- (a) At any time after an Enforcement Notice has been given and the Notes of any Class become due and payable, the Security Trustee may, at its discretion and without further notice, take such steps and/or institute such proceedings as it may think fit to enforce the terms of the Parallel Debt Agreement, including the making of a demand for payment thereunder, the Trust Deed, the Pledge Agreements and the Notes and Coupons and any of the other Transaction Documents, 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 and the Security Trustee may not institute against, or join any person in instituting against, the Issuer any bankruptcy, winding-up, reorganisation, arrangement, insolvency or liquidation proceeding until the expiry of a period of at least one year after the latest maturing Note is paid in full. The Noteholders accept and agree that the only remedy of the Security Trustee against the Issuer after any of the Notes have become due and payable pursuant to Condition 10 above is to enforce the Security.

## 12. Indemnification of the Security Trustee

The Trust Deed contains provisions for the indemnification of the Security Trustee in the circumstances set out therein and for its relief from responsibility.

## 13. Notices

All notices to the Noteholders will be deemed to validly given if published in the English language in at least one daily newspaper of wide circulation in the Netherlands, or, if such newspaper shall cease to be published or timely publication therein shall not be practicable, in such newspaper as the Security

Trustee shall approve having a general circulation in Europe. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of Euronext Amsterdam. Any such notice shall be deemed to have been given on the first date of such publication. If publication as provided above is not practicable, a notice will be given in such other manner, and will be deemed to have been given at such date, as the Security Trustee shall approve.

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

The Trust Deed contains provisions for meetings of the Noteholders to consider matters affecting the interests, including the sanctioning by Extraordinary Resolution of a change of any of these Conditions or any provisions of the Transaction Documents.

(a) Convening Meetings of Noteholders

A meeting of Noteholders may be convened by the Security Trustee as often as it reasonably considers desirable and shall be convened by the Security Trustee at the written request of (i) the Issuer or any Seller or (ii) a meeting of Noteholders of a Class, by the Noteholders of such Class holding not less than 10 per cent. in Principal Amount Outstanding of the Notes of such Class.

(b) Quorum

The quorum for adoption of an Extraordinary Resolution is two-thirds of the Principal Amount Outstanding of the Notes of the relevant Class and for an Extraordinary Resolution approving a Basic Terms Change the quorum shall be at least seventy-five (75) per cent. of the Principal Amount Outstanding of the relevant Class of Notes.

If at a meeting a quorum is not present, a second meeting will be held not less than 7 nor more than 30 calendar days after the first meeting. At such second meeting an Extraordinary Resolution, including an Extraordinary Resolution approving a Basic Terms Change, can be adopted regardless of the quorum represented at such meeting.

(c) Extraordinary Resolutions

A meeting of Noteholders of a Class shall have power, exercisable only by Extraordinary Resolution, without prejudice to any other powers conferred on it or any other person:

- (a) to approve any proposal for any modification of any provisions of the Trust Deed, the Conditions, the Notes or any other Transaction Document or any arrangement in respect of the obligations of the Issuer under or in respect of the Notes;
- (b) to waive any breach or authorise any proposed breach by the Issuer of its obligations under or in respect of the Trust Deed or the Notes or any act or omission which might otherwise constitute an Event of Default under the Notes;
- (c) to authorise the Security Trustee (subject to it being indemnified and/or secured to its satisfaction) or any other person to execute all documents and do all things necessary to give effect to any Extraordinary Resolution;
- (d) to discharge or exonerate the Security Trustee from any liability in respect of any act or omission for which it may become responsible under the Trust Deed or the Notes;
- (e) to give any other authorisation or approval which under the Trust Deed or the Notes is required to be given by Extraordinary Resolution; and
- (f) to appoint any persons as a committee to represent the interests of Noteholders and to confer upon such committee any powers which Noteholders could themselves exercise by Extraordinary Resolution.

(d) Conflicts between Classes

An Extraordinary Resolution passed at any meeting of the Most Senior Class shall be binding upon all Noteholders of a Class other than the Most Senior Class irrespective of the effect upon them, except that an Extraordinary Resolution approving a Basic Terms Change shall not be effective for any purpose unless it shall have been approved by Extraordinary Resolutions of Noteholders of each such Class, other than the Most Senior Class of Notes or unless and to the extent that it shall not, in the sole opinion of the Security Trustee, be materially prejudicial to the interests of Noteholders of each such Class.

An Extraordinary Resolution shall not be effective for any purpose unless either: (i) the Security Trustee is of the opinion that it would not be materially prejudicial to the interests of Noteholders of any Higher Ranking Class or (ii) when it is approved by Extraordinary Resolutions of Noteholders of each such Higher Ranking Class.

(e) Modifications agreed with the Security Trustee

The Security Trustee may agree with the other parties to any Transaction Documents, without the consent of the Noteholders, to (i) any modification of any of the provisions of the Trust Deed, the Notes or any other Transaction Document which is of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification, and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed, the Notes or any other Transaction Document which is in the opinion of the Security Trustee not materially prejudicial to the interests of the Noteholders, provided that (i) the Security Trustee has notified the Credit Rating Agencies and (ii) the Credit Rating Agencies have provided a Credit Rating Agency Confirmation in connection with such modification, authorisation or waiver. Any such modification, authorisation or waiver shall be binding on the Noteholders and, if the Security Trustee so requires, such modification shall be notified to the Noteholders in accordance with Condition 13 as soon as practicable thereafter. The Security Trustee may not waive, modify or amend, or consent to any waiver, modification or amendment of any Transaction Document such that the Swap Counterparty's position in the Priorities of Payments is materially adversely affected, unless the Swap Counterparty has provided its prior written consent, such consent not to be unreasonably withheld or delayed.

In addition, the Security Trustee may agree, without the consent of the Noteholders, to (a) the entering into a new Transaction Document by the Issuer with a successor of the relevant counterparty or (b) the transfer of the rights and obligations under a Transaction Document by the relevant counterparty to a successor, provided that (i) the Security Trustee has notified the Credit Rating Agencies and (ii) the Credit Rating Agencies have provided a Credit Rating Agency Confirmation in connection with such transfer or contracting and (iii) if the relevant counterparty will be a Secured Creditor, the relevant successor will accede to the Parallel Debt Agreement.

(f) 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 Noteholders of 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 consequence of any such exercise upon individual Noteholders.

**15. Replacements of Notes and Coupons**

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

**16. Governing Law**

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

## 4.2 Form

Each Class or Sub-Class of Notes, as applicable, shall be initially represented by a Temporary Global Note in bearer form, without Coupons, (i) in the case of the Class A1 Notes in the principal amount of EUR 192,000,000, (ii) in the case of the Class A2 Notes in the principal amount of EUR 480,000,000, (iii) in the case of the Class A3 Notes in the principal amount of EUR 211,200,000, (iv) in the case of the Class B Notes in the principal amount of EUR 28,800,000, (v) in the case of the Class C in the principal amount of EUR 19,200,000, (vi) in the case of the Class D Notes in the principal amount of EUR 14,400,000 and (vii) in the case of the Class E Notes in the principal amount of EUR 14,400,000. Each Temporary Global Note will be deposited with the 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 or Sub-Class of Notes, as applicable, equal to the principal amount thereof for which it has purchased and paid. Interests in each Temporary Global Note will be exchangeable (provided certification of non-US beneficial ownership by the Noteholders has been received) not earlier than the Exchange Date for interests in a Permanent Global Note, in bearer form, without coupons, in the principal amount of the Notes of the relevant Class or Sub-Class, as applicable. On the exchange of a Temporary Global Note for a Permanent Global Note of the relevant Class or Sub-Class of Notes, as applicable, the Permanent Global Note will remain deposited with the Common Safekeeper.

The Class A Notes are intended to be held in a manner which will allow Eurosystem eligibility. This means that the Class A Notes are intended to be deposited upon issue with one of the International Central Securities Depositories as common safekeeper and does not necessarily mean that the 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 Global Notes will be transferable by delivery ("*levering*"). 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 EUR 100,000 or, as the case may be, in the then Principal Amount Outstanding of the Notes on such exchange date. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a Note will be entitled to receive any payment made in respect of that Note in accordance with the respective rules and procedures of Euroclear or, as the case may be, Clearstream, Luxembourg. Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes, which must be made by the holder of a Global Note, for so long as such Global Note is outstanding. Each person must give a certificate as to non-US beneficial ownership as of the date on which the Issuer is obliged to exchange a Temporary Global Note for a Permanent Global Note, which date shall be no earlier than the Exchange Date, in order to obtain any payment due on the Notes.

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

For so long as all of the Notes are represented by the Global Notes and such Global Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, there may be substituted for publication in accordance with Condition 13 the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg (as the case may be) for communication to the relevant accountholders (provided that, in the case of any publication required by Euronext Amsterdam or any other stock exchange, that stock exchange agrees to such notice or, as the case may be, any other publication requirement of such stock exchange will be met). Any such notice delivered on or prior to 4.00 p.m. (local time) on a Business Day in the city in which it was delivered will be deemed to have been given to the holders of the Global Notes on such Business Day. A notice delivered after 4.00 p.m. (local time) on a Business Day in the city in which it is delivered will be deemed to have been given to the holders of the Global Notes on the next following Business Day in such city.

For so long as the Notes of a particular Class or Sub-Class, as applicable, are represented by a Global Note, each person who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular principal amount of that Class or Sub-Class of Notes, as applicable, will be treated by the Issuer and the Security Trustee as a holder of such principal amount of that Class or Sub-Class of Notes, as applicable, 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) either Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business and no alternative clearance system satisfactory to the Security Trustee is available, or (ii) as a result of any amendment to, or change in the laws or regulations of the Netherlands 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, the Issuer or Paying Agent is or will be required to make any deduction or withholding on account of tax from any payment in respect of the Notes which would not be required were the Notes in definitive form, then the Issuer will, at its sole cost and expense, issue:

- (i) Class A1 Notes in definitive form in exchange for the whole outstanding interest in the Permanent Global Note in respect of the Class A1 Notes; and
- (ii) Class A2 Notes in definitive form in exchange for the whole outstanding interest in the Permanent Global Note in respect of the Class A2 Notes; and
- (iii) Class A3 Notes in definitive form in exchange for the whole outstanding interest in the Permanent Global Note in respect of the Class A3 Notes; and
- (iv) Class B Notes in definitive form in exchange for the whole outstanding interest in the Permanent Global Note in respect of the Class B Notes; and
- (v) Class C Notes in definitive form in exchange for the whole outstanding interest in the Permanent Global Note in respect of the Class C Notes; and
- (vi) Class D Notes in definitive form in exchange for the whole outstanding interest in the Permanent Global Note in respect of the Class D Notes; and
- (vii) Class E Notes in definitive form in exchange for the whole outstanding interest in the Permanent Global Note in respect of the Class E Notes,

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

**Application Dutch Savings Certificates Act in respect of Class B Notes, Class C Notes, Class D Notes and Class E notes**

Unless between individuals not acting in the conduct of a business or profession, each transaction regarding the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes which involves the physical delivery thereof within, from or into the Netherlands, must be effected (as required by the Dutch Savings Certificates Act (*Wet Inzake Spaarbewijzen*) of 21st May, 1985) through the mediation of the Issuer or an admitted institution of Euronext Amsterdam and must be recorded in a transaction note which includes the name and address of each party to the transaction, the nature of the transaction and the details and serial number of the relevant Note.



### 4.3 Subscription and sale

The Class A1 & A2 Joint Lead Managers and the Co-Manager have pursuant to the Class A1 and A2 Notes Purchase Agreement agreed to purchase on the Closing Date the Class A1 Notes and the Class A2 Notes, subject to certain conditions precedent being satisfied. The Class A3 Joint Lead Managers and the Co-Manager have pursuant to the Class A3 Notes Purchase Agreement agreed to purchase the Class A3 Notes on the Closing date, subject to certain conditions precedent being satisfied. The Co-Manager has pursuant to the Class B, C, D and E Notes Purchase Agreement agreed purchase all of the Class B Notes, Class C Notes, Class D Notes and Class E Notes on the Closing Date. The Issuer has agreed to indemnify each Manager against certain liabilities and expenses in connection with the issue of each of the respective Classes of Notes.

#### European Economic Area

In relation to each Relevant Member State, each Manager has represented and agreed, and each further manager appointed under the transaction will be required to represent and agree, that with effect from and including the Relevant Implementation Date it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Prospectus to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State: (i) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive; (ii) at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the Directive 2010/73/EC of the European Parliament and of the Council of 24 November 2010, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of each Manager nominated by the Issuer for any such offer; or (iii) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of Notes referred to in (i) to (iii) above shall require the Issuer or each Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an '**offer of 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.

#### 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 financial services ("*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*"), in the Republic of France, within the meaning of Article L.411-1, L.411-2 and D.411-1 to D.411-4, D. 734-1, D. 744-1, D. 754-1 and D. 764-1 of the French Code Monétaire et Financier (Monetary and Financial Code).

The Prospectus, which has not been submitted to the *Autorité des Marchés Financiers*, and any information contained therein and any offering material relating to the Notes, are not to be further distributed or reproduced (in whole or in part) by the addressee and have been distributed on the basis the addressee invests for its own account, as necessary, and does not resell or otherwise retransfer, directly or indirectly, the Notes to the public in the Republic of France, other than in compliance with articles L. 411-1, L. 411-2, L. 412-1 and L. 621-8 to L. 621-8-3 of the French Monetary and Financial Code. Persons in to whose possession this offering material comes must inform themselves about and observe any such restrictions.

#### Italy

The offering of the Notes has not been registered pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of the Prospectus or of any other document relating to the Notes be distributed in the Republic of Italy, except:

(i) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the Financial Services Act) and Article 34-ter, first paragraph, letter (b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time (Regulation No. 11971); or

(ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 34-ter of Regulation No. 11971.

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

(a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of 29 October 2007 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the Banking Act); and

(b) in compliance with Article 129 of the Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy; and

(c) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or other Italian authority.

#### **United Kingdom**

Each Manager has represented and agreed that:

(a) 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 any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

#### **United States**

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

Each Manager will agree, and each further manager appointed will be required to agree, that it will not offer, sell or deliver the Notes (i) as part of its distribution at any time and (ii) otherwise until forty (40) days after the later of the commencement of the offering on the Closing Date within the United States or to, or for the account or benefit of, US persons and it will have sent to each distributor, manager or person receiving a selling concession, fee or other remuneration to which it sells Notes during the distribution compliance period 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, US persons.

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 Manager (whether or not participating in the purchase) may violate the registration requirements of the US Securities Act. Terms used in these paragraphs have the meanings given to them by Regulation S and the US Internal Revenue Code and regulations thereunder.

**Japan**

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (the 'FIEL') and each Manager will agree and each further Manager appointed will be required to agree, that it will not offer or sell Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which terms as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEL and any other applicable laws and regulations of Japan.

**The Netherlands**

Each Manager has represented and agreed that the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes, being notes to bearer that constitute a claim for a fixed sum against the Issuer and on which no interest is due, in definitive form of the Issuer may only be transferred and accepted, directly or indirectly, within, from or into the Netherlands through the mediation of either the Issuer or a member firm of Euronext Amsterdam in full compliance with the Dutch Savings Certificates Act ("*Wet inzake spaarbewijzen*") of 21 May 1985 (as amended) and its implementing regulations, provided that no such mediation is required: (a) in respect of the transfer and acceptance of rights representing an interest in the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes in global form, or (b) in respect of the initial issue of the Class B Notes, the Class C Notes and the Class D Notes the Class E Notes in definitive form to the first holders thereof, or (c) in respect of the transfer and acceptance of the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes and in definitive form between individuals not acting in the conduct of a business or profession or (d) in respect of the transfer and acceptance of the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes within, from or into the Netherlands if all the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes (either in definitive form or as rights representing an interest in the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes in global form) are issued outside the Netherlands and are not distributed into the Netherlands in the course of initial distribution or immediately thereafter.

**General**

Each Manager will agree and each further Manager appointed will be required to agree, that it will comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers or sells Notes or possesses or distributes this Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and the Issuer shall not have any responsibility therefor.

Neither the Issuer nor any Manager shall represent, nor any further Manager appointed will be required to represent, that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

## 4.4 Regulatory and industry compliance

### **Retention and disclosure requirements under the Capital Requirements Directive**

SNS Bank (i) in its capacity as Seller and (ii), with respect to RegioBank, in its capacity as allowed entity under paragraph 2 of article 122a of the Capital Requirements Directive, shall, or undertakes that any entity designated by SNS Bank as allowed entity under paragraph 2 of article 122a of the Capital Requirements Directive shall, retain, on an ongoing basis, a material net economic interest in the Notes which, in any event, shall not be less than 5 per cent.. Such interest will be retained in accordance with item (a) of article 122a paragraph 1 of the Capital Requirements Directive, by holding at least 5 per cent. of the Notes of each tranche (i.e. Class). In addition, each Seller shall (i) adhere to the requirements set out in paragraph 6 of article 122a of the Capital Requirements Directive and (ii) make appropriate ongoing disclosures to Noteholders about the retained net economic interest in the transaction and ensure that the Noteholders have readily available access to all materially relevant data as required under paragraph 7 of article 122a of the Capital Requirements Directive.

In each Notes Purchase Agreement, each Seller shall undertake towards the Managers and the Issuer that it shall at all times comply with article 122a of the Capital Requirements Directive.

SNS Bank accepts responsibility for the information set out above.

### **Dutch Securitisation Standard**

This Prospectus is drafted with a view to the new standard for a prospectus for the issuance of Dutch residential mortgage backed securities (such as the Notes) (the "**Dutch Securitisation Standard**"), which standard is expected to become operational shortly after the issuance of the Notes (and therefore not applicable to this Prospectus). The Prospectus follows the draft Dutch Securitisation Standard in respect of the table of content in full, and in most respects follows the definitions of the Dutch Securitisation Standard. However, in this Prospectus deviations from the Dutch Securitisation Standard are not indicated in the list of definitions, inter alia, because the Dutch Securitisation Standard is only available in draft format at the time of application for approval of this Prospectus

## **4.5 Use of proceeds**

The net proceeds of the Notes, to be issued on the Closing Date, amount to EUR 960,000,000 and will be applied by the Issuer on the Closing Date to pay (part of) the Initial Purchase Price for the Mortgage Receivables purchased on the Closing Date under the Mortgage Receivables Purchase Agreement.

An amount of EUR 28,921,994 will be received by the Issuer on the Closing Date as consideration for the Initial Savings Participation (i) granted to the Insurance Savings Participant in the Insurance Savings Mortgage Receivables and (ii) and the Bank Savings Participants in the Relevant Bank Savings Mortgage Receivables. The Issuer will apply this amount towards payment of the remaining part of the Initial Purchase Price for the Mortgage Receivables purchased on the Closing Date.

## 4.6 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 Documents.
2. No Netherlands withholding tax will be due on payments of principal and/or interest.
3. A Noteholder 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 Noteholder 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 Noteholder 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 Noteholder 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 Noteholder does not have a substantial interest\* in the share capital of the Issuer and/or any Seller or in the event that such Noteholder does have such an interest, such interest either forms part of the assets of an enterprise or such interest is not held with the main purpose or one of the main purposes of evading income tax or dividend tax;
- (iv) such Noteholder does not have a deemed Netherlands enterprise to which enterprise the Notes are attributable;

and, if the Noteholder is a natural person,

- (v) such Noteholder 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 Noteholder or a person related to the Noteholder 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 any Seller.

\*Generally speaking, an interest in the share capital of the Issuer and/or any Seller should not be considered as a substantial interest if the Noteholder of such interest, and if the Noteholder is a natural person his spouse, registered partner, certain other relatives or certain persons sharing the Noteholder'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 any 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 Noteholder 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.

## 4.7 Security

In the Parallel Debt Agreement the Issuer will irrevocably and unconditionally undertake to pay to the Security Trustee the "**Parallel Debt**", being an amount equal to the aggregate amount due ("*verschuldigd*") by the Issuer (i) to the Noteholders under the Notes, (ii) as fees or other remuneration to the Directors under the Management Agreements, (iii) as fees and expenses to the Servicers under the Servicing Agreement, (iv) as fees and expenses to the Issuer Administrator under the Administration Agreement, (v) as fees and expenses to the Paying Agent and the Reference Agent under the Paying Agency Agreement, (vi) to the Cash Advance Facility Provider under the Cash Advance Facility Agreement, (vii) to the Swap Counterparty under the Swap Agreement, (viii) to each Seller under the Mortgage Receivables Purchase Agreement, (viii) to the Insurance Savings Participant under the Insurance Savings Participation Agreement; and (ix) to the Bank Savings Participants under the Bank Savings Participation Agreement (the parties referred to in items (i) through (ix) together the "**Secured Creditors**"). 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 Creditors 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, save for amounts due to the Insurance Savings Participant and the Bank Savings Participants in connection with the Participations, among the Secured Creditors in accordance with the Post-Enforcement Priority of Payments. The amounts due to the Secured Creditors, other than the Insurance Savings Participant and the Bank Savings Participants, will, broadly, be equal to amounts recovered ("*verhaald*") by the Security Trustee on (i) the Mortgage Receivables (other than Savings Mortgage Receivables) and other assets pledged to the Security Trustee under the Issuer Mortgage Receivables Pledge Agreement and the Issuer Rights Pledge Agreement and (ii) on each of the Savings Mortgage Receivables to the extent the amount recovered exceeds the Participation in the relevant Savings Mortgage Receivables.

The amounts due to the Insurance Savings Participant and the Bank Savings Participants will be equal to the Participation in each of the Savings Mortgage Receivables or if the amount recovered is less than the Participation in such Savings Mortgage Receivables the amount equal to the amount actually recovered.

The Issuer will vest a right of pledge pursuant to the Issuer Mortgage Receivables Pledge Agreement in favour of the Security Trustee on the Mortgage Receivables and the Beneficiary Rights on the Closing Date. The pledge over the Mortgage Receivables and the Beneficiary Rights relating thereto will not be notified to the Borrowers and the Insurance Companies, respectively, except that notification of the pledge may be made upon the occurrence of any of the Pledge Notification Events. Prior to notification of the pledge to the Borrowers and/or the Insurance Companies, the pledge will be a "silent" right of pledge ("*stil pandrecht*") within the meaning of article 3:239 of the Netherlands Civil Code.

In addition, the Issuer will vest a right of pledge pursuant to the Issuer Rights Pledge Agreement in favour of the Security Trustee on the Closing Date over the Issuer Rights. This right of pledge will be notified to the relevant obligors and will, therefore, be a disclosed right of pledge ("*openbaar pandrecht*").

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

The security rights described above shall serve as security for the benefit of the Secured Creditors, including each of the Class A Noteholders, the Class B Noteholders, the Class C Noteholders, the Class D Noteholders and the Class E Noteholders, but, *inter alia*, amounts owing to the Class B Noteholders will rank in priority of payment after amounts owing to the Class A Noteholders and amounts owing to



the Class C Noteholders will rank in priority of payment after amounts owing to the Class A Noteholders and the Class B Noteholders and amounts owing to the Class D Noteholders will rank in priority of payment after amounts owing to the Class A Noteholders, the Class B Noteholders and the Class C Noteholders and amounts owing to the Class E Noteholders will rank in priority of payment after amounts owing to the Class A Noteholders, the Class B Noteholders, the Class C Noteholders and the Class D Noteholders (see section 5 (*Credit Structure*)).

#### **Collection Foundation Accounts Pledge Agreement**

The Collection Foundation will in a Collection Foundation Accounts Pledge Agreement grant a first ranking right of pledge over the balances standing to the credit of the Collection Foundation Accounts in favour of, *inter alia*, the Security Trustee and the Previous Transaction Security Trustees jointly as security for any and all liabilities of the Collection Foundation to the Security Trustee and the Previous Transaction Security Trustees, and a second ranking right of pledge in favour of, *inter alia*, the Issuer and the Previous Transaction SPVs jointly as security for any and all liabilities of the Collection Foundation to the Issuer and the Previous Transaction SPVs, both under the condition that future issuers (and any security trustees relating thereto) in securitisations or similar transactions initiated by the Sellers will after accession also have the benefit of such right of pledge. Such rights of pledge have been notified to the Foundation Account Provider.

Since the Previous Transaction Security Trustees and/or the Previous Transaction SPVs, as the case may be, and the Security Trustee and/or the Issuer, as the case may be, have a first and a second ranking right of pledge, respectively, on the amounts standing to the credit of the Collection Foundation Accounts, the rules applicable to co-ownership ("*gemeenschap*") apply. The Netherlands Civil Code provides for various mandatory rules applying to such co-owned rights. In principle co-owners are required to co-operate with regard to their co-owned goods, but according to section 3:168 of the Netherlands Civil Code it is possible for co-owners to make an arrangement for the management ("*beheer*") of the co-owned goods by one or more of the co-owning parties.

Furthermore, the Previous Transaction SPVs, the Issuer, the Security Trustee and the Previous Transaction Security Trustees have in the Collection Foundation Accounts Pledge Agreement agreed that the Issuer, the Previous Transaction SPVs, the Security Trustee and the Previous Transaction Security Trustees will manage ("*beheren*") such co-held rights jointly. The Issuer has been advised that it is uncertain whether the foreclosure of these rights of pledge will constitute management for the purpose of section 3:168 of the Netherlands Civil Code and as a consequence the cooperation of the Previous Transaction SPVs, the Issuer, the Previous Transaction Security Trustees and the Security Trustee may be required for such foreclosure to take place.

Furthermore, the Previous Transaction SPVs, the Issuer, the Previous Transaction Security Trustees and the Security Trustee have agreed in the Collection Foundation Accounts Pledge Agreement that (i) the share ("*aandeel*") in each co-held right of pledge is equal to the entitlement of such party to the amounts collected by the Collection Foundation from the respective mortgage receivables assigned to the relevant Previous Transaction SPV and the amounts collected from, in the case of the Issuer, the Mortgage Receivables, respectively, and (ii) in case of foreclosure of the right of pledge over the Collection Foundation Accounts, the proceeds will be divided according to each share. It is uncertain whether this sharing arrangement is enforceable in the event that any of the Issuer, the Security Trustee, the Previous Transaction SPVs or any of the Previous Transaction Security Trustees should become insolvent. In this respect it has been agreed that in case of a breach by a party of its obligations under the abovementioned agreements or if such agreement is dissolved, void, nullified or ineffective for any reason in respect of such party, such party shall compensate the other parties forthwith for any and all loss, costs, claim, damage and expense whatsoever which such party incurs as a result hereof.

## 5. CREDIT STRUCTURE

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

### 5.1 Available funds

#### Available Revenue Funds

##### Swapped Notes Available Revenue Funds

Prior to the delivery of an Enforcement Notice by the Security Trustee, the sum of the following amounts, calculated as at each Notes Calculation Date and which have been received during the Notes Calculation Period immediately preceding such Notes Calculation Date or, if specifically set out below, on the relevant Notes Payment Date, will be applied in accordance with the Swapped Notes Revenue Priority of Payments (items (i) up to and including (xvi) being hereafter referred to as the "**Swapped Notes Available Revenue Funds**"):

- (A)
  - (i) the amounts to be received from the Swap Counterparty under the Swap Agreement on the immediately succeeding Notes Payment Date excluding, for the avoidance of doubt, (a) any collateral transferred by the Swap Counterparty pursuant to the Swap Agreement and (b) any amounts received upon early termination of the Swap Agreement; unless credited to the Swap Termination Payment Ledger;
  - (ii) as amounts to be drawn from the Issuer Collection Account with a corresponding debit to the Swap Termination Payment Ledger provided that no replacement Swap Counterparty is available at such time and to the extent such amounts are required to meet items (a) up to and including (f) of the Swapped Notes Revenue Priority of Payments and any remaining amounts standing to the Swap Termination Payment Ledger on the Notes Payment Date following the Interest Period during which (i) a new swap agreement has been entered into and the initial swap payment, if any, has been paid or (ii) the Class A1 Notes and the Class A2 Notes have been redeemed in full;

less

- (iii) on the first Notes Payment Date of each calendar year, an amount equal to 10 per cent. of the annual fixed operational expenses of the Issuer, with a minimum of EUR 2,500;

and

(B)

the Swapped Class A Notes Fraction of amounts received:

- (iv) as interest on the Mortgage Receivables less, with respect to each Savings Mortgage Receivable, an amount equal to the amount received, multiplied by the Participation Fraction;
- (v) as interest accrued on the Issuer Collection Account, other than on amounts standing to the credit of the Issuer Collection Account corresponding to amounts standing to the credit of the Financial Cash Collateral Ledger;
- (vi) as prepayment penalties under the Mortgage Receivables;
- (vii) as Net Foreclosure Proceeds on any Mortgage Receivables to the extent such proceeds do not relate to principal less, with respect to each Savings Mortgage Receivable, an amount equal to the amount received multiplied by the Participation Fraction;
- (viii) as amounts to be drawn from the Issuer Collection Account with a corresponding debit to the Financial Cash Collateral Ledger, including any Set-Off Amount, on the immediately succeeding Notes Payment Date;
- (ix) 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 interest amounts do not relate to principal

- less, with respect to each Savings Mortgage Receivable, an amount equal to the interest amount received multiplied by the Participation Fraction;
- (x) in connection with a sale of Mortgage Receivables pursuant to the Trust Deed to the extent such amounts do not relate to principal less, with respect to each Savings Mortgage Receivable, an amount equal to the amount of interest received multiplied by the Participation Fraction;
  - (xi) as Post-Foreclosure Proceeds on the Mortgage Receivables;
  - (xii) any amounts standing to the credit of the Issuer Collection Account after all payment obligations of the Issuer under the Transaction Documents, other than towards payment of any Deferred Purchase Price, have been satisfied in full;
  - (xiii) as amounts to be drawn under the Cash Advance Facility (other than Cash Advance Facility Stand-by Drawings) on the immediately succeeding Notes Payment Date;
  - (xiv) as amounts withheld from the Available Principal Funds on such Notes Payment Date as Interest Shortfall up to the amount that can be debited as Interest Shortfall to the Principal Deficiency Ledgers; and
  - (xv) as amounts to be drawn from the Issuer Collection Account with a corresponding debit to the Interest Reconciliation Ledger on the immediately succeeding Notes Payment Date;
- less
- (xvi) any amount to be credited to the Interest Reconciliation Ledger on the immediately succeeding Notes Payment Date;

will pursuant to the terms of the Trust Deed be applied on the immediately succeeding Notes Payment Date in accordance with the Swapped Notes Revenue Priority of Payments.

**Non-Swapped Notes Available Revenue Funds**

Prior to the delivery of an Enforcement Notice by the Security Trustee, the sum of the following amounts, calculated as at each Notes Calculation Date and which have been received during the Notes Calculation Period immediately preceding such Notes Calculation Date or, if specifically set out below, on the relevant Notes Payment Date, (items (i) up to and including (xiv) being hereafter referred to as the "**Non-Swapped Notes Available Revenue Funds**"):

- (A)
  - (i) an amount equal to the positive difference of the Swapped Notes Available Revenue Funds on such Notes Calculation Date and the sum of the payments of items (a) up to and including (f) of the Swapped Notes Revenue Priority of Payments on the immediately succeeding Notes Payment Date;

and

(B)

the Non-Swapped Class A Notes Fraction of amounts received:

- (ii) as interest on the Mortgage Receivables less, with respect to each Savings Mortgage Receivable, an amount equal to the amount received, multiplied by the Participation Fraction;
- (iii) as interest accrued on the Issuer Collection Account other than on amounts standing to the credit of the Issuer Collection Account corresponding to amounts standing to the credit of the Financial Cash Collateral Ledger;
- (iv) as prepayment penalties under the Mortgage Receivables;
- (v) as Net Foreclosure Proceeds on any Mortgage Receivables to the extent such proceeds do not relate to principal less, with respect to each Savings Mortgage Receivable, an amount equal to the amount received multiplied by the Participation Fraction;
- (vi) as amounts to be drawn from the Issuer Collection Account with a corresponding debit to the Financial Cash Collateral Ledger, including any Set-Off Amount, on the immediately succeeding Notes Payment Date;
- (vii) 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 interest amounts do not relate to principal less, with respect to each Savings Mortgage Receivable, an amount equal to the interest amount received multiplied by the Participation Fraction;

- (viii) in connection with a sale of Mortgage Receivables pursuant to the Trust Deed to the extent such amounts do not relate to principal less, with respect to each Savings Mortgage Receivable, an amount equal to the amount of interest received multiplied by the Participation Fraction;
  - (ix) as Post-Foreclosure Proceeds on the Mortgage Receivables;
  - (x) any amounts standing to the credit of the Issuer Collection Account after all payment obligations of the Issuer under the Transaction Documents, other than towards payment of any Deferred Purchase Price, have been satisfied in full;
  - (xi) as amounts withheld from the Available Principal Funds on such Notes Payment Date as Interest Shortfall up to the amount that can be debited as Interest Shortfall to the Principal Deficiency Ledgers;
  - (xii) as amounts to be drawn under the Cash Advance Facility (other than Cash Advance Facility Stand-by Drawings) on the immediately succeeding Notes Payment Date; and
  - (xiii) as amounts to be drawn from the Issuer Collection Account with a corresponding debit to the Interest Reconciliation Ledger on the immediately succeeding Notes Payment Date;
- less
- (xiv) any amount to be credited to the Interest Reconciliation Ledger on the immediately succeeding Notes Payment Date;

will pursuant to the terms of the Trust Deed be applied in accordance with the Non-Swapped Notes Revenue Priority of Payments.

**Available Principal Funds**

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

- (i) as repayment and prepayment in full of principal under the Mortgage Receivables, excluding prepayment penalties, if any, less with respect to each Savings Mortgage Receivable, the Participation in such Savings Mortgage Receivable;
- (ii) as partial repayment and prepayment of principal under the Mortgage Receivables, excluding prepayment penalties, if any, and with respect to each Savings Mortgage Receivables up to an amount equal to the Participation in the relevant Savings Mortgage Receivable;
- (iii) as Net Foreclosure Proceeds on any Mortgage Receivable to the extent such proceeds relate to principal, less with respect to each Savings Mortgage Receivable, the Participation in such Savings Mortgage Receivable;
- (iv) as amounts received in connection with a repurchase of Mortgage Receivables pursuant to the Mortgage Receivables Purchase Agreement and any other amounts received pursuant to the Mortgage Receivables Purchase Agreement to the extent such amounts relate to principal, less with respect to each Savings Mortgage Receivable, the Participation in such Savings Mortgage Receivable;
- (v) as amounts received in connection with a sale of Mortgage Receivables pursuant to the Trust Deed to the extent such amounts relate to principal, less with respect to each Savings Mortgage Receivable, the Participation in such Savings Mortgage Receivable;
- (vi) as amounts to be credited to the Principal Deficiency Ledger on the immediately succeeding Notes Payment Date in accordance with the Trust Deed;
- (vii) as Participation Increase and as amounts to be received as Initial Savings Participation on the immediately succeeding Notes Payment Date pursuant to the Participation Agreements;
- (viii) as amounts equal to the excess (if any) of (a) the sum of the aggregate proceeds of the issue of the Notes and the Initial Savings Participation in respect of the Savings Mortgage Receivables over (b) the Initial Purchase Price of the Mortgage Receivables, and
- (ix) as amounts to be drawn from the Issuer Collection Account in respect of the Notes with a corresponding debit to the Principal Reconciliation Ledger on the immediately succeeding Notes Payment Date;

less

- (x) any amount to be credited to the Principal Reconciliation Ledger on the immediately succeeding Notes Payment Date;
- (xi) any Interest Shortfall up to an amount equal to the amount that can be debited as Interest Shortfall to the Principal Deficiency Ledgers;

will pursuant to the terms of the Trust Deed be applied by the Issuer on the immediately succeeding Notes Payment Date in accordance with the Redemption Priority of Payments.

#### **Cash Collection Arrangements**

Payments by the Borrowers under the Relevant Mortgage Loans are due and payable on the first day of each immediately succeeding calendar month, with interest being payable in arrear. All payments made by Borrowers must be paid into a Collection Foundation Account maintained by the Collection Foundation with one of the Foundation Account Providers. The Collection Foundation Accounts are also used for the collection of moneys paid in respect of mortgage loans other than the Relevant Mortgage Loans and in respect of other moneys to which the Sellers are entitled vis-à-vis the Collection Foundation.

Since the Collection Foundation Trigger Event with respect to SNS Bank has occurred, each Seller has undertaken in the Mortgage Receivables Purchase Agreement to procure that the Collection Foundation Accounts will be transferred to Rabobank as Foundation Account Provider before 1 January 2013 in deviation of the relevant provisions in the Receivables Proceeds Distribution Agreement, stating that upon the occurrence of a Collection Foundation Trigger Event, (i) the Collection Foundation and SNS Bank and RegioBank (in all their capacities) will procure that all amounts standing to the credit of the Collection Foundation Accounts held with SNS Bank and RegioBank as Foundation Account Providers will be immediately transferred to the Collection Foundation Account held with Rabobank and (ii) SNS Bank and RegioBank will procure and where required the Collection Foundation will procure that direct debits shall no longer be made to the Collection Foundation Accounts held with SNS Bank and RegioBank and Borrowers no longer pay any amount into such accounts.

The Collection Foundation has undertaken, prior to a Collection Foundation Trigger Event, to transfer all amounts of principal, interest and prepayment penalties received by the Collection Foundation in respect of the Relevant Mortgage Receivables and paid to the relevant Collection Foundation Account to the Issuer Collection Account on the same day as such funds are received. Since the Collection Foundation Trigger Event with respect to SNS Bank has occurred, each Seller has undertaken in the Mortgage Receivables Purchase Agreement to procure, until the transfer of the Collection Foundation Accounts to Rabobank as Foundation Account Provider, that all amounts of principal, interest and prepayment penalties received by the Collection Foundation in respect of the Relevant Mortgage Receivables and paid to the relevant Collection Foundation Account will continue to be transferred to the Issuer Collection Account on the same day as such funds are received. This is in deviation of the relevant provisions in the Receivables Proceeds Distribution Agreement, stating that the Collection Foundation will, following a Collection Foundation Trigger Event, procure transfer of all amounts of principal, interest and prepayment penalties received by the Collection Foundation in respect of the Relevant Mortgage Receivables and paid to the relevant Collection Foundation Account during the immediately preceding Mortgage Calculation Period, to the Issuer Collection Account on each Mortgage Collection Payment Date.

If at any time after the transfer of the Collection Foundation Accounts to Rabobank as Foundation Account Provider, Rabobank is assigned a long-term default rating of less than A-1 by S&P, or less than A or is F1 rating watch negative by Fitch (only to the extent S&P or Fitch assigns a credit rating to any of the notes issued under or in connection with any of the transaction agreements) or less than Prime-1 by Moody's, the Foundation Administrator on behalf of the Collection Foundation will as soon as reasonably possible, but at least within 30 days, (i) ensure that payments to be made by Rabobank as Foundation Account Provider in respect of amounts received on the Collection Foundation Accounts relating to the Mortgage Receivables will be fully guaranteed pursuant to an unconditional and irrevocable guarantee which complies with the criteria of the relevant Credit Rating Agencies, or transfer the Collection Foundation Accounts to a new account provider, provided that such guarantor or new account provider shall have at least a long-term default rating of A-1 by S&P, A or F1 (not rating watch negative) by Fitch (only to the extent S&P or Fitch assigns a credit rating to any of the notes

issued under or in connection with any of the transaction agreements) and Prime-1 by Moody's; or (ii) implement any other actions acceptable at that time to S&P (only to the extent S&P assigns a credit rating to any of the notes issued under or in connection with any of the transaction agreements) and provided Fitch (only to the extent Fitch assigns a credit rating to any of the notes issued under or in connection with any of the transaction agreements) and Moody's are notified of such other action. In case of a transfer to an alternative bank as referred to under (i) above, the Collection Foundation shall enter into a pledge agreement – and create a right of pledge over such bank account in favour of the relevant SPVs and the Security Trustees separately – upon terms substantially the same as the Collection Foundation Accounts Pledge Agreement. The Foundation Administrator, or if the Foundation Administrator fails to reimburse the Collection Foundation or pay on behalf of the Collection Foundation any costs in connection with this replacement, Rabobank as Foundation Account Provider shall pay any costs incurred by the Collection Foundation as a result of the action described under (i) or (ii) above.

#### **Financial Collateral Agreement**

In order to mitigate the risk of set-off by Borrowers with amounts standing to the credit of current accounts or deposits held with a Seller, the Issuer will enter into the Financial Collateral Agreement. Pursuant to the Financial Collateral Agreement, each Seller undertakes to transfer Eligible Collateral to the Issuer to the Issuer Collection Account with a corresponding credit to the Financial Cash Collateral Ledger on each Notes Payment Date in an amount of and having a value equal to the relevant Delivery Amount owed by such Seller.

The Issuer may on each Notes Payment Date draw from the Issuer Collection Account with a corresponding debit to the Financial Cash Collateral Ledger an amount equal to the sum of the relevant Set-Off Amount which any Seller is due to pay to the Issuer on the basis of the Mortgage Receivables Purchase Agreement and which is unpaid on such Notes Payment Date, subject to and in accordance with the Trust Deed, which amount shall form part of the Available Revenue Funds on such date.

To the extent that the relevant Posted Collateral Value on any Notes Payment Date exceeds the relevant Potential Set-Off Required Amount, such excess shall be retransferred by the Issuer to the relevant Seller in the form of equivalent collateral in the value of the relevant Return Amount and separate from any Priority of Payments.

The Issuer Administrator will include the amounts to be calculated under the Financial Collateral Agreement in the investor report on a quarterly basis.

For the purpose of the Financial Collateral Agreement, the following expressions will have the following meaning:

The "**Potential Set-Off Amount**" means, on any Notes Payment Date, with respect to each Seller, an amount equal to:

- (i) prior to the notification of the Borrowers of the assignment of the Relevant Mortgage Receivables to the Issuer, the sum of all amounts in respect of the Relevant Mortgage Receivables, which amounts are, in respect of each Relevant Mortgage Receivable separately, the lower of:
  - (a) the aggregate amount standing to the credit of each current-account or deposit held by the Borrower of the Relevant Mortgage Receivable(s) with the relevant Seller on the last day of the immediately preceding Notes Calculation Period; and
  - b. the aggregate Outstanding Principal Amount of such Relevant Mortgage Receivable(s) on the last day of the immediately preceding Notes Calculation Period, and
- (ii) after the notification of the Borrowers of the assignment of the Relevant Mortgage Receivables to the Issuer, the sum of all amounts in respect of the Relevant Mortgage Receivables, which amounts are, in respect of each Relevant Mortgage Receivable separately, the lower of:

- a. the aggregate amount standing to the credit of each current-account or deposit held by such Borrower with the relevant Seller on the last day of the immediately preceding Notes Calculation Period;
- b. the aggregate Outstanding Principal Amount of such Relevant Mortgage Receivable(s) on the last day of the immediately preceding Notes Calculation Period; and
- c. the aggregate amount standing to the credit of each current-account or deposit held by such Borrower with the relevant Seller on the date the relevant Borrower is notified of the assignment of the Relevant Mortgage Receivable(s) to the Issuer.

The "**Potential Set-Off Required Amount**" means, on any Notes Payment Date, with respect to each Seller, an amount calculated as at the relevant Notes Calculation Date, equal to (I) so long as any Class A Notes are outstanding, the higher of (x) an amount equal to (i) the Potential Set-Off Amount on the last day of the immediately preceding Notes Calculation Period less (ii) the sum of (a) an amount equal to 2.3 per cent. of the aggregate Outstanding Principal Amount of the Relevant Mortgage Receivables on the relevant Notes Calculation Date and (b) an amount equal to 80 per cent. of the Available Subordination Increase multiplied by the aggregate Outstanding Principal Amount of the Relevant Mortgage Receivables on the relevant Notes Calculation Date and (y) zero, and (II) zero if the Class A Notes have been redeemed in full;

The "**Available Subordination**" means, on any Notes Payment Date, a percentage equal to (x) the sum of the Principal Amount Outstanding of the Class C Notes, the Class D Notes and the Class E Notes on such Notes Payment Date, less any Class C Principal Deficiency, Class D Principal Deficiency and any Class E Principal Deficiency, divided by (y) the aggregate Principal Amount Outstanding of all Notes on the immediately preceding Notes Calculation Date;

The "**Available Subordination Increase**" means, on any Notes Payment Date, the higher of (x) a percentage equal to (i) the Available Subordination on the immediately preceding Notes Calculation Date less (ii) 5 per cent. and (y) zero per cent.

## 5.2 Priorities of Payments

### Revenue Priorities Payments

#### Swapped Notes Revenue Priority of Payments

Prior to the delivery of an Enforcement Notice, the Swapped Notes Available Revenue Funds will, pursuant to the terms of the Trust Deed, be applied by the Issuer on the immediately succeeding Notes 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 "**Swapped Notes Revenue 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 Transaction Documents;
- (b) *second*, in or towards satisfaction *pro rata*, according to the respective amounts thereof, of administration fees and expenses due and payable to the Servicers under the Servicing Agreement and the Issuer Administrator under the Administration Agreement;
- (c) *third*, in or towards satisfaction of, *pro rata*, according to the respective amounts thereof, (i) any amounts due and payable to third parties under obligations incurred in the Issuer's business (other than under the Transaction 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 the Withheld Amount) and the fees and expenses of the Credit Rating Agencies and any legal advisor, auditor and accountant, appointed by the Issuer or the Security Trustee, (ii) fees and expenses due to the Paying Agent and the Reference Agent under the Paying Agency Agreement and (iii) the Cash Advance Facility Commitment Fee under the Cash Advance Facility Agreement;
- (d) *fourth*, in or towards satisfaction of the Swapped Class A Notes Fraction of (i) any amounts due and payable to the Cash Advance Facility Provider under the Cash Advance Facility Agreement, other than the Cash Advance Facility Commitment Fee and (ii) following a Cash Advance Facility Stand-by Drawing, sums to be credited to the Cash Advance Facility Stand-by Ledger, but excluding any gross-up amounts or additional amounts due under the Cash Advance Facility Agreement payable under sub-paragraph (j) of the Non-Swapped Notes Revenue Priority of Payments;
- (e) *fifth*, in or towards satisfaction of amounts, if any, due but unpaid under the Swap Agreement (except for any Swap Counterparty Default Payment) and excluding, for the avoidance of doubt, any amount relating to Excess Swap Collateral, any Tax Credit and any amount applied or to be applied towards fulfilment of an initial swap payment of a replacement swap counterparty; and
- (f) *sixth*, *pro rata*, according to the respective amounts thereof, in or towards satisfaction of all amounts of interest due but unpaid in respect of the Class A1 Notes and the Class A2 Notes.

#### Non-Swapped Notes Revenue Priority of Payments

Prior to the delivery of an Enforcement Notice, Non-Swapped Notes Available Revenue Funds will, pursuant to the terms of the Trust Deed, be applied by the Issuer on the immediately succeeding Notes 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 "**Non-Swapped Notes Revenue Priority of Payments**"):

- (a) *first*, in or towards satisfaction of the Non-Swapped Class A Notes Fraction of (i) any amounts due and payable to the Cash Advance Facility Provider under the Cash Advance Facility Agreement, other than the Cash Advance Facility Commitment Fee and (ii) following a Cash Advance Facility Stand-by Drawing, sums to be credited to the Cash Advance Facility Stand-by Ledger, but excluding any gross-up amounts or additional amounts due under the Cash Advance Facility Agreement payable under sub-paragraph (j) below;
- (b) *second*, in or towards satisfaction of all amounts of interest due but unpaid in respect of the Class A3 Notes;
- (c) *third*, *pro rata*, according to the respective amounts thereof, in or towards satisfaction of all amounts of interest due but unpaid in respect of the Class A1 Notes and the Class A2 Notes



- after application of the Swapped Notes Revenue Funds in accordance with the Swapped Notes Revenue Priority of Payments;
- (d) *fourth*, in or towards satisfaction of sums to be credited to the Class A Principal Deficiency Ledger until the debit balance, if any, on the Class A Principal Deficiency Ledger is reduced to zero;
  - (e) *fifth*, in or towards satisfaction of sums to be credited to the Class B Principal Deficiency Ledger until the debit balance, if any, on the Class B Principal Deficiency Ledger is reduced to zero;
  - (f) *sixth*, in or towards satisfaction of sums to be credited to the Class C Principal Deficiency Ledger until the debit balance, if any, on the Class C Principal Deficiency Ledger is reduced to zero;
  - (g) *seventh*, in or towards satisfaction of sums to be credited to the Class D Principal Deficiency Ledger until the debit balance, if any, on the Class D Principal Deficiency Ledger is reduced to zero;
  - (h) *eighth*, in or towards satisfaction of sums to be credited to the Class E Principal Deficiency Ledger until the debit balance, if any, on the Class E Principal Deficiency Ledger is reduced to zero;
  - (i) *ninth*, in or towards satisfaction of the Swap Counterparty Default Payment payable to the Swap Counterparty under the terms of the Swap Agreement;
  - (j) *tenth*, in or towards satisfaction of gross-up amounts or additional amounts due, if any, to the Cash Advance Facility Provider pursuant to the Cash Advance Facility Agreement; and
  - (k) *eleventh*, in or towards satisfaction of a Deferred Purchase Price Instalment to the Sellers.

**Priority of Payments in respect of principal**

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

- (a) *first*, (a) in or towards satisfaction of principal amounts due under the Class A1 Notes until fully redeemed and, thereafter, in or towards satisfaction of principal amounts due under the Class A2 Notes until fully redeemed and, thereafter, in or towards satisfaction of principal amounts due under the Class A3 Notes until fully redeemed;
- (b) *second*, in or towards satisfaction of principal amounts due under the Class B Notes until fully redeemed;
- (c) *third*, in or towards satisfaction of principal amounts due under the Class C Notes until fully redeemed;
- (d) *fourth*, in or towards satisfaction of principal amounts due under the Class D Notes until fully redeemed; and
- (e) *fifth*, in or towards satisfaction of principal amounts due under the Class E Notes.

**Post-Enforcement Priority of Payments**

Following delivery of an Enforcement Notice any amounts payable by the Security Trustee under the Trust Deed, other than in respect of the Participations and which, for the avoidance of doubt, shall exclude any Excess Swap Collateral and any Tax Credit payable to the Swap Counterparty, will be paid to the Secured Creditors (including the Noteholders, but excluding the Insurance Savings Participant and the Bank Savings Participants, which shall be entitled to receive an amount equal to the Participation in each of the Savings Mortgage Receivables which are subject to a Participation or if the amount recovered, which amount will not be part of this Post-Enforcement Priority of Payments, is less than the Participation, then an amount equal to the amount actually recovered) in the following order of priority (after deduction of costs incurred by the Security Trustee, which will include, *inter alia*, the fees and expenses of the Credit 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 "**Post-Enforcement Priority of Payments**"):

- (a) *first*, in or towards satisfaction, *pro rata*, according to the respective amounts thereof, of (i) the fees or other remuneration due to the Directors under the Management Agreements, (ii) the

- fees and expenses of the Paying Agent and the Reference Agent incurred under the provisions of the Paying Agency Agreement, (iii) the fees and expenses of the Servicers under the Servicing Agreement and the Issuer Administrator under the Administration Agreement, (iv) any amounts due and payable to third parties under obligations incurred in the Issuer's business (other than under the Transaction 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 the Withheld Amount) and the fees and expenses of the Credit Rating Agencies and any legal advisor, auditor and accountant, appointed by the Issuer or the Security Trustee, and (v) the Cash Advance Facility Commitment Fee under the Cash Advance Facility Agreement;
- (b) *second*, to the Cash Advance Facility Provider, in or towards satisfaction of any sums due or accrued due but unpaid under the Cash Advance Facility Agreement, but excluding any gross-up amounts or additional amounts due under the Cash Advance Facility Agreement payable under sub-paragraph (k) below;
  - (c) *third*, in or towards satisfaction of all amounts, if any, due and payable to the Swap Counterparty under the Swap Agreement to be paid by the Issuer upon early termination of the Swap Agreement (as determined in accordance with its terms), but excluding any Swap Counterparty Default Payment payable under subparagraph (j) below;
  - (d) *fourth*, in or towards satisfaction, pro rata in accordance with the respective amounts thereof, of all amounts of interest due but unpaid in respect of the Class A1 Notes, the Class A2 Notes and the Class A3 Notes;
  - (e) *fifth*, in or towards satisfaction, pro rata in accordance with the respective amounts thereof, of all amounts of principal and any other amount due but unpaid in respect of the Class A1 Notes, the Class A2 Notes and the Class A3 Notes;
  - (f) *sixth*, in or towards satisfaction of all amounts of principal and any other amount due but unpaid in respect of the Class B Notes;
  - (g) *seventh*, in or towards satisfaction of all amounts of principal and any other amount due but unpaid in respect of the Class C Notes;
  - (h) *eighth*, in or towards satisfaction of all amounts of principal and any other amount due but unpaid in respect of the Class D Notes;
  - (i) *ninth*, in or towards satisfaction of all amounts of principal and any other amount due but unpaid in respect of the Class E Notes;
  - (j) *tenth*, to the Swap Counterparty in or towards payment of any Swap Counterparty Default Payment, to be paid by the Issuer to the Swap Counterparty upon an early termination of the Swap Agreement, as determined in accordance with its terms; and
  - (k) *eleventh*, in or towards satisfaction of gross-up amounts or additional amounts due, if any, to the Cash Advance Facility Provider pursuant to the Cash Advance Facility Agreement;
  - (l) *twelfth*, in or towards satisfaction of a Deferred Purchase Price Instalment to the Sellers.

Following delivery of an Enforcement Notice and outside the Post-Enforcement Priority of Payments, any amounts received or recovered by the Security Trustee as termination payment due to the Issuer under the Swap Agreement will be paid in or towards satisfaction, *pro rata* in accordance with the respective amounts hereof, of all amounts of interest due but unpaid in respect of the Class A1 Notes and the Class A2 Notes.

## 5.3 Loss allocation

### Principal Deficiency Ledger

A Principal Deficiency Ledger comprising seven sub-ledgers, known as the Class A1 Principal Deficiency Ledger, the Class A2 Principal Deficiency Ledger, the Class A3 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, respectively, will be established by or on behalf of the Issuer in order to record any Interest Shortfall and any Realised Losses on the Mortgage Receivables as Principal Deficiency upon completion of the foreclosure, such that there is no more collateral securing the Mortgage Receivable. On any Notes Calculation Date, any Interest Shortfall and, thereafter, any Realised Losses shall be debited to the Class E Principal Deficiency Ledger (such debit items being recredited at item (h) of the Non-Swapped Notes Revenue Priority of Payments) so long as the debit balance on such sub-ledger is less than the Principal Amount Outstanding of the Class E Notes and thereafter such amounts shall be debited to the Class D Principal Deficiency Ledger (such debit items being recredited at item (g) of the Non-Swapped Notes Revenue Priority of Payments) so long as the debit balance on such sub-ledger is less than the Principal Amount Outstanding of the Class D Notes and thereafter such amounts shall be debited to the Class C Principal Deficiency Ledger (such debit items being recredited at item (f) of the Non-Swapped Notes Revenue Priority of Payments) so long as the debit balance on such sub-ledger is less than the Principal Amount Outstanding of the Class C Notes and thereafter such amounts shall be debited to the Class B Principal Deficiency Ledger (such debit items being recredited at item (e) of the Non-Swapped Notes Revenue Priority of Payments) so long as the debit balance on such sub-ledger is less than the Principal Amount Outstanding of the Class B Notes and thereafter such amounts shall be debited, *pro rata* according to the Principal Amount Outstanding of the Class A1 Notes, the Class A2 Notes and the Class A3 Notes on the relevant Notes Calculation Date, to the Class A1 Principal Deficiency Ledger, the Class A2 Principal Deficiency Ledger and the Class A3 Principal Deficiency Ledger (such debit items being recredited at item (d) of the Non-Swapped Notes Revenue Priority of Payments).

"**Realised Losses**" means, on any relevant Notes Calculation Date, the sum of (a) with respect to the Mortgage Receivables in respect of which the relevant Seller, the relevant Servicer on behalf of the Issuer, the Issuer or the Security Trustee has completed the foreclosure, such that there is no more collateral securing the Mortgage Receivable, from the Closing Date up to and including the immediately preceding Notes Calculation Period, the amount of the positive difference, if any, between (i) the aggregate Outstanding Principal Amount of all Mortgage Receivables less, with respect to the Savings Mortgage Receivables, the Participations, and (ii) the amount of the Net Foreclosure Proceeds applied to reduce the Outstanding Principal Amount of the Mortgage Receivables less, with respect to Savings Mortgage Receivables, the Participations; and (b), with respect to the Mortgage Receivables sold by the Issuer, the amount of the positive difference, if any, between (i) the aggregate Outstanding Principal Amount of such Mortgage Receivables, less, with respect to Savings Mortgage Receivables, the Participations, and (ii) the purchase price of the Mortgage Receivables sold to the extent relating to principal, less, with respect to the Savings Mortgage Receivables, the Participations; and (c) with respect to the Mortgage Receivables in respect of which the Borrower has from the Closing Date up to and including the immediately preceding Notes Calculation Period (i) successfully asserted set-off or defence to payments or (ii) repaid or prepaid any amounts, in both cases the amount by which the Mortgage Receivables have been extinguished ("*teniet gegaan*") unless, and to the extent, such amount is received from the relevant Seller or otherwise pursuant to any item of the Available Principal Funds.

## 5.4 Hedging

### **Mortgage Loan interest rates**

The Mortgage Receivables sold and assigned to the Issuer on the Closing Date bear interest on the basis of any of the following alternatives: (i) fixed rate, whereby the rates can be fixed for a specific period between 1 to 30 years; (ii) floating rate; or (iii) slight variations to any of the above (as further described in section 6.2 (*Description of Mortgage Loans*)). The Mortgage Loan Criteria permit Mortgage Receivables bearing alternative types of interest offered by each Seller.

The actual amount of revenue received by the Issuer under the Mortgage Receivables Purchase Agreement will vary during the life of the Notes as a result of the level of delinquencies, defaults, substitutions, repayments and prepayments in respect of the Mortgage Receivables. Similarly, the actual amounts payable under the Swapped Notes Revenue Priority of Payments will vary during the life of the transaction as a result of fluctuations in EURIBOR and possible variations in certain other costs and expenses of the Issuer. The eventual effect of such variations could lead to drawings, and the replenishment of such drawings, under the Cash Advance Facility and to non-payment of certain items under the Revenue Priority of Payments.

### **Hedging of Mortgage Loan interest rates**

The interest rate payable by the Issuer with respect to, *inter alia*, the Class A1 Notes and Class A2 Notes is calculated as a margin over EURIBOR. The Issuer will hedge this interest rate exposure on the Class A1 Notes and the Class A2 Notes by entering into the Swap Agreement with the Swap Counterparty. There is no hedge available with respect to the fixed rate of interest payable on the Class A3 Notes.

Under the Swap Agreement, the Issuer agrees to pay on each Notes Payment Date amounts equal to (A) the Swapped Notes Fraction multiplied by the sum of (i) the Scheduled Interest in respect of the relevant Notes Calculation Period, plus (ii) the interest accrued on the Issuer Collection Account in the relevant Notes Calculation Period, excluding interest received with respect to a Cash Advance Facility Stand-by Drawing which has been deposited on the Issuer Collection Account with a corresponding credit on the Cash Advance Facility Stand-by Ledger and (iii) any prepayment penalties received in the relevant Notes Calculation Period, less (B) (x) the Excess Margin applied to the Swapped Notes Fraction of the Outstanding Principal Amount of the Mortgage Receivables as of the first day of the immediately preceding Notes Calculation Period, and (y) the Issuer Expenses, where the relevant Notes Calculation Period will be that ending immediately prior to the relevant Notes Payment Date.

The Swap Counterparty will agree to pay on each Notes Payment Date amounts equal to the aggregate scheduled interest due under the Class A1 Notes and the Class A2 Notes on such Notes Payment Date, and calculated by reference to the Floating Interest Rate for each such Sub-Class of Notes applied to an amount equal to (i) the Principal Amount Outstanding of the relevant Sub-Class of Notes on the first day of the relevant Interest Period, less (ii) an amount equal to the balance standing on the relevant sub-ledger of the Principal Deficiency Ledger, if any, on the first day of the relevant Interest Period.

Payments under the Swap Agreement will be netted.

The Swap Agreement will be documented under an ISDA Master Agreement. The Swap Agreement will be terminable by one party (i) if an applicable Event of Default or Termination Event (as defined therein) occurs in relation to the other party, (ii) if it becomes unlawful for either party to perform its obligations under the Swap Agreement or (iii) (by the Swap Counterparty only) if an Enforcement Notice is served. 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.

Upon the early termination of the Swap Agreement, 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 office, 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.

Any amounts received by the Issuer from the Swap Counterparty upon early termination of the Swap Agreement will be held on the Issuer Collection Account with a corresponding credit to 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 or (ii) as part of the Swapped Notes Revenue Available Funds (a) for so long no such replacement swap counterparty is available at such time, if and to the extent such amount is required to satisfy items (a) to (f) of the Swapped Notes Revenue Priority of Payments and (b) after an initial swap payment has been made to the replacement swap counterparty. Any remaining amount standing to the Swap Termination Payment Ledger will be released and will form part of the Swapped Notes Available Revenue Funds on the Notes 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 Class A1 Notes and the Class A2 Notes have been redeemed in full.

If the credit ratings of the debt obligations of the Swap Counterparty cease to be as high as the Swap Required Ratings, the Swap Counterparty will be required to take certain remedial measures which may include the provision of collateral for its obligations under the Swap Agreement, arranging for its obligations under the Swap Agreement to be transferred to an entity with the Swap Required Ratings, procuring another entity with at least the Swap Required Ratings to become co-obligor in respect of its obligations under the Swap Agreement, or the taking of such other action as will result in the credit ratings of the Class A1 Notes and the Class A2 Notes then outstanding being restored to or maintained at the level they were at immediately prior to such downgrade event. A failure to take such steps, subject to certain conditions, will give the Issuer the right to terminate the Swap Agreement.

The Issuer and the Swap Counterparty have entered into a credit support annex which forms part of the Swap Agreement on the basis of the standard ISDA documentation, which provides for requirements relating to the providing of collateral by the Swap Counterparty if it ceases to have at least the Swap Required Ratings.

Any collateral transferred by the Swap Counterparty in accordance with the provisions set out above which is in excess of its obligations to the Issuer under the Swap Agreement will promptly be returned to such Swap Counterparty prior to the distribution of any amounts due by the Issuer under the Transaction Documents and outside the Revenue Priorities of Payments.

## 5.5 Liquidity support

### **Cash Advance Facility**

On the Closing Date, the Issuer will enter into the Cash Advance Facility Agreement with the Cash Advance Facility Provider. The Issuer will be entitled on any Notes Payment Date (other than (x) a Notes Payment Date if and to the extent that on such date the Class A Notes are redeemed in full, and (y) the Final Maturity Date) to make drawings under the Cash Advance Facility Agreement up to the Cash Advance Facility Maximum Amount. The Cash Advance Facility Agreement is for a term of 364 days. The commitment of the Cash Advance Facility Provider is extendable at its option. Any drawing under the Cash Advance Facility by the Issuer shall only be made on a Notes Payment Date if and to the extent that without taking into account any drawing under the Cash Advance Facility Agreement, there is a shortfall in the Available Revenue Funds, without taking into account any amount withheld from the Available Principal Funds pursuant to item (xiv) of the Swapped Notes Revenue Available Funds to meet items (a) to (f) (inclusive) in the Swapped Notes Revenue Priority of Payments or, without taking into account any amount withheld from the Available Principal Funds pursuant to item (xi) of the Non-swapped Notes Revenue Available Funds to meet items (a) to (c) (inclusive) in the Non-Swapped Notes Revenue Priority of Payments in full on that Notes Payment Date.

If, at any time, (a) (i) any credit rating of the Cash Advance Facility Provider falls below the Requisite Credit Rating or any such rating is withdrawn and (ii) within 14 calendar days of such downgrading (x) the Cash Advance Facility Provider is not replaced with an alternative cash advance facility provider having at least a rating equal to the Requisite Credit Rating, (y) the Cash Advance Facility Provider has not procured that a guarantee for its obligations in favour of the Issuer has been issued in accordance with the guarantee criteria of the Rating Agencies which guarantee does not have an adverse effect on the then current ratings assigned to the Senior Class A Notes and/or (z) no other solution is found to maintain the then current rating assigned to the Notes, (b) the Cash Advance Facility Provider has refused to extend the Cash Advance Facility Agreement upon the Issuer's request; or (c) the Issuer has requested that the Cash Advance Facility Provider transfers its rights and obligations under the Cash Advance Facility Agreement to a third party in accordance with the Cash Advance Facility Agreement and the Cash Advance Facility Provider has not immediately been replaced with a cash advance facility provider having at least a rating equal to the Requisite Credit Rating (each a "**Cash Advance Facility Stand-by Drawing Event**"), the Issuer will be required forthwith to make a Cash Advance Facility Stand-by Drawing and credit such amount to the Issuer Collection Account with a corresponding credit to the Cash Advance Facility Stand-by Ledger. Amounts so credited to the Issuer Collection Account may be utilised by the Issuer in the same manner as a drawing under the Cash Advance Facility if the Cash Advance Facility Stand-by Drawing had not been so made. A Cash Advance Facility Stand-by Drawing shall also be made if the Cash Advance Facility is not renewed following its commitment termination date.

In case the Issuer enters into a new cash advance facility agreement with an alternative cash advance facility provider, such agreement shall be substantially on the terms of the Cash Advance Facility Agreement, provided that such alternative cash advance facility provider shall have the benefit of a fee at a level to be then determined, and the Issuer shall, promptly following the execution of such agreement, pledge its interests in such agreement in favour of the Security Trustee on the terms of the Issuer Rights Pledge Agreement, *mutatis mutandis*, to the satisfaction of the Security Trustee.

Since a Cash Advance Facility Stand-by Drawing Event of type (a) of the definition has occurred and is continuing on the Closing Date, the Issuer will on the Closing Date make a Cash Advance Facility Stand-by Drawing and credit such amount to the Issuer Collection Account with a corresponding credit to the Cash Advance Facility Stand-by Ledger.

### **Withholding of Available Principal Funds**

If on any Notes Calculation Date there is an Interest Shortfall, the Issuer shall have the right to withhold from the Available Principal Funds on the immediately following Notes Payment Date an amount equal to such Interest Shortfall up to the amount that can be debited as Interest Shortfall to the Principal Deficiency Ledger. The Swapped Class A Notes Fraction of such amount shall form part of the

Swapped Notes Revenue Available Funds as item (xiv). The Non-Swapped Class A Notes Fraction of such amount shall form part of the Non-Swapped Notes Revenue Available Funds as item (xi).

## 5.6 Transaction accounts

### Issuer Collection Account

The Issuer will maintain with the Issuer Account Bank the Issuer Collection Account to which all amounts received (i) in respect of the Mortgage Receivables and (ii) from the Insurance Savings Participant and the Bank Savings Participant under the Participation Agreements and (iii) from the other parties to the Transaction 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 or before each Mortgage Collection Payment Date in respect of the Mortgage Loans will be identified as principal or revenue receipts and credited to a Principal Ledger or a Revenue Ledger, as the case may be. Further ledgers will be maintained to record amounts held in the Issuer Account Agreement in connection with the Financial Cash Collateral Agreement and in connection with certain drawings made under the Cash Advance Facility.

Payments may be made from the Issuer Collection Account other than on a Notes Payment Date only to satisfy (i) amounts due to third parties (other than pursuant to the Transaction Documents) and under obligations incurred in connection with the Issuer's business and (ii) amounts due to the Insurance Savings Participant and the Bank Savings Participants under the Participation Agreements. In addition, the Issuer may pay any termination payment to the Swap Counterparty on any date other than a Notes Payment Date provided that the Issuer has received an amount equal to such amount as initial swap payment from the relevant replacement swap counterparty (see section 5.4 (*Hedging*)).

If, at any time, the Issuer Account Bank is assigned a credit rating of less than the Requisite Credit Rating or any such credit rating is withdrawn, the Issuer will be required within 31 calendar days of such reduction or withdrawal of such credit rating to (i) transfer the balance standing to the credit of the Issuer Accounts to an alternative Issuer Account Bank having the Requisite Credit Rating or (ii) find any other solution to maintain the then current credit ratings assigned to the Notes.

### Swap Collateral Account

The Issuer will maintain with the Issuer Account Bank the Swap Collateral Account to which any collateral in the form of cash may be credited by the Swap Counterparty pursuant to the Swap Agreement. If any collateral in the form of securities is provided to the Issuer by the Swap Counterparty, the Issuer will be required to open a custody account in which such securities will be held.

No withdrawals may be made in respect of the Swap Collateral Account or such other account in relation to securities other than:

- (i) to effect the return of Excess Swap Collateral to the Swap Counterparty (which return shall be effected by the transfer of such Excess Swap Collateral directly to the Swap Counterparty without deduction for any purpose, outside the Revenue Priorities of Payments); or
- (ii) following the termination of the Swap Agreement where an amount is owed by the Swap Counterparty to the Issuer, which will form part of the Swap Termination Payment Ledger with a corresponding credit to the Issuer Collection Account (for the avoidance of doubt, after any close out netting has taken place) provided that such amount may be first applied towards, or reserved for, an upfront payment to a replacement swap counterparty outside the Revenue Priorities of Payments.



## 5.7 Administration Agreement

### Issuer Services

In the Administration Agreement, the Issuer Administrator will agree to provide certain services, including (a) administration, calculation and cash management services to the Issuer, including all calculations to be made in respect of the Notes and the Transaction Documents, (b) operation of the Issuer Accounts and ensuring that payments are made into and from such accounts in accordance with the Administration Agreement and the Trust Deed and the production of monthly reports in relation thereto, (b) arranging for all payments to be made by the Issuer under the Notes in accordance with the Paying Agency Agreement and the Conditions of the Notes, (c) the maintaining of all required ledgers in accordance with the Trust Deed, (d) all calculation to be made in connection with the Financial Collateral Agreement and (e) all calculations to be made pursuant to the Conditions under the Notes.

The Issuer Administrator will calculate the amounts available to the Issuer on the basis of information received by it, including but not limited to the Mortgage Reports provided by the Servicer for each Notes Calculation Period.

### Termination

The Administration 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 Issuer Administrator in the payment on the due date of any payment due and payable under the Administration Agreement, (b) a default is made by the Issuer Administrator in the performance or observance of any of its other covenants and obligations under the Administration Agreement, or (c) the Issuer Administrator 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 suspension of payments ("*surseance van betaling*") 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.

Upon the occurrence of a termination event as set out above, the Security Trustee and the Issuer shall use their best efforts to appoint a substitute issuer administrator and such substitute issuer administrator shall enter into an agreement with the Issuer and the Security Trustee substantially on the terms of the Administration Agreement, provided that such substitute issuer administrator shall have the benefit of a servicing fee and an administration fee at a level to be then determined. The Issuer shall, promptly following the execution of such agreement, pledge its interests in such agreement in favour of the Security Trustee on the terms of the Issuer Rights Pledge Agreement, *mutatis mutandis*, to the satisfaction of the Security Trustee.

The Administration Agreement may be terminated by the Issuer Administrator upon the expiry of not less than 12 months' notice of termination given by the Issuer Administrator to each of the Issuer and the Security Trustee provided that, *inter alia*, (a) the Security Trustee consents in writing to such termination (b) the Credit Rating Agencies have provided a Credit Rating Agency Confirmation and (c) a substitute issuer administrator shall be appointed, such appointment to be effective not later than the date of termination of the Administration Agreement and the Issuer Administrator shall not be released from its obligations under the Administration Agreement until such substitute issuer administrator has entered into such new agreement.

### Calculations

The Issuer Administrator will calculate the amounts available to the Issuer on the basis of information received by it, including but not limited to the Mortgage Reports provided by the Servicer for each Notes Calculation Period.

If on any Mortgage Report Date no Mortgage Report is delivered to the Issuer Administrator by the Servicers in accordance with the Servicing Agreement, the Issuer Administrator will use all reasonable endeavours to make all determinations, necessary in order for the Issuer Administrator to continue to perform the Issuer Services, as further set out in the Administration Agreement. The Issuer Administrator will make such determinations until such time it receives from the Servicers or substitute servicer the Mortgage Report. Upon receipt by the Issuer Administrator of such Mortgage Report, the

Issuer Administrator will apply the reconciliation calculations as further set out in the Administration Agreement in respect of payments made as a result of determinations made by the Issuer Administrator during the period when no Mortgage Report was available. With respect to the Non-Swapped Revenue Priority of Payments, the Issuer Administrator shall only make payments for items (a) up to and including (j) and shall make no payments to any items ranking below item (j) until the relevant Mortgage Reports are available. The Issuer Administrator shall credit the amounts that remain after the Swapped Notes Revenue Priority of Payments and items (a) up to and including (j) of the Non-Swapped Revenue Priority of Payments have been paid in full on a the Reconciliation Ledger. Any amount remaining on the Reconciliation Ledger shall be released and form part of the Available Revenue Funds after the reconciliation in accordance with the Administration Agreement has been completed.

Any (i) calculations properly done in accordance with the Trust Deed and in accordance with the Administration Agreement, and (ii) payments made and payments not made under any of the Notes and Transaction Documents in accordance with such calculations and (iii) reconciliation calculations and reconciliation payments made or payments not made as a result of such reconciliation calculations, each in accordance with the Administration Agreement, shall be deemed to be done, made or not made in accordance with the provisions of the Transaction Documents and will in themselves not lead to an event of default or any other default or termination event under any of the Transaction Documents or breach of any triggers included therein (including but not limited to Assignment Notification Events and Pledge Notification Events). Therefore there is a risk that the Issuer pays out less or more interest and, respectively, less or more principal on the Notes than would have been payable if accurate Mortgage Reports were available.

## 6. PORTFOLIO INFORMATION

### 6.1 Stratification tables

The numerical information set out below relates to the Provisional Pool which was selected on 30 June 2012. Therefore, the information set out below in relation to the Provisional Pool may not necessarily correspond to that of the Mortgage Receivables actually sold on the Closing Date. After the Closing Date, the portfolio will change from time to time as a result of repayment, prepayment, amendment and repurchase of Mortgage Receivables.

#### Key Characteristics of the Provisional Pool

Outstanding current balance	€	999.775.596,15
Outstanding savings balance	€	27.949.552,35
Outstanding net balance	€	971.826.043,80
Number of mortgages		5.830
Number of mortgage loan parts		11.750
Average outstanding principal balance		166.694
Minimum outstanding principal balance		21.237
Maximum outstanding principal balance		500.000
Maximum current interest rate		9,20%
Minimum current interest rate		1,80%
Weighted average current interest rate		4,28%
Current Loan to Foreclosure Value ratio		88,76
Weighted average loan to market value (%)*		77,67
Weighted average seasoning		33
Weighted average current remaining Term to Maturity (yrs)		25,84

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

**Table 1: Originator**

Bank	Principal balance		Number of mortgages	
	(euro)	% of Total		% of Total
SNS Bank	767.055.449	78,93%	4.579	78,54%
Regiobank	204.770.595	21,07%	1.251	21,46%
<b>Total</b>	<b>971.826.044</b>	<b>100%</b>	<b>5.830</b>	<b>100%</b>

**Table 2: NHG**

NHG	Principal balance		Number of parts	
	(euro)	% of Total		% of Total
No	267.643.153	27,54%	2.742	23,34%
Yes	704.182.891	72,46%	9.008	76,66%
Total	971.826.044	100%	11.750	100%

**Table 3: Mortgage Type**

Repayment Type	Principal balance		Number of parts	
	(euro)	% of Total		% of Total
Annuity	16.673.053	1,72%	427	3,63%
Interest only	677.621.487	69,73%	7.829	66,63%
Linear	1.899.865	0,20%	34	0,29%
Savings	275.631.640	28,36%	3.460	29,45%
	971.826.044	100%	11.750	100%

**Table 4: Types of property**

Type of property	Principal balance		Number of mortgages	
	(euro)	% of Total		% of Total
Apartment	98.748.837	10,16%	691	11,85%
House	873.077.207	89,84%	5.139	88,15%
Total	971.826.044	100%	5.830	100%

**Table 5: Mortgage Size**

Size of outstanding loan balance (euro)	Principal balance		Number of mortgages	
	(euro)	% of Total		% of Total
0-<50,000	4.129.203	0,42%	112	1,92%
50,000- <100,000	61.168.048	6,29%	767	13,16%
100,000- <150,000	209.725.370	21,58%	1.655	28,39%
150,000- <200,000	291.806.210	30,03%	1.680	28,82%
200,000- <250,000	228.008.146	23,46%	1.027	17,62%
250,000- <300,000	98.791.157	10,17%	369	6,33%
300,000- <350,000	40.550.393	4,17%	127	2,18%
350,000- <400,000	16.960.800	1,75%	46	0,79%
400,000- <450,000	12.207.535	1,26%	29	0,50%
450,000- • 500,000	8.479.183	0,87%	18	0,31%
Total	971.826.044	100%	5.830	100%

**Table 6: Seasoning**

Year of origination	Principal balance		Number of parts	
	(euro)	% of Total		% of Total
1999	12.088.414	1,24%	218	1,86%
2000	7.430.314	0,76%	114	0,97%
2001	6.565.138	0,68%	84	0,71%
2002	5.611.235	0,58%	76	0,65%
2003	10.477.616	1,08%	168	1,43%
2004	26.428.393	2,72%	388	3,30%
2005	43.585.089	4,48%	686	5,84%
2006	49.142.357	5,06%	686	5,84%
2007	29.775.169	3,06%	361	3,07%
2008	31.872.861	3,28%	397	3,38%
2009	41.263.929	4,25%	506	4,31%
2010	341.742.384	35,16%	3.992	33,97%
2011	365.363.582	37,60%	4.066	34,60%
2012	479.565	0,05%	8	0,07%
<b>Total</b>	<b>971.826.044</b>	<b>100%</b>	<b>11.750</b>	<b>100%</b>

**Table 7: Interest Type**

Interest Type	Principal balance		Number of parts	
	(euro)	% of Total		% of Total
"rentedemper" 10 year, 2% band	5.282.144	0,54%	70	0,60%
"rentedemper" 10 year, 3% band	2.646.744	0,27%	31	0,26%
"rentedemper" 15 year, 3% band	1.706.764	0,18%	20	0,17%
"rentedemper" 5 year, 1% band	1.832.513	0,19%	27	0,23%
"rentedemper" 5 year, 2% band	490.632	0,05%	8	0,07%
"rentedemper" 5 year, 3% band	112.000	0,01%	1	0,01%
"Stabielrente" 1% band	3.032.012	0,31%	46	0,39%
"Stabielrente" 2% band	74.580	0,01%	1	0,01%
"Stabielrente" 2,5% band	107.237	0,01%	2	0,02%
"Stabielrente" 3% band	140.650	0,01%	3	0,03%
"VariRust" 1% band	620.075	0,06%	9	0,08%
1 yr fixed	7.462.415	0,77%	118	1,00%
1 yr fixed + 1 yr refixing period	96.620	0,01%	2	0,02%
10 yr "plafondrente"	162.466.665	16,72%	1.930	16,43%
10 yr fixed	331.508.023	34,11%	4.087	34,78%
10 yr fixed + 2 yr refixing period	896.620	0,09%	12	0,10%
12 yr fixed	12.945.335	1,33%	158	1,34%
14 yr fixed + 1 yr refixing period	1.297.183	0,13%	30	0,26%
15 yr fixed	17.754.946	1,83%	278	2,37%
2 yr fixed	690.587	0,07%	7	0,06%
20 yr fixed	22.398.023	2,30%	333	2,83%
24 months "instaprente"	237.140	0,02%	5	0,04%
3 yr fixed	6.466.393	0,67%	80	0,68%
30 yr fixed	3.077.699	0,32%	39	0,33%
4 yr fixed + 1 yr refixing period	2.645.864	0,27%	45	0,38%
5 yr "plafondrente"	189.418.925	19,49%	2.078	17,69%
5 yr fixed	78.269.392	8,05%	906	7,71%
5 yr fixed + 2 yr refixing period	233.000	0,02%	2	0,02%
6 yr fixed	14.225.349	1,46%	188	1,60%
7 yr fixed	7.272.739	0,75%	76	0,65%
9 yr fixed + 1 yr refixing period	5.229.341	0,54%	80	0,68%
Average interest rate	3.555.428	0,37%	61	0,52%
Ideaal	94.547	0,01%	3	0,03%
Variable	87.538.460	9,01%	1.014	8,63%
<b>Total</b>	<b>971.826.044</b>	<b>100%</b>	<b>11.750</b>	<b>100%</b>

**Table 8: Interest Rate**

Interest Rate %	Principal balance		Number of parts	
	(euro)	% of Total		% of Total
1 - <2	810.423	0,08%	16	0,14%
2 - <3	22.960.700	2,36%	253	2,15%
3 - <4	321.147.975	33,05%	3.765	32,04%
4 - <5	438.822.842	45,15%	5.348	45,51%
5 - <6	178.695.878	18,39%	2.235	19,02%
6 - <7	9.241.926	0,95%	127	1,08%
7 - <8	56.957	0,01%	3	0,03%
8 - <9	85.215	0,01%	2	0,02%
9 - <10	4.128	0,00%	1	0,01%
<b>Total</b>	<b>971.826.044</b>	<b>100%</b>	<b>11.750</b>	<b>100%</b>

**Table 9: Current LTFV**

Current Loan-to-Foreclosure Value Ratio (%)	Principal balance		Number of mortgages	
	(euro)	% of Total		% of Total
0 - <10	234.647	0,02%	8	0,14%
10 - <20	2.478.322	0,26%	53	0,91%
20 - <30	10.722.438	1,10%	138	2,37%
30 - <40	23.002.133	2,37%	243	4,17%
40 - <50	40.716.310	4,19%	349	5,99%
50 - <60	69.702.831	7,17%	495	8,49%
60 - <70	82.605.801	8,50%	540	9,26%
70 - <80	103.515.930	10,65%	628	10,77%
80 - <90	108.998.345	11,22%	627	10,75%
90 - <100	130.393.021	13,42%	714	12,25%
100 - <110	165.554.513	17,04%	870	14,92%
110 - <120	187.310.258	19,27%	930	15,95%
120 - • 125	46.591.497	4,79%	235	4,03%
<b>Total</b>	<b>971.826.044</b>	<b>100%</b>	<b>5.830</b>	<b>100%</b>

**Table 10: Geographical distribution**

Region	Principal balance		Number of mortgages	
	(euro)	% of Total		% of Total
Drenthe	30.657.199	3,15%	201	3,45%
Flevoland	24.265.519	2,50%	146	2,50%
Friesland	23.717.070	2,44%	163	2,80%
Gelderland	159.549.107	16,42%	908	15,57%
Groningen	33.954.468	3,49%	256	4,39%
Limburg	176.378.396	18,15%	1.197	20,53%
Noord-Brabant	145.643.802	14,99%	816	14,00%
Noord-Holland	91.288.459	9,39%	499	8,56%
Overijssel	73.396.874	7,55%	450	7,72%
Utrecht	65.365.552	6,73%	338	5,80%
Zeeland	22.501.820	2,32%	148	2,54%
Zuid-Holland	125.107.778	12,87%	708	12,14%
	971.826.044	100%	5.830	100%



**Table 11: Legal final maturity of mortgages**

Year	Principal balance		Number of parts	
	(euro)	% of Total		% of Total
2012	131.905	0,01%	4	0,03%
2013	228.736	0,02%	7	0,06%
2014	222.078	0,02%	10	0,09%
2015	163.958	0,02%	11	0,09%
2016	766.584	0,08%	25	0,21%
2017	525.554	0,05%	22	0,19%
2018	638.114	0,07%	26	0,22%
2019	1.320.327	0,14%	43	0,37%
2020	951.947	0,10%	37	0,31%
2021	2.041.749	0,21%	55	0,47%
2022	1.327.478	0,14%	34	0,29%
2023	2.262.707	0,23%	57	0,49%
2024	1.621.506	0,17%	37	0,31%
2025	3.407.294	0,35%	78	0,66%
2026	4.824.353	0,50%	104	0,89%
2027	5.284.455	0,54%	102	0,87%
2028	6.390.424	0,66%	112	0,95%
2029	17.205.235	1,77%	276	2,35%
2030	21.370.784	2,20%	314	2,67%
2031	38.051.552	3,92%	485	4,13%
2032	17.104.614	1,76%	221	1,88%
2033	21.083.370	2,17%	286	2,43%
2034	31.748.869	3,27%	419	3,57%
2035	53.758.586	5,53%	731	6,22%
2036	56.706.469	5,84%	730	6,21%
2037	29.850.012	3,07%	338	2,88%
2038	29.843.085	3,07%	353	3,00%
2039	32.965.458	3,39%	384	3,27%
2040	226.160.872	23,27%	2.579	21,95%
2041	363.842.970	37,44%	3.869	32,93%
2042	25.000	0,00%	1	0,01%
	971.826.044	100%	11.750	100%

## 6.2 Description of Mortgage Loans

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

The Mortgage Loans are loans secured by a mortgage, evidenced by notarial mortgage deeds ("*notariële akten van hypotheekstelling*") each entered into by the relevant Seller and the relevant Borrowers. The Mortgage Loans are all in the form of All Monies Mortgages. See *Risk that the All Monies Security Rights will not follow the Mortgage Receivables upon assignment to the Issuer* in *Risk Factors* above.

The Mortgage Loans in the Final Portfolio will be selected on the Closing Date from a Provisional Pool of mortgage loans that have been selected in accordance with the criteria set forth in the Mortgage Receivables Purchase Agreement. The Final Portfolio will have the same general characteristics as the Provisional Pool.

For a description of the representations and warranties given by the Sellers reference is made to section 7.2 (*Representations and warranties*).

Based on the numerical information set out in section 6.1 (*Stratification tables*), but subject to what is set out in section 2 (*Risk Factors*), the Mortgage Receivables backing the issue of the Notes have characteristics that demonstrate capacity to produce funds to service payments due and payable on the Notes.

## 6.3 Origination and servicing by Sellers

### A. Mortgage Origination

SNS Bank originates mortgage loans through two separate channels: directly, through its branch network and indirectly, through independent agents, such as estate agents, financial advisers and insurance intermediaries. RegioBank originates mortgages through its franchise network.

#### *Borrower Income Requirements*

The maximum amount that can be borrowed depends on, *inter alia*, the Borrower's income. The relevant Seller calculates the maximum proportion of a Borrower's income that may be applied to service principal and interest on the mortgage loan and the entire Borrower's other financial commitments.

#### *Other Conditions*

The following general conditions also apply to mortgage loans offered:

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

### B. Residential Mortgage Products

The Sellers offer a full range of mortgage products with various interest rate and repayment mechanisms. Only certain specified mortgage products are intended to be assigned to the Issuer. The characteristics of these products are described further below.

#### *Legal Form*

Details of all land and properties are recorded in public registers in the Netherlands. All Mortgage Loans are secured by a mortgage evidenced by a notarial mortgage deed recorded in these registers. Although other legal forms of mortgage loans are available in the Netherlands, all mortgage loans originated are "All Monies Mortgages". An All Monies Mortgage is a mortgage that secures not only the loan granted to finance a property, long lease or apartment right, but also any other liabilities owed at any time by the relevant Borrower to the relevant Seller. Accordingly, the Mortgaged Asset provides security for all debts up to a maximum amount as registered in the relevant public registry. For a further description of All Monies Mortgages see section 2 (*Risk Factors*).

#### *Mortgaged Assets*

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

#### *Repayment Mechanism*

Apart from Interest-Only mortgage loans ("*aflossingsvrije hypotheek*") whereby principal is repaid at final maturity of the mortgage loan (which to the extent compulsory under the relevant acceptance conditions, have the benefit of combined risk and capital life insurance policies taken out by Borrowers with an insurance company), the following repayment mechanisms are offered by all or some Sellers:

#### Savings Mortgage Loans ("*spaarhypotheek*")

A Savings Mortgage Loan and the Savings Mortgage Receivable relating thereto consists of a Mortgage Loan entered into by the relevant Seller and the relevant Borrower, which has the benefit of a Savings

Insurance Policy taken out by the Borrower with an insurance company.

Bank Savings Mortgage Loans ("*bankspaarhypotheek*")

The Mortgage Loans (or parts thereof) may be in the form of Bank Savings Mortgage Loans which consist of Mortgage Loans entered into by the relevant Seller and the relevant Borrower combined with a blocked Bank Savings Account. Under the Bank Savings Mortgage Loan no principal is paid by the Borrower prior to the maturity of the Mortgage Loan. Instead, the Borrower pays a monthly Bank Savings Deposit in the Bank Savings Account. The Bank Savings Deposit 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 relevant part of the amount due by the Borrower to the relevant Seller at maturity of the Bank Savings Mortgage Loan. The balances standing to the credit of the Bank Savings Accounts are pledged to the relevant Seller as security for repayment of the relevant Bank Savings Mortgage Loan.

Investment Mortgage Loans ("*beleggingshypotheek*")

In case of SNS Bank, the Borrower undertakes to invest, whether on a lump sum basis or on an instalment basis, by applying his own funds or (part of) the proceeds of the Investment Mortgage Loan by means of an Investment Account in certain investment funds of SNS Beleggingsfondsen N.V. The investments in Investment Funds are effectuated by the Borrowers paying the relevant amount from the Investment Account to an account held with SNS Bank, designated by SNS Bank for the purchasing of securities of Investment Funds by Stichting SNS Beleggersgiro. The securities purchased by SNS Beleggersgiro, will be in the form of "*Wge-effecten*" (securities regulated under the *Wge*) and will be administrated on the Investment Account. With SNS Bank the Borrower undertakes to invest, whether on a lump sum basis or on an instalment basis, by applying an agreed amount in certain investment funds or certain other securities selected by the Borrower out of a range of investment funds and/or securities offered by the bank or Investment Firm. The Investment Firm is notified of the fact that the Borrower is only allowed to purchase investment funds and/or securities selected by SNS Bank. The securities purchased will be administrated on an investment account held with a bank or a beleggersgiro in the Netherlands.

Life Mortgage Loans ("*levenshypotheek*")

An Interest-only Mortgage Loan to which a Life Insurance Policy with a Life Insurance Company is connected. Principal repayments will be paid out from the proceeds of the Life Insurance Policy.

Linear Mortgage Loans ("*lineaire hypotheek*")

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

Annuity Mortgage Loans ("*annuïteitenhypotheek*")

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

Combined Mortgage Loans ("*combinatiehypotheeken*")

In order to tailor a Mortgage Loan to meet as closely as possible the specific fiscal and economic needs of a Borrower, it is common for a Mortgage Loan to be constructed from a combination of mortgage types.

*Interest rate*

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

- fixed rate, whereby the interest rates can be fixed for a specific period between 1 to 30 years;
- floating rate; or
- any other type of interest alternatives offered, including:
  - Stable Interest ("*Stabiele Rente*"), which is the interest payable by the Borrower is determined on an annual basis, whereby the Borrower chooses a bandwidth between 1.0 per cent. and 3.5 per cent., (increased by steps of 0.5 per cent.) at the beginning of the Mortgage Loan. At any time, the Borrower is entitled to choose another bandwidth, subject to payment of certain administrative costs. Each bandwidth has its own SNS Stable Interest rate. Every year the interest rate in the contract ("*contractrente*") will be compared with the actual SNS Stable Interest rate ("*toetsrente*") for the applicable bandwidth. When the difference falls within the bandwidth, the interest rate for that year

will be fixed at the interest rate equal to the interest rate in the contract of the Borrower ("*contractrente*"). When the difference falls outside the bandwidth, the interest rate for that year will be fixed at the interest rate equal to the interest rate in the contract of the Borrower ("*contractrente*") adjusted for the percentage which did fall outside the bandwidth.

- Ideal Interest ("*Ideaal Rente*"), which is the average interest rate over five years. The interest payable by the Borrower is determined using a fraction in which the numerator is the sum of five interest percentages determined by SNS as the Ideal Interest and in which the denominator is five. In the first year, the numerator equals the Ideal Interest percentage for that year multiplied by five. In the second year the numerator equals the Ideal Interest percentage for year one multiplied by four plus the Ideal Interest percentage for year two. In the years thereafter, the most recent Ideal Interest percentage is included and the oldest Ideal Interest percentage is excluded from the numerator.
- Middle Interest ("*Middelrente*"), which is the average interest rate over ten years. The interest payable by the Borrower is determined using a fraction in which the numerator is the sum of ten interest percentages determined by the originator as the Ideal Interest and in which the denominator is ten. In the first year, the numerator equals the Middle Interest percentage for that year multiplied by ten. In the second year the numerator equals the Middle Interest percentage for year one multiplied by nine plus the Middle Interest percentage for year two. In the years thereafter, the most recent Middle Interest percentage is included and the oldest Ideal Interest percentage is excluded from the numerator.
- Capped Interest ("*Plafond Rente*"), which is payable by the Borrower is a floating interest rate with a cap. The Borrower can choose a Ceiling Interest for five or ten years. In this period the borrower pays the floating Ceiling Interest rate with an agreed maximum ("*plafond*") interest rate.
- Interest Damper ("*Rente Demper*"), which is payable by the Borrower is determined on semi annual basis whereby the interest rate is the average of a floating rate interest, as long as the floating rate stays within the bandwidth chosen by the Borrower. If the floating rate interest exceeds the bandwidth, the interest rate will be fixed at the interest rate equal to the average interest rate adjusted with the percentage which falls outside the bandwidth. The chosen bandwidth will be between 1.0 per cent. and 3.0 per cent. respectively, depending on the duration of the interest period of 5, 10 or 15 years.
- Starting Rate ("*Instaprente*"), which is payable by the Borrower is a temporary interest rate which is determined for a limited period mostly for 12 to 24 months of the tenor of the mortgage loan. During this period, the Borrower has to make a decision for the succeeding interest period and interest rate.
- VariRust ("*VariRust*"), which is payable by the Borrower is a floating rate interest with a margin (in excess of the applicable interest rate) of 1.0 per cent. or 3.0 per cent. by the Borrower.
- Refixing period: whereby, similar to the fixed rate mortgages, the fixed rates reset after a specified period. In the case of the refixing period, the Borrower will remain on the original fixed rate during the refixing period and has the option to refix at any point during that period to a rate offered by SNS.

#### *Prepayments*

Annual prepayments of not more than 20 per cent. of the original mortgage loan are allowed without a penalty being due. In addition, full prepayments can be made without penalty in specific situations:

- at the time of rate resetting;
- on sale or destruction of the property;
- if the Borrower dies.

In other cases, except for Ceiling Interest mortgage loans, penalty charges apply which are calculated as the net present value of the difference between the fixed rate being paid and the current mortgage rate, if lower, for the remaining term of the fixed period. For mortgage loans with a Ceiling Interest, the penalty is calculated by multiplying an agreed percentage with the remaining term of the Ceiling Interest and the loan balance.

### **C. Mortgage Administration**

#### *Collection Procedures*

If a client has given direct debit instructions, interest payments and repayments due will be debited directly from this account. Otherwise the client will receive a payment slip.

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

#### *Arrears Management*

The procedures for the monitoring and collection of late payments include the following actions:

At the beginning of each month late payments are being signalled. After ten days a reminder letter is automatically generated and sent to the Borrower. Further reminder letters are being generated if the arrear persists. Besides reminder letters the client may be contacted by phone either directly by the bank or with the use of the intermediary. In case of increasing arrears and limited possibilities to become current an attempt is made to come to an agreement for a private sale of the property. If all negotiations with the borrower fail the civil-law notary will be instructed, who will then organise a forced sale by way of public auction.

#### *Rate re-setting procedures*

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

#### **D. Concentration with insurer**

In view of the fact that the Sellers and SRLEV N.V. all form part of the group of companies formed by SNS REAAL N.V. and its subsidiaries, it is probable that more than an average part of the insurance policies relating to the Mortgage Receivables originated by the Sellers and purchased by the Issuer are taken out by the Borrowers with SRLEV N.V.

## 6.4 Dutch residential mortgage market

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 those pertaining to the deductibility of mortgage interest, have shaped the Dutch residential mortgage market<sup>1</sup>.

Dutch mortgages are predominantly of a fixed rate nature and typically are set for a period between 5 and 10 years. The historically low mortgage interest rate in 2005 has proved an additional incentive for borrowers to opt for mortgages with a long-term fixed interest rate (up to as much as 30 years, which gives people almost life-long certainty).<sup>2</sup> For this reason Dutch mortgage consumers are relatively well insulated against interest rate shocks.<sup>3</sup>

Even though housing prices declined since 2008, the amount of outstanding mortgage loans has continued to increase. However since the second quarter of 2011 mortgage debt of households is stabilizing (Chart 1)<sup>4</sup>. The market is still supported by a gradual increase in the levels of owner-occupation and an environment of low mortgage interest rates.

Increased competition and the deregulation of the Dutch financial markets has resulted in the development of tailor-made mortgage loans consisting of various parts and features. Because of the credit crisis the more risk seeking products are no longer provided. The mortgage products offered by lenders reflect the (until 2001) full tax deductibility of mortgage interest and have encouraged borrowers to defer repayment of principal for as long as possible. This is evidenced by relatively high loan to foreclosure values and the extensive use of non-amortising mortgage products, which provide full tax benefits for the whole maturity of the mortgage without the need to redeem the mortgage. For households who wanted to redeem their mortgage without losing their tax benefit the 'bank saving mortgage' was introduced. Main feature is that households open a deposit account where they get the same interest rate as they pay on their mortgage. After 30 years, the maximum time span households may deduct their interest payments, these savings are used to redeem the mortgage.

As of January 2001, mortgage tax deductibility has been limited by new tax legislation in three areas. Firstly, deductibility applies only to mortgages on the borrower's primary residence and not to second homes such as holiday homes. Secondly, interest deductibility on a mortgage loan for a principal residence is only allowed for periods of up to 30 years. Lastly, the top tax rate has been reduced from 60% to 52%. However, these changes did not have a significant impact on the rate of mortgage origination, mainly because of the ongoing decrease of mortgage interest rates at that time.

On top of the limitations that came into force in 2001, tax deductibility of mortgage interest payments has been further restricted as of the 1<sup>st</sup> January 2004. Under this regulation (*Bijleenregeling*), tax deductibility is only granted up to the purchase price of the new house less the realised net profit on the old house.

Since the 1<sup>st</sup> of August 2011 the requirements for mortgage lending have been tightened by the Financial Markets Authority (*AFM*) to limit the risks of over-crediting. A mortgage may not exceed 104% of the market value of the property plus transfer tax. In addition only a maximum 50% of the market value of the property can be an interest-only mortgage (or equity should be built up to the same amount). In addition, the revised Code of Conduct provides less leeway for exceptions using the 'explain' clause. This will make it more difficult for especially first-time buyers to raise financing as they were overrepresented in the explain clauses.<sup>5</sup>

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<sup>1</sup> NMA, Sectorstudie Hypotheekmarkt

<sup>2</sup> Dutch Central Bank

<sup>3</sup> Maarten van der Molen en Hans Stegeman, 2011, De ongekende stabiliteit van de Nederlandse woningmarkt

<sup>4</sup> Dutch Central Bank

<sup>5</sup> M.T. van der Molen, 2012, Aanschaffen woning is makkelijker

On the 26<sup>th</sup> of April 2012 five political parties agreed upon an austerity package to reduce the Dutch budget deficit to less than 3% in 2013. As part of the agreement, from the 1<sup>st</sup> of January 2013 new mortgages will only qualify for tax deductibility if households redeem their mortgage on an annuity basis or faster. Furthermore, the maximum loan to value will be lowered step by step to 100%. The transfer tax that was already temporarily lowered from 6% to 2% on the 1<sup>st</sup> July 2011, will remain at 2%.<sup>6</sup> The debate in the House of Representatives (*Tweede Kamer*) on the reforms on the housing market has been postponed to after the elections, which were held on the 12<sup>th</sup> of September 2012. Consequence will be that the agreement will instead probably be the starting point for negotiations of a new coalition. In case the measures as stated in the agreement will be put in place, it is likely that the impact on the house price level will be negative, but the extent is uncertain and depends amongst other things on the overall confidence level and the real disposable income development.

The residential property market is still not showing any signs of recovery. In the second quarter of 2012, the average house price fell by 5.1% as compared to the same period last year (Chart 2). A lack of confidence among house buyers has sapped momentum from the market. From peak-to-trough the price decline amounted to 12.3% (Chart 3). Although home sales went up in the second quarter, they still fluctuate at a low level. On a twelve-month basis, the number of transactions added up to 121,428 which is 40% lower than the pre-crisis number (Chart 4).<sup>7</sup>

The number of residential property transfers is expected to show a strong decline in the third quarter of 2012. This fall in transactions will be the result of the frontloading in the second quarter, this was due to the uncertainty about the tax deductibility and the transfer tax. Until the end of April it was unclear whether the transfer tax would be increased to 6 per cent by the 1<sup>st</sup> of July. Despite the structural reduction of the transfer tax, potential house buyers are confronted with uncertainty, austerity measures and the new code of conduct. As a consequence, there is less appetite to buy a house. Furthermore, the oversupply of houses for sale on the one hand and the reduced scope for financing on the other hand, result in a mismatch between demand and supply at current house price levels. We therefore expect to see a further average house price decline during the course of 2012, as (some) sellers find themselves under growing pressure to drop their price in order to sell. For 2012 we expect to see a further drop in house prices of 5%. The situation is not expected to change in 2013, we therefore we expect a further drop in house prices of 4% in 2013.<sup>8</sup>

The number of Dutch involuntary sales of residential property by public auction is traditionally very low. Especially in the second half of the 1990s, when the demand for residential property was exceptionally strong, house sales by auction, even in the event 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 interest rates. In the years before the recent cooling-down of the housing market, the total number of foreclosures was therefore limited.

The relatively prolonged economic downturn of 2001 to 2005 led to a significant rise in the amount of mortgage payment arrears and correspondingly forced house sales (Chart 5). The number of foreclosures in the Netherlands reported by the Land Registry (*Kadaster*) rose from 695 in 2002 to about 2,000 forced sales from 2005 onwards. This increase was mainly the result of a structural change in the Dutch mortgage market during the nineties. Instead of selling single income mortgages only, lenders were allowed to issue double income mortgages as well. The effect of the credit crisis and the linked upswing in unemployment led to a rise of the number of forced sales. The Land Registry (*Kadaster*) recorded 2,811 forced sales in 2011. In the second quarter of 2012 the number of foreclosures amounted up to 724, compared to 669 in the same period last year (Chart 5). Recent research confirms that the number of households in payment difficulties in the Netherlands is low from an international perspective and the problems have mainly 'external' causes such as divorce or unemployment as opposed to excessively high mortgage debt as such.<sup>9</sup>

The proportion of forced sales is clearly too small to have a significant impact on house prices. The Dutch housing market is characterised by a large discrepancy between demand and supply, which

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<sup>6</sup> Rijksoverheid, 2012, Stabiliteitsprogramma Nederland, april 2012 actualisatie

<sup>7</sup> Statistics Netherlands

<sup>8</sup> Rabobank, 2012, Dutch Housing Market Quarterly

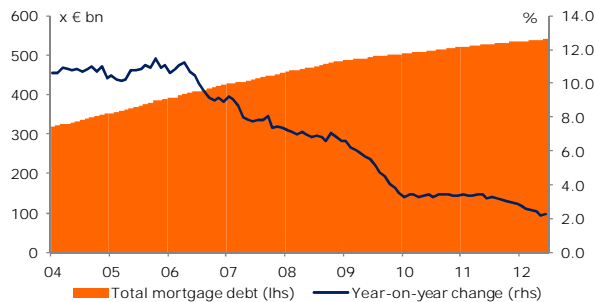
<sup>9</sup> Standard & Poor's, 2010, Mortgage lending business supports some European banking systems



mitigates the negative effect of the economic recession on house prices. In the unforeseen case that the number of foreclosures were 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.

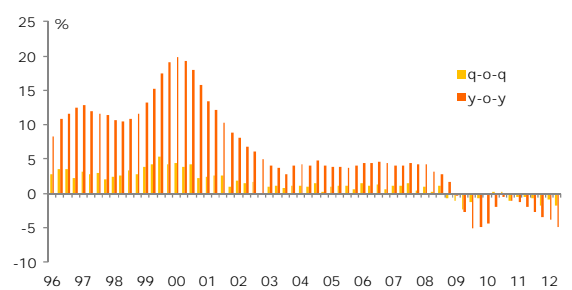
Even though in a relative sense the increase over the last years is substantial, the absolute number of forced sales is obviously still extremely small compared to the total number of residential mortgage loans outstanding. There is no precise data of the number of residential mortgage loans outstanding 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 approximately 2,500 foreclosures per year since 2005 therefore correspond to approximately 0.1% of the total number of residential mortgage loans outstanding.

**Chart 1: Total mortgage debt development**



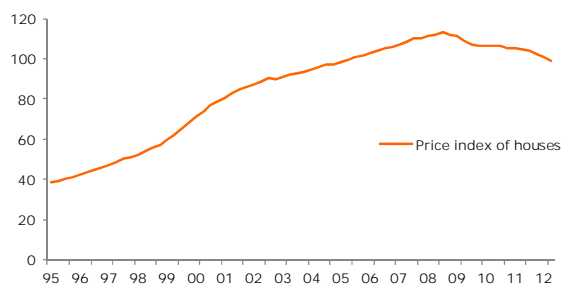
Source: DNB, Rabobank

**Chart 2: Dutch property price**



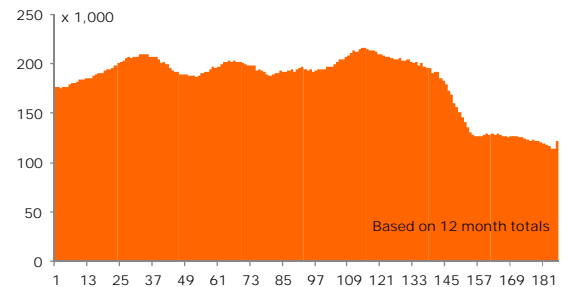
Source: NVM, Rabobank

**Chart 3: Development house price index transactions**



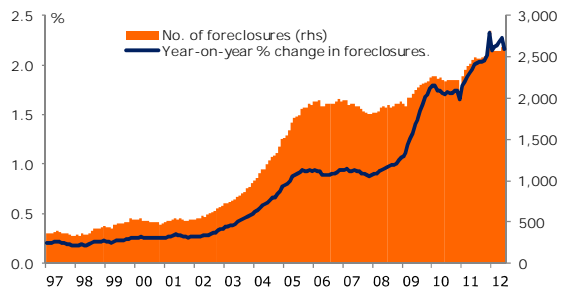
Source: Statistics Netherlands/State Registry, Rabobank Registry

**Chart 4: Number of house sale transactions**



Source: Land

**Chart 5: Number of foreclosures**



Source: Land Registry

## 6.5 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 authorised 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 the WEW (a central privatised entity) is responsible for 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 (principal and interest) as if the mortgage loan were being repaid on a thirty year annuity basis. In respect of each mortgage loan, the NHG Guarantee reduces further to take account of scheduled repayments and prepayments under such mortgage loan. Also, amounts paid as savings or investment premium under savings insurance policies or life insurance policies, respectively, are deducted from the amount outstanding on such mortgage loans for purposes of the calculation of the amount guaranteed under the NHG Guarantee (See section 2 (*Risk Factors*)).

### Financing of the Stichting WEW

The Stichting WEW finances itself, inter alia, by a one-off charge to the borrower of 0.70 per cent. of the principal amount of the mortgage loan. Besides this, the NHG scheme provides for liquidity support to the Stichting WEW from the Dutch State and the participating municipalities. Should the Stichting WEW not be able to meet its obligations under guarantees issued, the Dutch State will provide subordinated interest free loans to the Stichting WEW of up to 50 per cent. of the difference between the Stichting 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 Stichting WEW of the other 50 per cent. of the difference. Both the keep well agreement between the Dutch State and the Stichting WEW and the keep well agreements between the municipalities and the Stichting WEW contain general 'keep well' undertakings of the Dutch State and the municipalities to enable the Stichting WEW at all times (including in the event of bankruptcy ("*faillissement*"), suspension of payments ("*surseance van betaling*") or liquidation ("*ontbinding*") of the Stichting WEW) to meet its obligations under guarantees issued.

### Terms and conditions of the NHG Guarantee

Under the NHG scheme, the lender is responsible for ensuring that the guarantee application meets the NHG terms and 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 NHG to register the mortgage and establish the guarantee. The Stichting 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 terms and conditions of the NHG Guarantee, 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 NHG Guarantees, such as eligible income, purchasing or building costs etc., are set forth in published documents by WEW.

The NHG has specific rules for the level of credit risk that will be accepted. The credit worthiness of the applicant must be verified with the BKR, a central credit agency used by all financial institutions in the Netherlands. All financial commitments over the past five years that prospective borrowers have entered into with financial institutions are recorded in this register. In addition, as of 1 January 2008 the applicant itself must be verified with the Foundation for Fraud Prevention of Mortgages (*Stichting Fraudepreventie Hypotheken*; "SFH"). If the applicant has been recorded in the SFH system, no NHG Guarantee will be granted.

To qualify for a 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/insured for the period that the amount of the mortgage loan exceeds 80 per cent. of the value of the property.

The Mortgage Conditions 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.

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

When a borrower is in arrears with payments under the mortgage loan for a period of four months, a lender informs the Stichting WEW in writing within 30 days 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. When the borrower is in arrears the Stichting 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 Stichting 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 Stichting WEW is required in case of a private sale unless sold for an amount higher than the foreclosure value. 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 or more monthly instalments, unless the Stichting WEW has agreed that the forced sale may take place for other reasons or within a period of seven months.

Within three months of the private or forced sale of the property, the lender must make a formal request to the Stichting 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 or no full payment is made to the lender under the NHG Guarantee by the Stichting WEW because of the lender's culpable negligence, the lender must act vis-à-vis the borrower as if the Stichting 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.

#### **Additional loans**

Furthermore, on 1 July 2005 provisions were added to the NHG Conditions pursuant to which a borrower who is or threatens to be in arrears with payments under the existing mortgage loan may have the right to request the Stichting WEW for a second guarantee to be granted by it in respect of an additional mortgage loan to be granted by the relevant lender. The monies drawn down under the additional loan have to be placed on deposit with the relevant lender and may, up to a maximum period of two years, be used for, inter alia, payment of the amounts which are due and payable under the existing mortgage loan, interest due and payable under the additional mortgage loan and the costs made with respect to the granting of the additional mortgage loan. 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.

## Main NHG Underwriting Criteria ("Normen") per 1 January 2012

With respect to a borrower, the underwriting criteria include but are not limited to:

1. The lender has to perform a BKR check. "A" and "A1" registrations are allowed in certain circumstances.
2. As a valid source of income the following applies: indefinite contract of employment, temporarily contract of employment if the employer states that the employee will be provided an indefinite contract of employment in case of equal performance of the employee and equal business circumstances, for flexworkers or during a probational period ("*proeftijd*") a three year history of income statements, for self employed three year annual statements.
3. The maximum loan based on the income will be based on the "woonquote" tables and an annuity style redemption (even if the actual loan is (partially) interest only). The mortgage lender shall calculate the borrowing capacity of a borrower of a mortgage loan with a fixed interest terms of less than 10 years on the basis of a percentage determined by the Dutch Association of Mortgage Lenders ("*Contactorgaan Hypothecair Financiers*" or "*CHF*") which is in turn based on the market interest on loans to the Dutch State of the Netherlands with a remaining life of 10 years, plus such margin as may be determined by the CHF. This margin is fixed for the time being at 1 percentage point. The mortgage lender may also apply a higher notional interest rate when calculating the borrowing capacity of the borrower. The mortgage lender shall calculate the borrowing capacity for a mortgage loan with a fixed interest term of 10 years or more on the basis of the interest rate actually charged by the mortgage lender during that fixed interest term.

With respect to the mortgage loan, the underwriting criteria include but are not limited to:

1. As of 1 July 2012 the absolute maximum loan amount is EUR 320,000. The loan amount is also limited by the amount of income and the market value of the property. With respect to the latter:
  - (a) For the purchase of existing properties, the loan amount is broadly based on the sum of (i) the lower of the purchase price and the market value based on a valuation report, (ii) the costs of improvements, (iii) 8 per cent. of the amount under (i) plus (ii). In case an existing property can be bought without paying transfer taxes ("*vrij op naam*"), the purchase amount under (i) is multiplied by 97 per cent..
  - (b) For the purchase of a property to be built, the maximum loan amount is broadly based on the sum of (i) purchase-/construction cost increased with a number of costs such as the cost of construction interest, VAT and architects (to the extent not included already in the purchase-/construction cost), (ii) 8 per cent. of the amount under (i).
2. The maximum loan amount that is interest only is 50% of the original value of the property.
3. The risk insurance policy should at a minimum cover the loan amount in excess of 80% of the market value.

## 7. PORTFOLIO DOCUMENTATION

### 7.1 Purchase, repurchase and sale

Under the Mortgage Receivables Purchase Agreement, the Issuer will purchase the Mortgage Receivables and will accept the assignment of the Mortgage Receivables and the Beneficiary Rights relating thereto from each Seller by means of a registered deed of assignment as a result of which legal title to the Mortgage Receivables and the Beneficiary Rights relating thereto is transferred to the Issuer. The assignment of the Relevant Mortgage Receivables and the Beneficiary Rights relating thereto from each Seller to the Issuer will not be notified to the Borrowers, except that notification of the assignment of the Relevant Mortgage Receivables may be made upon the occurrence of any of the Assignment Notification Events. (see *Assignment Notification Events* below). Until such notification the Borrowers will only be entitled to validly pay ("*bevrijdend betalen*") to the relevant Seller. The Issuer will be entitled to all proceeds in respect of the Mortgage Receivables as of the Cut-Off Date. Each Seller will pay, or will procure that the Collection Foundation will pay, to the Issuer ultimately on each Mortgage Collection Payment Date all proceeds received during the immediately preceding Mortgage Notes Calculation Period in respect of the Mortgage Receivables. Until the Collection Foundation Accounts have been transferred to Rabobank as Foundation Account Provider, such proceeds will be paid to the Issuer on the same day as they are received.

#### **Purchase Price**

The purchase price for the Mortgage Receivables shall consist of an Initial Purchase Price which shall be payable on the Closing and a Deferred Purchase Price. The Initial Purchase Price in respect of the Mortgage Receivables purchased on the Closing Date will be EUR 988,921,994 which is equal to the aggregate Outstanding Principal Amount of the Mortgage Receivables at the Cut-Off Date. The Deferred Purchase Price shall be equal to the sum of all Deferred Purchase Price Instalments.

#### **Repurchase**

In the Mortgage Receivables Purchase Agreement, each Seller has undertaken to repurchase and accept re-assignment of a Relevant Mortgage Receivable on the immediately succeeding Mortgage Collection Payment Date if:

- (i) at any time any of the representations and warranties relating to the Relevant Mortgage Loans and the Relevant Mortgage Receivables given by the relevant Seller proves to have been untrue or incorrect in any material respect, the relevant Seller shall within 14 days of receipt of written notice thereof from the Issuer remedy the matter giving rise thereto, or if such matter is not capable of being remedied or is not remedied within the said period of 14 days,
- (ii) prior to partial termination of the relevant mortgage right following the occurrence of an Assignment Notification Event (see *Assignment Notification Events* below) the relevant Seller agrees with a Borrower to make a Further Advance,
- (iii) the relevant Seller agrees with a Borrower to a Mortgage Loan Amendment, provided that if such Mortgage Loan 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 such Relevant Mortgage Loan due to a deterioration of the credit quality of the relevant Borrower under the Relevant Mortgage Loan, the relevant Seller shall not repurchase the Relevant Mortgage Receivable; and
- (iv) (a) prior to foreclosure of a Relevant NHG Mortgage Loan originated by the relevant Seller such Relevant NHG Mortgage Loan no longer has the benefit of an NHG Guarantee, or (b) following foreclosure of a Relevant NHG Mortgage Loan, the amount actually reimbursed under the NHG Guarantee is lower than the amount claimable under the terms of the NHG Guarantee, each time as a result of an action taken or omitted to be taken by the relevant Seller or the Servicer, on the Mortgage Collection Payment Date immediately following the date on which the Relevant NHG Mortgage Loan ceases to have the benefit of the NHG Guarantee or the payment under the NHG Guarantee has been received by the Issuer, as the case may be, on (i) the immediately following

Mortgage Collection Payment Date or (ii) if such Mortgage Collection Payment Date referred to under (i) falls within fourteen (14) days of such date, the second Mortgage Collection Payment Date following such date.

The purchase price for the Mortgage Receivable in such events will be equal to the Outstanding Principal Amount of the Mortgage Receivable, together with due and overdue interest and reasonable costs, if any (including any costs incurred by the Issuer in effecting and completing such sale and assignment), accrued up to (but excluding) the date of repurchase and re-assignment of the Mortgage Receivable, save that in the event of a repurchase set forth in item (iv)(b) above, the purchase price shall be equal to the amount that was not reimbursed under the NHG Guarantee as a result of an action taken or omitted to be taken by the relevant Seller or Servicer.

Other than in the events set out above and under *Substitution of Mortgage Receivables in view of weighted average margin and weighted average interest rate on the Mortgage Loans* below, none of the Sellers will be obliged to repurchase any Mortgage Receivables from the Issuer.

**Substitution of Mortgage Receivables in view of weighted average margin of interest rate and weighted average interest rate on the Mortgage Loans**

Prior to notification to the Borrowers of the assignment of the Relevant Mortgage Receivables, the relevant Seller has undertaken to determine and set the interest rates on the Relevant Mortgage Receivables in accordance with the Mortgage Conditions, irrespective whether it sets the interest rates for itself or on behalf of the Issuer and provided that it shall not at any time set the interest rates at a level which at such times is materially below or above the then current market rates at such time as offered by the Reference Mortgage Lenders for loans which are comparable in all material respects to the Relevant Mortgage Loans.

*Weighted average margin*

Each Seller and each Servicer will use its best efforts, subject to applicable law and regulations, including, without limitation, principles of reasonableness and fairness, to ensure that the weighted average margin of the Relevant Floating Rate Mortgage Receivables shall be at least 1.5 per cent above EURIBOR for one month deposits. In the event that on any Mortgage Collection Payment Date the weighted average margin falls below 1.5 per cent. above EURIBOR for one month deposits, (i) the relevant Seller shall repurchase and the Issuer will sell and assign such Relevant Floating Rate Mortgage Receivables and the Beneficiary Rights relating thereto having the lowest interest rate at such time in accordance with and on the same terms as set out in the Repurchase Deed on the immediately following Mortgage Collection Payment Date and (ii) the Issuer shall purchase and such Seller shall sell and assign substitute floating rate mortgage receivables and any beneficiary rights relating thereto having an aggregate Outstanding Principal Amount equal (or approximately equal) to the Outstanding Principal Amount of the Relevant Floating Rate Mortgage Receivables repurchased by the relevant Seller on such Mortgage Collection Payment Date, such that following such substitution the weighted average margin of the Relevant Floating Rate Mortgage Receivables shall be at least 1.5 per cent above EURIBOR for one month deposits. The purchase price of (x) the Relevant Floating Rate Mortgage Receivables sold by the Issuer and repurchased by the relevant Seller and (y) the floating rate mortgage receivables sold by the relevant Seller and purchased by the Issuer shall be equal to the Outstanding Principal Amount of the Relevant Floating Rate Mortgage Receivable and the floating rate mortgage receivable, as applicable, together with due and overdue interest and reasonable costs, if any (including any costs incurred by the Issuer in effecting and completing such repurchase and sale), accrued up to (but excluding) the date of repurchase and sale of the Relevant Floating Rate Mortgage Receivable and the floating rate mortgage receivable, as applicable.

*Weighted average interest rate*

Each Seller and each Servicer will use its best efforts, subject to applicable law and regulations, including, without limitation, principles of reasonableness and fairness, to ensure that the weighted average interest rate of the Relevant Mortgage Receivables shall be at least 3.75 per cent. In the event that on any mortgage Collection Payment Date the weighted average interest rate of the Relevant Mortgage Receivables falls below 3.75 per cent., (i) the relevant Seller shall repurchase and the Issuer will sell and assign such Relevant Mortgage Receivables and the Beneficiary Rights relating thereto having the lowest interest rate at such time on the immediately following Mortgage Collection Payment Date and (ii) the Issuer shall purchase and such Seller shall sell and assign substitute mortgage

receivables and any beneficiary rights relating thereto having an aggregate Outstanding Principal Amount equal (or approximately equal) to the Outstanding Principal Amount of the Mortgage Receivables repurchased by the relevant Seller on such Mortgage Collection Payment Date, such that following such substitution the weighted average interest rate of the Relevant Mortgage Receivables shall be at least 3.75 per cent. The purchase price of (x) the Relevant Mortgage Receivables sold by the Issuer and repurchased by the relevant Seller and (y) the mortgage receivables sold by the relevant Seller and purchased by the Issuer shall be equal to the Outstanding Principal Amount of the Relevant Mortgage Receivable and the mortgage receivable, as applicable, together with due and overdue interest and reasonable costs, if any (including any costs incurred by the Issuer in effecting and completing such repurchase and sale), accrued up to (but excluding) the date of repurchase and sale of the Relevant Mortgage Receivable and the mortgage receivable, as applicable.

None of the Sellers shall repurchase from the Issuer, and the Issuer shall not sell to any Sellers, Relevant Floating Rate Mortgage Receivables or Relevant Mortgage Receivables, as the case may be, which are in arrears for a period exceeding one month. Any (i) repurchase by the relevant Seller and sale by the Issuer and (ii) sale by the relevant Seller and purchase by the Issuer as set out above shall be subject to the condition that the weighted average percentage of NHG Mortgage Receivables and the weighted average Current Loan to Foreclosure Value Ratio shall not become substantially higher or lower as a result thereof.

Each Seller shall represent and warrant to the Issuer and the Security Trustee that at the date of the sale and assignment of any floating rate mortgage receivables or mortgage receivables, as set out above, the representations and warranties set forth in section 7.2 (*Representations and warranties*) shall be made by each Seller *mutatis mutandis* in respect of the floating rate mortgage receivables or mortgage receivables purported to be sold and assigned.

#### **Assignment Notification Events**

The Mortgage Receivables Purchase Agreement provides that if:

- (a) a default is made by any Seller in the payment on the due date of any amount due and payable by it under the Mortgage Receivables Purchase Agreement or under any Transaction Document to which it is a party and such failure is not remedied within 10 business days after notice thereof has been given by the Issuer or the Security Trustee to the relevant Seller; or
- (b) any Seller fails to duly perform or comply with any of its obligations under the Mortgage Receivables Purchase Agreement or under any Transaction Document to which it is a party and, if such failure is capable of being remedied, such failure is not remedied within 10 business days after notice thereof has been given by the Issuer or the Security Trustee to the relevant Seller; or
- (c) any representation, warranty or statement made or deemed to be made by any Seller in the Mortgage Receivables Purchase Agreement, other than the representations and warranties contained in Clause 7.1 thereof, or under any of the other Transaction Documents to which the relevant Seller is a party or if any notice or other document, certificate or statement delivered by any Seller pursuant thereto proves to have been, and continues to be after the expiration of any applicable grace period provided for in any Transaction Document, untrue or incorrect in any material respect; or
- (d) any Seller takes any corporate action or other steps are taken or legal proceedings are started or threatened against it for its dissolution ("*ontbinding*") and liquidation ("*vereffening*") or legal demerger ("*juridische splitsing*") involving the relevant Seller or for its being converted ("*conversie*") into a foreign entity or its assets are placed under administration ("*onder bewind gesteld*"); or
- (e) any Seller has taken any corporate action or any steps have been taken or legal proceedings have been instituted or threatened against it for its entering into emergency regulations ("*noodregeling*") as referred to in Chapter 3 of Wft as amended from time to time, or for bankruptcy or for any analogous insolvency proceedings under any applicable law or for the appointment of a receiver or a similar officer of it or of any or all of its assets; or
- (f) at any time it becomes unlawful for any Seller to perform all or a material part of its obligations under the Mortgage Receivables Purchase Agreement or under any Transaction Document to which it is a party; or
- (g) any 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 of the



- (h) Mortgage Receivables Purchase Agreement and/or any of the other Transaction Documents; or the credit rating of SNS Bank's long term unsecured, unsubordinated and unguaranteed debt obligations falls below "Ba1" or if the Collection Foundation Accounts have not transferred to Rabobank prior to 1 January 2013, "Baa1" by Moody's or such credit rating is withdrawn; or
- (i) the long-term issuer default rating of SNS Bank falls below BBB by Fitch or such credit rating is withdrawn; or
- (j) a Pledge Notification Event has occurred; or
- (k) RegioBank ceases to be a subsidiary of SNS Bank within the meaning of section 2:24a of the Netherlands Civil Code; or
- (l) SNS REAAL withdraws its 403-Declaration in respect of RegioBank, unless (i) the 403-Declaration is replaced by a 403-declaration granted by SNS Bank or (ii) RegioBank has merged with SNS Bank whereby it is the disappearing entity; or
- (m) the Collection Foundation has been declared bankrupt ("*faillissement*") or been subjected to suspension of payments ("*surseance van betaling*") or analogous insolvency procedures under any applicable law;

(each of the items (a) through (m), an "**Assignment Notification Event**") then the Seller to which the Assignment Notification Event relates or, as the case may be, each Seller, shall, unless an appropriate remedy to the satisfaction of the Security Trustee is found, and only after (i) the Security Trustee has notified the Credit Rating Agencies of such remedy and (ii) the Credit Rating Agencies have provided a Credit Rating Agency Confirmation in connection therewith, forthwith:

- (i) notify or ensure that the relevant Borrowers and any other relevant parties indicated by the Issuer and/or the Security Trustee are forthwith notified of (i) the partial termination (x) in respect of SNS Bank, the mortgage rights and the rights of pledge securing the Relevant Mortgage Loans originated after the end of 2005 and the rights of pledge securing the Relevant Mortgage Loans originated before the end of 2005 (other than those referred to in item (y) below) and (y) in respect of Mortgage Loans originated by former BLG Hypotheekbank (which merged into SNS Bank on 11 October 2010), and the Mortgage Loans originated by SNS Bank under the name BLG Hypotheken after the merger of BLG Hypotheekbank into SNS Bank, the rights of pledge securing the Relevant Mortgage Loans and (z) in respect of RegioBank, the mortgage rights and the rights of pledge securing the Relevant Mortgage Loans, in as far as these mortgage rights and rights of pledge secure other debts than the Relevant Mortgage Receivables and (ii) the assignment of the Relevant Mortgage Receivables and the Beneficiary Rights relating thereto to the Issuer or, at its option, the Issuer shall be entitled to make such notifications itself; and
- (ii) notify or ensure that the Insurance Companies are notified of the assignment of the Beneficiary Rights;
- (iii) release the Borrower Insurance Pledge in respect of the Insurance Policies and undertake its reasonable efforts to the effect that a first ranking right of pledge is created on the right of the Borrowers/insured under the Insurance Policies in favour of (i) the Issuer subject to the dissolving condition of the occurrence of a Pledge Notification Event and (ii) the Security Trustee subject to the condition precedent of the occurrence of a Pledge Notification Event; and
- (iv) with regard to the Investment Mortgage Loans, release the right of pledge in favour of the relevant Seller on the relevant securities, if any, and undertake to use its best efforts to create a first ranking pledge on the relevant securities in favour of (x) the Issuer subject to the dissolving condition of the occurrence of a Pledge Notification Event and (y) the Security Trustee subject to the condition precedent of the occurrence of a Pledge Notification Event; and
- (v) if so requested by the Security Trustee and/or the Issuer, forthwith make the appropriate entries in the relevant public registers.

In addition, pursuant to the Beneficiary Waiver Agreement, SNS Bank and RegioBank waive their rights as beneficiaries under the Savings Insurance Policies, subject to the condition precedent of the occurrence of an Assignment Notification Event, and appoint as first beneficiary (x) the Issuer subject

to the dissolving condition of the occurrence of an Pledge Notification Event and (y) the Security Trustee under the condition precedent of the occurrence of an Pledge Notification Event.

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

#### **Sellers Clean-Up Call Option**

On each Notes Payment Date the Sellers, acting jointly, have the right to exercise the Sellers Clean-Up Call Option. The Issuer has undertaken in the Mortgage Receivables Purchase Agreement to sell and assign the Relevant Mortgage Receivables to the relevant Seller(s), or any third party appointed by the relevant Seller at its sole discretion, in case the Sellers, acting jointly, exercise the Sellers Clean-Up Call Option.

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

Under the terms of the Trust Deed, the Issuer will have the right and shall use its reasonable efforts to sell and assign all but not some of the Mortgage Receivables on each Optional Redemption Date, provided that the Issuer shall apply the proceeds of such sale to redeem the Notes (see Condition 6(e)) (see also *Risk that the Issuer will not exercise its right to redeem the Notes at the Optional Redemption Dates in Risk Factors* above). Under the terms of the Trust Deed, the Issuer will also have the right to sell and assign all, but not some, of the Mortgage Receivables, if the Issuer exercises the Clean-Up Call Option in accordance with Condition 6(e) or the Tax Call Option in accordance with Condition 6(f). If the Issuer wishes to sell the Mortgage Receivables in order to exercise any of the options described above, the Issuer will first offer such Relevant Mortgage Receivables to the relevant Seller. If any Seller does not accept such offer within 14 business day, the Issuer shall instruct the Issuer Administrator to select within 30 calendar days on or more third parties to make a binding offer to purchase the Mortgage Receivables. Furthermore, under the terms of the Mortgage Receivables Purchase Agreement, the Issuer shall be obliged to sell and assign the Mortgage Receivables to the relevant Seller, or any third party appointed by the relevant Seller at its sole discretion, if the Sellers, acting jointly, exercise the Sellers Clean-Up Call Option.

The purchase price for the Mortgage Receivable in case of a sale by the Issuer will be equal to the Outstanding Principal Amount, together with accrued interest due but unpaid and reasonable costs, if any of the Mortgage Receivable, except that with respect to Mortgage Receivables which are in arrears for a period exceeding 90 days or in respect of which an instruction has been given to the civil-law notary to publicly sell the Mortgaged Assets, the purchase price shall be at least the lesser of (i) the sum of (a) an amount equal to the Indexed Foreclosure Value of the Mortgaged Assets and (b) with respect to the NHG Mortgage Loan Receivables, the amount claimable under the NHG Guarantee, and (ii) the sum of the Outstanding Principal Amount of the Mortgage Receivable, together with accrued interest due but unpaid, if any, and any other amounts due under the Mortgage Receivable.

## 7.2 Representations and warranties

Each Seller represents and warrants with respect to the Relevant Mortgage Receivables, Relevant Mortgage Loans and the Beneficiary Rights relating thereto that on the Closing Date, *inter alia*,:

- (a) each of the Relevant Mortgage Receivables and the Beneficiary Rights relating thereto is duly and validly existing;
- (b) the relevant Seller has full right and title ("*titel*") to the Relevant Mortgage Receivables and the Beneficiary Rights relating thereto and no restrictions on the sale and assignment of the Relevant Mortgage Receivables and the Beneficiary Rights relating thereto are in effect and the Relevant Mortgage Receivables and the Beneficiary Rights relating thereto are capable of being assigned and pledged, save that for assignment and pledge of the Savings Mortgage Receivables the consent of the Insurance Savings Participant is required;
- (c) the relevant Seller has power ("*is beschikkingsbevoegd*") to sell and assign the Relevant Mortgage Receivables and the Beneficiary Rights relating thereto;
- (d) the Relevant Mortgage Receivables and the Beneficiary Rights relating thereto are free and clear of any encumbrances and attachments ("*beslagen*") and no option rights to acquire the Relevant Mortgage Receivables and the Beneficiary Rights relating thereto have been granted by the relevant Seller in favour of any third party with regard to the Relevant Mortgage Receivables and the Beneficiary Rights relating thereto;
- (e) each Relevant Mortgage Receivable is secured by a Mortgage on a Mortgaged Asset used for a residential purpose in the Netherlands and is governed by Netherlands law;
- (f) (i) all Mortgage Loans entered into by former BLG Hypotheekbank (which merged into SNS Bank on 11 October 2010), and all Mortgage Loans entered into by SNS Bank under the name BLG Hypotheken after the merger of BLG Hypotheekbank into SNS Bank and all Mortgage Loans entered into by SNS Bank before the end of 2005 provide that in case of assignment or pledge of the receivable the assignee or pledgee will have the benefit of the Mortgage if this has been stipulated upon the assignment or pledge and that in such event the mortgage right no longer secures the Other Claims of the relevant Seller, and (ii) all Mortgage Loans entered into by SNS Bank (other than those referred to in item (i) above) after the end of 2005 provide that in case of assignment or pledge of the receivable the Borrower and SNS Bank have the explicit intention that the assignee or pledgee will have the benefit of (*a pro rata part of*) the Mortgage and the Borrower Pledges, unless SNS Bank determines otherwise prior to the assignment or pledge;
- (g) upon creation ("*vestiging*") of each Mortgage and Borrower Pledge (other than the Borrower Insurance Pledges entered into by SNS Bank before the end of 2005 and the Borrower Securities Pledges) the power to unilaterally terminate the Mortgage and Borrower Pledge was granted to the relevant Seller and such power has not been amended, revoked or terminated;
- (h) each Mortgaged Asset concerned was valued according to the then prevailing guidelines of the relevant Seller, which guidelines are in form as may reasonably be expected from a lender of residential mortgage loans in the Netherlands. No revaluation of the Mortgaged Assets has been made for the purpose of the transaction contemplated by the Transaction Documents, and the valuations quoted are as at the date of the original initial mortgage loan;
- (i) each Relevant Mortgage Receivable and the Mortgages and the Borrower Pledges, if any, securing such receivable constitute legal, valid, binding and enforceable obligations of the relevant Borrower vis-à-vis the relevant Seller, subject to any limitations arising from bankruptcy, insolvency and any other laws of general application relating to or affecting the rights of creditors. The binding effect and enforceability of the obligations of a Borrower may be affected by rules of Netherlands law which generally apply to contractual arrangements, including (without limitation) the requirements of reasonableness and fairness ("*redelijkheid en billijkheid*") and rules relating to force majeure;
- (j) all Mortgages and Borrower Pledges granted to secure the Relevant Mortgage Receivables (i) constitute valid mortgage rights ("*hypothekrechten*") and rights of pledge ("*pandrechten*") respectively on the Mortgaged Assets and the assets which are the subject of the rights of pledge respectively and, to the extent relating to the mortgage rights, entered into the appropriate public register ("*Dienst van het Kadaster en de Openbare Registers*"), (ii) have first priority and (iii) were vested for a principal sum which is at least equal to the Outstanding

- Principal Amount of the Relevant Mortgage Receivable resulting from the Relevant Mortgage Loan when originated, increased with interest, penalties, costs and any insurance premium paid by the relevant Seller on behalf of the Borrower;
- (k) each of the Relevant Mortgage Loans and, if offered by the relevant Seller, the Insurance Policy connected thereto, has been granted, in all material respects, in accordance with all applicable legal requirements prevailing at the time of origination, and the Code of Conduct on Mortgage Loans ("*Gedragcode Hypothecaire Financieringen*") and the relevant Seller's standard underwriting criteria and procedures, including borrower income requirements, prevailing at that time and these underwriting criteria and procedures are in a form as may reasonably be expected from a lender of Netherlands residential mortgages;
  - (l) the Mortgage Conditions applicable to the Mortgage Loans originated by SNS Bank provide that the Outstanding Principal Amount, increased with interest, reimbursements, costs and amounts paid by SNS Bank on behalf of the Borrower and any other amounts due by the Borrowers to SNS Bank will become due and payable, inter alia, if the Life Insurance Policy belonging to the Mortgage Loan is invalid and/or payment of premium under the Life Insurance Policy is suspended ("*premievrij*") and/or the Life Insurance Company makes a payment under the Life Insurance Policy;
  - (m) as at the Closing Date no amounts due and payable under any of the Relevant Mortgage Receivables will be unpaid for a period exceeding one month;
  - (n) with respect to the Relevant Mortgage Loans, whereby it is a condition for the granting of the relevant Mortgage Loan that a Life Insurance Policy is entered into by the Borrower (i) a Borrower Insurance Pledge is granted on the rights under such policy in favour of the relevant Seller (see *Mortgage Loan Criteria* under (ix) below), (ii) the Relevant Mortgage Loan and the Life Insurance Policy are in the relevant Seller's or the Life Insurance Company's promotional materials not offered as one combined mortgage and life insurance product or under one name and (iii) the Borrowers are not obliged to enter into the Life Insurance Policy with a Life Insurance Company which is a group company of the relevant Seller;
  - (o) with respect to Investment Mortgage Loans, the relevant investments held in the name of the relevant Borrower have been validly pledged to the relevant Seller and the securities are purchased for the account of the relevant Borrower by a bankruptcy remote securities giro ("*effectengiro*"), a bank or an Investment Firm, which is by law obliged to ensure that the securities are held in custody by an admitted institution for Euroclear Netherlands if these securities qualify as securities as defined in the Dutch Giro Securities Transfer Act ("*Wet Giraal Effectenverkeer*", the *Wge*) or, if they do not qualify as such, by a separate depository vehicle;
  - (p) with respect to Insurance Savings Mortgage Loans, the relevant Seller has the benefit of a valid right of pledge on the rights under the Savings Insurance Policies and either (i) the relevant Seller has been validly appointed as beneficiary under such policy or (ii) the Insurance Savings Participant is irrevocably authorised to apply the insurance proceeds in satisfaction of the relevant Mortgage Receivables;
  - (q) with respect to the Relevant Bank Savings Mortgage Loans, the relevant Seller has the benefit of a valid Borrower Pledge on the rights under the relevant Bank Savings Account;
  - (r) each receivable under a mortgage loan ("*hypothecaire lening*") which is secured by the same Mortgage is sold and assigned to the Issuer pursuant to the Mortgage Receivables Purchase Agreement;
  - (s) each Relevant Mortgage Loan constitutes the entire mortgage loan granted to the relevant Borrower and not merely one or more loan parts ("*leningdelen*");
  - (t) with respect to the Relevant Mortgage Receivables secured by a Mortgage on a long lease ("*erfpacht*"), the Relevant Mortgage Loan (a) has a maturity that is equal to or shorter than the term of the long lease and/or, if the maturity date of the Relevant Mortgage Loan falls after the maturity date of the long lease, the acceptance conditions used by the relevant Seller provide that certain provisions should be met and (b) becomes due if the long lease terminates for whatever reason;
  - (u) to the best knowledge of the relevant Seller and without prejudice to the representation under (m), the Borrowers are not in any material breach of any provision of their Mortgage Loans;
  - (v) the Mortgage Conditions of the Mortgage Loans originated by SNS Bank and RegioBank provide that all payments by the relevant Borrowers should be made without any deduction or set-off;

- (w) each Relevant Mortgage Loan was originated by the relevant Seller;
- (x) each Relevant NHG Mortgage Loan has the benefit of an NHG Guarantee and (i) each NHG Guarantee connected to the Relevant NHG Mortgage Loan was granted for the full amount of the Relevant NHG Mortgage Loan at origination and constitutes legal, valid and binding obligations of Stichting WEW, enforceable in accordance with their terms, (ii) all terms and conditions ("*voorwaarden en normen*") applicable to the NHG Guarantee at the time of origination of the Relevant NHG Mortgage Loans were complied with and (iii) none of the Sellers is aware of any reason why any claim made in accordance with the requirements pertaining thereto under any NHG Guarantee in respect of any Relevant NHG Mortgage Loan should not be met in full and in a timely manner;
- (y) each of the Mortgaged Assets had, at the time the Relevant Mortgage Loan was advanced, the benefit of buildings insurance ("*opstalverzekering*") for the full reinstatement value ("*herbouwwaarde*");
- (z) the relevant Seller has not been notified and is not aware of anything affecting the relevant Seller's title to the Relevant Mortgage Receivables;
- (aa) the repayment of the Relevant Mortgage Receivables by the Borrowers is executed by way of direct debit procedures or on the basis of an invoice;
- (bb) the notarial mortgage deeds ("*minuut*") relating to the mortgage rights are kept by a civil law notary in the Netherlands and are registered in the appropriate registers, while the loan files, which include certified copies of the notarial mortgage deeds, are kept by the relevant Seller;
- (cc) the full principal amount of each Mortgage Loan was in case of each of the Relevant Mortgage Loans paid to the relevant Borrower, whether or not through the relevant civil law notary;
- (dd) each of the Mortgage Receivables to which a Life Insurance Policy is connected has the benefit of Life Insurance Policies with any of the Insurance Companies and either (i) the relevant Seller has been validly appointed as beneficiary ("*begunstigde*") under such Life Insurance Policies upon the terms of the Relevant Mortgage Loans and the Life Insurance Policies or (ii) the relevant Insurance Company has been given a Borrower Insurance Proceeds Instruction;
- (ee) it can be determined in its administration without any uncertainty which Beneficiary Rights belong to which Mortgage Receivables;
- (ff) each Relevant Mortgage Loan meets the Mortgage Loan Criteria;
- (gg) each of the Relevant Mortgage Loans has been granted, each of the Mortgages and Borrowers Pledges has been vested, subject to the general terms and conditions and in the forms of the mortgage deeds and deeds of pledge attached to the Mortgage Receivables Purchase Agreement;
- (hh) the particulars of each Relevant Mortgage Receivable as set forth in the list of Mortgage Receivables attached to the Mortgage Receivables Purchase Agreement are correct and complete in all material respects; and
- (ii) the aggregate Outstanding Principal Amount of all Mortgage Receivables purchased on the Closing Date is equal to EUR 988,921,994.

### 7.3 Mortgage Loan Criteria

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

- (i) the Mortgage Loans are either:
  - a. Interest-only mortgage loans ("*aflossingsvrije hypotheek*");
  - b. Linear mortgage loans ("*lineaire hypotheek*");
  - c. Annuity Mortgage Loans ;
  - d. Investment Mortgage loans ("*beleggingshypotheek*");
  - e. Insurance Savings mortgage loans ("*spaarhypotheek*");
  - f. Bank Savings mortgage loans ("*bankspaarhypotheek*");
  - g. Life mortgage loans ("*levenhypotheek*");
  - or
  - h. Mortgage loans which combine any of the above mentioned types of mortgage loans ("*combinatiehypotheek*");
- (ii) the Borrower is a resident of the Netherlands and not an employee of the relevant Seller;
- (iii) the Borrower has made at least one monthly payment under the relevant Mortgage Loan;
- (iv) the interest of each Mortgage Receivable is either (i) fixed rate, (ii) floating rate or (iii) any other type of interest alternatives offered by the relevant Seller;
- (v) each Mortgaged Asset is not the subject of residential letting and is occupied by the Borrower at the moment of (or shortly after) origination;
- (vi) each Mortgage Loan has been entered into after January 1996;
- (vii) interest payments are scheduled to be made monthly;
- (viii) the maximum Outstanding Principal Amount of each Mortgage Receivable, or all Mortgage Receivables secured on the same Mortgaged Assets together, did not exceed 125 per cent. of the Foreclosure Value of the Mortgaged Assets upon origination of the Mortgage Receivable or Mortgage Receivables;
- (ix) where compulsory under the acceptance conditions used by the relevant Seller, each Mortgage Loan has a Life Insurance Policy or Risk Insurance Policy attached to it;
- (x) each Mortgage Loan has a legal maturity of not more than thirty (30) years;
- (xi) each Mortgage Loan, other than NHG Mortgage loans, has an original Outstanding Principal Amount of not more than EUR 500,000;
- (xii) each NHG Mortgage Loan has an original Outstanding Principal Amount of not more than EUR 350,000;
- (xiii) each Mortgage Receivable is secured by a first ranking Mortgage;
- (xiv) each Mortgaged Asset is located in the Netherlands;
- (xv) none of the Mortgage Loans has been originated by RegioBank prior to the merger with CVB Bank N.V.;

## 7.4 Portfolio conditions

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

The Mortgage Receivables Purchase Agreement provides that if a Borrower invokes a right to set-off amounts due to it by the relevant 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 relevant Seller will pay to the Issuer an amount equal to the difference between the amount which the Issuer would have received in respect of the Relevant Mortgage Receivable if no set-off had taken place and the amount actually received by the Issuer in respect of such Mortgage Receivable.

To secure the payment obligations of the Sellers hereunder, the Issuer will enter into the Financial Collateral Agreement with the Sellers and the Security Trustee (see section 5 (*Credit Structure*)).

## 7.5 Servicing Agreement

### **Mortgage Loan Services**

In the Servicing Agreement the Servicers will agree (i) to provide administration and cash management services to the Issuer on a day-to-day basis in relation to the Relevant Mortgage Loans and the Relevant Mortgage Receivables, including, without limitation, the collection and recording of payments of principal, interest and other amounts in respect of the Mortgage Receivables and the implementation of arrears procedures including the enforcement of mortgage rights (see further section 6.3 (*Origination and servicing by the Sellers*)); (ii) to communicate with the relevant Borrowers; (iii) to investigate and pursue payment delinquencies, (iv) to prepare and provide the Issuer Administrator with certain statistical information regarding the Issuer as required by law, for submission to the relevant regulatory authorities and (v) calculate the Potential Set-Off Required Amount.

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

### **Termination**

The Servicing 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 any of the Servicers in the payment on the due date of any payment due and payable by it under the Servicing Agreement, (b) a default is made by any of the Servicers in the performance or observance of any of its other covenants and obligations under the Servicing Agreement, (c) any of the Servicers has taken any corporate action or any steps have been taken or legal proceedings have been instituted or threatened against it for its entering into emergency regulations ("*noodregeling*") as referred to in Chapter 3 of the Wft 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) any of the Servicers is no longer licensed as intermediary ("*bemiddelaar*") or offeror ("*aanbieder*") under the Wft.

Upon the occurrence of a termination event as set out above, the Security Trustee and the Issuer shall use their best efforts to appoint a substitute servicer, and such substitute servicer shall enter into an agreement with the Issuer and the Security Trustee substantially on the terms of the Servicing Agreement, provided that such substitute servicer shall have the benefit of a servicing fee and an administration fee at a level to be then determined. Any such substitute servicer must (i) have experience of administering mortgage loans and mortgages of residential property in the Netherlands and (ii) hold a license under the Wft. The Issuer shall, promptly following the execution of such agreement, pledge its interests in such agreement in favour of the Security Trustee on the terms of the Issuer Rights Pledge Agreement, *mutatis mutandis*, to the satisfaction of the Security Trustee.

The Servicing Agreement may be terminated by any Servicer with respect to itself upon the expiry of not less than 12 months' notice of termination given by the relevant Servicer to each of the Issuer and the Security Trustee provided that – inter alia – (a) the Security Trustee consents in writing to such termination, (b) a substitute servicer shall be appointed and (c) the Credit Rating Agencies have provided a Credit Rating Agency Confirmation, such appointment to be effective not later than the date of termination of the Servicing Agreement and none of the Servicers shall not be released from its obligations under the Servicing Agreement until such substitute issuer administrator and/or servicer has entered into such new agreement.



## 7.6 Participation Agreements

### **Insurance Savings Participation Agreement**

Under the Insurance Savings Participation Agreement the Issuer will grant to the Insurance Savings Participant a Participation in the Insurance Savings Mortgage Receivables.

### **Savings Premium**

The conditions applicable to the Insurance Savings Mortgage Loans, stipulate that the Savings Premia paid by the Borrowers/insured will be deposited by the Insurance Savings Participant on a savings account held with SNS Bank or RegioBank as the case may be.

SNS Bank and RegioBank have agreed with the Insurance Savings Participant that they shall on-lend to the Insurance Savings Participant amounts equal to the Savings Premia deposited in the savings account in order to facilitate the Insurance Savings Participant in meeting its obligations under the Participation Agreement. However, the obligations of the Insurance Savings Participant under the Participation Agreement are not conditional upon the receipt of such amounts from SNS Bank or RegioBank, as the case may be.

### **Insurance Savings Participation**

In the Insurance Savings Participation Agreement the Insurance Savings Participant will undertake to pay to the Issuer:

- (i) on the Closing Date, the Initial Insurance Savings Participation in relation to each of the Insurance Savings Mortgage Receivables; and
- (ii) on each Mortgage Collection Payment Date an amount equal to the amount received by the Insurance Savings Participant as Savings Premium during the Mortgage Calculation Period then ended in respect of the relevant Savings Insurance Policies;

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

As a consequence of such payments, the Insurance Savings Participant will acquire the Insurance Savings in each of the relevant Insurance Savings Mortgage Receivables, which is equal to the Initial Savings Participation in respect of the relevant Insurance Savings Mortgage Receivables, increased during each Mortgage Calculation Period with the Insurance Savings Participation Increase.

In consideration for the undertakings of the Insurance Savings Participant described above, the Issuer will undertake to pay to the Insurance Savings Participant on each Mortgage Collection Payment Date an amount equal to the Insurance Savings Participation in each of the Insurance Savings Mortgage Receivables in respect of which amounts have been received during the relevant Mortgage Calculation Period or, in the case of the first Mortgage Collection Payment Date, during the period which commences on the Cut-Off Date and ends on the last day of the Mortgage Calculation Period immediately preceding such first Mortgage Collection Payment Date (i) by means of repayment and prepayment under the relevant Insurance Savings Mortgage Receivables, but excluding any prepayment penalties and interest penalties, if any, and, furthermore, excluding amounts paid as partial prepayments on the relevant Insurance Savings Mortgage Receivable, (ii) in connection with a repurchase of Insurance 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 Insurance Savings Mortgage Receivables pursuant to the Trust Deed to the extent such amounts relate to principal and (iv) as Net Foreclosure Proceeds on any Insurance Savings Mortgage Receivables to the extent such amounts relate to principal (the "**Insurance Savings Participation Redemption Available Amount**").

### **Reduction of Participation**

If a Borrower invokes a defence, including but not limited to a right of set-off or counterclaim against any person in respect of a Insurance Savings Mortgage Receivable if, for whatever reason, the Insurance Savings Participant does not pay the insurance proceeds when due and payable, whether in

full or in part, under the relevant Savings Insurance Policy and, as a consequence thereof, the Issuer will not have received any amount outstanding prior to such event in respect of such Insurance Savings Mortgage Receivable, the Insurance Savings Participation of the Insurance Savings Participant in respect of such Insurance Savings Mortgage Receivable, will be reduced by an amount equal to the amount which the Issuer has failed to so receive.

#### **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 Insurance Savings Participant may, and if so directed by the Insurance Savings Participant shall, by notice to the Issuer:

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

#### **Termination**

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

#### **Bank Savings Participation Agreement**

Under the Bank Savings Participation Agreement the Issuer will grant to each Bank Savings Participant a Participation in the Relevant Bank Savings Mortgage Receivables.

#### **Bank Savings Accounts**

The conditions applicable to the Bank Savings Mortgage Loans stipulate that amounts paid by the Borrowers will be deposited by the relevant Bank Savings Participants on the relevant Bank Savings Account held with SNS Bank or RegioBank, as the case may be.

#### **Bank Savings Participation**

In the Bank Savings Participation Agreement each Bank Savings Participant will undertake to pay to the Issuer:

- (i) on the Closing Date, the Initial Bank Savings Participation in relation to each of the Relevant Bank Savings Mortgage Receivables; and
- (ii) on each Mortgage Collection Payment Date an amount equal to the amount received by each Bank Savings Participant on the relevant Bank Savings Account in relation to the Relevant Bank Savings Mortgage Receivables during the Mortgage Calculation Period immediately preceding such Mortgage Collection Payment Date;

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

As a consequence of such payments, each Bank Savings Participant will acquire a Bank Savings Participation in each of the Relevant Bank Savings Mortgage Receivables, which is equal to the Initial Bank Savings Participation in respect of the Relevant Bank Savings Mortgage Receivables, increased during each Mortgage Calculation Period with the Bank Savings Participation Increase.

In consideration for the undertakings of the Bank Savings Participants described above, the Issuer will undertake to pay to each Bank Savings Participant on each Mortgage Collection Payment Date an amount equal to the Bank Savings Participation in each of the Relevant Bank Savings Mortgage Receivables in respect of which amounts have been received during the relevant Mortgage Calculation Period or, in the case of the first Mortgage Collection Payment Date, during the period which commences on the Cut-Off Date and ends on the last day of the Mortgage Calculation Period immediately preceding such first Mortgage Collection Payment Date (i) by means of repayment and prepayment under the Relevant Bank Savings Mortgage Receivables, but excluding any prepayment penalties and interest penalties, if any, and, furthermore, excluding amounts paid as partial prepayments on the Relevant Bank Savings Mortgage Receivable, (ii) in connection with a repurchase of Relevant 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 Relevant Bank Savings Mortgage Receivables pursuant to the Trust Deed to the extent such amounts relate to principal and (iv) as Net Foreclosure Proceeds on any Relevant Bank Savings Mortgage Receivables to the extent such amounts relate to principal (the "**Bank Savings Participation Redemption Available Amount**").

#### **Reduction of Participation**

If a Borrower invokes a defence, including but not limited to a right of set-off or counterclaim against any person in respect of a Relevant Bank Savings Mortgage Receivable if, for whatever reason, any Bank Savings Participant does not pay the amounts due under the Relevant Bank Savings Mortgage Receivable, whether in full or in part, and, as a consequence thereof, the Issuer will not have received any amount outstanding prior to such event in respect of such Relevant Bank Savings Mortgage Receivable, the Bank Savings Participation of the Bank Savings Participant in respect of such Relevant Bank Savings Mortgage Receivable, will be reduced by an amount equal to the amount which the Issuer has failed to so receive.

#### **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 any Bank Savings Participant may, and if so directed by any Bank Savings Participants shall, by notice to the Issuer:

- (i) declare that the obligations of the relevant Bank Savings Participant under the Bank Savings Participation Agreement are terminated;
- (ii) declare the Bank Savings Participation in relation to the Relevant 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 Bank Savings Participation Redemption Available Amount received or collected by the Issuer or, in case of enforcement, the Security Trustee under the Relevant Bank Savings Mortgage Receivables.

#### **Termination**

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

## 8. GENERAL

- (1) The issue of the Notes has been duly authorised by a resolution of the board of directors of the Issuer passed on 26 September 2012.
- (2) Application has been made to list the Class A1 Notes, the Class A2 Notes, the Class A3 Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes on Euronext Amsterdam. The estimated total costs involved with such admission amount to EUR 24,400.
- (3) The 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 082617426 and ISIN code XS0826174269.
- (4) The 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 082617477 and ISIN code XS0826174772.
- (5) The Class A3 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 082617663 and ISIN code XS0826176637.
- (6) The 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 082617736 and ISIN code XS0826177361.
- (7) The 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 082617752 and ISIN code XS0826177528.
- (8) The 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 082617779 and ISIN code XS0826177791.
- (9) The 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 082617795 and ISIN code XS0826177957.
- (10) The addresses of the clearing systems are: Euroclear, 1 Boulevard du Roi Albert II, 1210 Brussels, Belgium and Clearstream Luxembourg, 42 Avenue J.F. Kennedy, L-1855 Luxembourg.
- (11) Copies of the following documents may be inspected at the specified offices of the Security Trustee and the Paying Agent during normal business hours and in electronic form upon e-mail request at [AmsStructuredFinance@citco.com](mailto:AmsStructuredFinance@citco.com) or [corporate.broking@nl.abnamro.com](mailto:corporate.broking@nl.abnamro.com):
  - (i) the Deed of Incorporation dated 29 August 2012, including the articles of association of the Issuer;
  - (ii) the Mortgage Receivables Purchase Agreement;
  - (iii) the Deed of Assignment and Pledge;
  - (iv) the Notes Purchase Agreements;
  - (v) the Paying Agency Agreement;
  - (vi) the Trust Deed;
  - (vii) the Parallel Debt Agreement;
  - (viii) the Issuer Mortgage Receivables Pledge Agreement;
  - (ix) the Issuer Rights Pledge Agreement;
  - (x) the Administration Agreement;
  - (xi) the Servicing Agreement;
  - (xii) the Receivables Proceeds Distribution Agreement;
  - (xiii) the Collection Foundation Accounts Pledge Agreement;
  - (xiv) the Issuer Account Agreement;
  - (xv) the Financial Collateral Agreement;
  - (xvi) the Swap Agreement;
  - (xvii) the Cash Advance Facility Agreement;
  - (xviii) the Participation Agreements;
  - (xix) the Beneficiary Waiver Agreement; and
  - (xx) the Master Definitions Agreement.
- (12) A copy of the Prospectus will be available, free of charge, at the registered office of the Issuer, the Security Trustee and the Paying Agent and in electronic form upon e-mail request at [AmsStructuredFinance@citco.com](mailto:AmsStructuredFinance@citco.com) or [corporate.broking@nl.abnamro.com](mailto:corporate.broking@nl.abnamro.com).
- (13) The audited annual financial statements of the Issuer prepared annually will be made available,

- free of charge, from the specified office of the Issuer.
- (14) The Issuer intends to provide the following post-issuance information on the transaction: a quarterly report on the performance, including the arrears and the losses, of the transaction, together with current stratification tables, which can be obtained at: [www.securitisation.nl](http://www.securitisation.nl).
- (15) The accountants at KPMG Accountants N.V. are registered accountants ("*registeraccountants*") and are a member of the Netherlands Institute for Registered Accountants ("NIVRA").

**Responsibility statement**

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

SNS Bank is also responsible for the information contained in the following sections of this Prospectus: *Retention and disclosure requirements under the Capital Requirements Directive* in 1.4 (*The Notes*), 3.4 (*The Sellers*), 4.4 (*Regulatory and Industry Compliance*), 6.1 (*Stratification Tables*), 6.2 (*Description of Mortgage Loans*), 6.3 (*Origination and Servicing by the Sellers*), 6.4 (*Dutch Residential Mortgage Market*) and 6.5 (*NHG Guarantee Programme*). To the best of SNS Bank's knowledge and belief (having taken all reasonable care to ensure that such is the case) the information contained and specified as such in these sections is in accordance with the facts and does not omit anything likely to affect the import of such information.

Any information from third-parties contained and specified as such in this Prospectus has been accurately reproduced and as far as the Issuer is aware and is able to ascertain from information published by that third-party, no facts have been omitted which would render the reproduced information inaccurate or misleading. The Issuer accepts responsibility accordingly.

# GLOSSARY OF DEFINED TERMS

## 1. DEFINITIONS

Except where the context otherwise requires, the following defined terms used in this Prospectus have the meaning set out below.

**"403-Declaration"** means the 403-declaration deposited by SNS REAAL N.V. with the Commercial Register of the Chamber of Commerce in Utrecht in which it has declared to be jointly and severally liable for the debts resulting from legal acts of RegioBank;

**"ABN AMRO Bank"** means ABN AMRO Bank N.V., a public limited liability company organised under the laws of the Netherlands, and established in Amsterdam, the Netherlands;

**"Administration Agreement"** means the administration agreement between the Issuer Administrator, the Issuer and the Security Trustee dated the Closing Date;

**"Administration Rights"** means any and all rights of the Issuer vis-à-vis the Issuer Administrator under or in connection with the Administration Agreement;

**"Administrator Termination Event"** means any of the events mentioned in Clause 21.1 of the Administration Agreement;

**"AFM"** means the Netherlands Authority for the Financial Markets ("*Stichting Autoriteit Financiële Markten*");

**"Aggregate Determination Amount"** has the meaning ascribed to it in Schedule 4 to the Administration Agreement;

**"All Monies Mortgage"** means any mortgage right (*hypothekerecht*) which secures not only the loan granted to the Borrower to purchase the mortgaged property, but also any other liabilities and moneys that the Borrower, now or in the future, may owe to the relevant Seller either (i) regardless of the basis of such liability or (ii) under or in connection with the credit relationship (*kredietrelatie*) of the Borrower and the Seller;

**"All Monies Pledge"** means any rights of pledge granted in favour of the relevant Seller, which secure the same debts as the All Monies Mortgages;

**"All Monies Security Rights"** means the All Monies Mortgages and the All Monies Pledges jointly;

**"Annuity Mortgage Loan"** means a mortgage loan or part thereof in respect of which the Borrower pays a fixed monthly instalment, made up of an initially high and thereafter decreasing interest portion and an initially low and thereafter increasing principal portion, and calculated in such manner that such mortgage loan will be fully redeemed at its maturity;

**"Annuity Mortgage Receivable"** means the Mortgage Receivable resulting from an Annuity Mortgage Loan;

**"Arrangers"** means SNS Bank and BNP Paribas, London Branch;

**"Assignment Notification Event"** means any of the events specified as such in section 7.1 (*Purchase, Repurchase and Sale*) of this Prospectus;

**"Available Principal Funds"** has the meaning as described in section 5.1 (*Available Funds*) of this Prospectus;

**"Available Revenue Funds"** means the Swapped Notes Available Revenue Funds and the Non-

Swapped Notes Available Revenue Funds;

"**Available Subordination**" has the meaning ascribed thereto in section 5.1 (*Available Funds*);

"**Available Subordination Increase**" has the meaning ascribed thereto in section 5.1 (*Available Funds*);

"**Bank Savings Account**" means in respect of a Bank Savings Mortgage Loan, a blocked savings account in the name of a Borrower held with the relevant Bank Savings Participant;

"**Bank Savings Deposit**" means the monthly deposit in the relevant Bank Savings Account paid by the Borrower;

"**Bank Savings Mortgage Loan**" means a Mortgage Loan or part thereof in respect of which the Borrower is not required to repay principal until maturity but instead makes a deposit into the relevant Bank Savings Account on a monthly basis;

"**Bank Savings Mortgage Receivable**" means the Mortgage Receivable resulting from a Bank Savings Mortgage Loan;

"**Bank Savings Participant**" means each of SNS Bank and RegioBank;

"**Bank Savings Participation**" means, on any Mortgage Calculation Date, in respect of each Bank Savings Mortgage Receivable an amount equal to the Initial Bank Savings Participation in respect of such Bank Savings Mortgage Receivable increased with each Bank Savings Participation Increase up to (and including) the Mortgage Calculation Period immediately preceding such Mortgage Calculation Date, but not exceeding the Outstanding Principal Amount of such Bank Savings Mortgage Receivable;

"**Bank Savings Participation Agreement**" means the bank savings participation agreement between the Issuer and each Bank Savings Participant and the Security Trustee dated the Closing Date;

"**Bank Savings Participation Increase**" means an amount calculated for each Mortgage Calculation Period on the relevant Mortgage Calculation Date by application of the following formula:  $(P \times I) + S$ , whereby:

P = Participation Fraction;

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

I = the amount of interest due by the Borrower on the relevant Bank Savings Mortgage Receivable and actually received by the Issuer in respect of such Mortgage Calculation Period;

"**Bank Savings Participation Redemption Available Amount**" has the meaning ascribed thereto in section 7.6 (*Participation Agreements*) of this Prospectus;

"**Bank Savings Participation Rights**" means any and all rights of the Issuer vis-à-vis the relevant Bank Savings Participant under or in connection with the Bank Savings Participation Agreement;

"**Basel II**" means the capital accord published by the Basel Committee on Banking Supervision under the title "Basel II: International Convergence of Capital Measurement and Capital Standards: a Revised Framework";

"**Basel III**" means the new rules published by the Basel Committee on Banking Supervision amending Basel II on bank capital requirements;

"**Basic Terms Change**" means, in respect of Notes of a Class, a change (i) of the date of maturity of the relevant Notes, (ii) which would have the effect of postponing any day for payment of interest in respect of the relevant Notes, (iii) of the amount of principal payable in respect of the relevant Notes, (iv) of the

rate of interest, if any, applicable in respect of the relevant Notes, (v) of the Revenue Priorities of Payments, the Redemption Priority of Payments or the Post-Enforcement Priority of Payments or (vi) of the quorum or majority required to pass an Extraordinary Resolution;

**"Beneficiary Rights"** means all rights and/or claims which the relevant Seller has vis-à-vis the relevant Insurance Company in respect of an Insurance Policy, under which the relevant Seller has been appointed by the Borrower/insured as beneficiary (*begunstigde*) in connection with the Mortgage Receivable;

**"Beneficiary Waiver Agreement"** means the beneficiary waiver agreement between, amongst others, the Sellers, the Security Trustee and the Issuer dated the Closing Date;

**"BKR"** means National Credit Register (*Bureau Krediet Registratie*);

**"BLG Hypotheekbank"** means former BLG Hypotheekbank N.V., which merged into SNS Bank on 11 October 2010;

**"Borrower"** means the debtor or debtors, including any jointly and severally liable co-debtor or co-debtors, of a Mortgage Loan;

**"Borrower Insurance Pledge"** means a right of pledge (*pandrecht*) created in favour of the relevant Seller on the rights of the relevant pledgor against the relevant Insurance Company under the relevant Insurance Policy securing the relevant Mortgage Receivable;

**"Borrower Insurance Proceeds Instruction"** means the irrevocable instruction by the beneficiary under an Insurance Policy to the relevant Insurance Company to apply the insurance proceeds towards repayment of the same debt for which the relevant Borrower Insurance Pledge was created;

**"Borrower Investment Account"** means, in respect of an Investment Mortgage Loan, an investment account in the name of the relevant Borrower;

**"Borrower Pledge"** means a right of pledge (*pandrecht*) securing the relevant Mortgage Receivable, including a Borrower Insurance Pledge;

**"Borrower Securities Pledge"** means a means a right of pledge ("*pandrecht*") on securities in respect of Investment Mortgage Loans originated by SNS Bank securing the relevant Investment Mortgage Receivable;

**"Business Day"** means a TARGET 2 Settlement Day provided that such day is also a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in Amsterdam and London;

**"Capital Requirements Directive"** means Directives 2006/48/EC and 2006/49/EC, as amended by Directive 2009/111/EC, as the same may be amended from time to time;

**"Cash Advance Facility"** means the cash advance facility as referred to in Clause 3.1 of the Cash Advance Facility Agreement;

**"Cash Advance Facility Agreement"** means the cash advance facility agreement between the Cash Advance Facility Provider, the Issuer and the Security Trustee dated the Closing Date;

**"Cash Advance Facility Available Amount"** means the Cash Advance Facility Maximum Amount less the aggregate outstanding balance of (i) the Cash Advance Facility Loan, if any, and (ii) the Cash Advance Facility Standby Loan, if any;

**"Cash Advance Facility Commitment Fee"** means 0.10 per cent. of the Cash Advance Facility Available Amount per annum or, in case of a Cash Advance Facility Stand-by Drawing, 0.10 per cent. per annum calculated by reference to the Cash Advance Facility Stand-by Drawing;



**"Cash Advance Facility Commitment Termination Date"** means 2 October 2013 or any later date to which the cash advance facility commitment termination date has been extended in accordance with the Cash Advance Facility Agreement;

**"Cash Advance Facility Drawing"** means a drawing under the Cash Advance Facility as provided in Clause 4.1 of the Cash Advance Facility Agreement;

**"Cash Advance Facility Drawing Notice"** means a notice by the Issuer (or the Issuer Administrator on behalf of the Issuer) substantially in the form of the Schedule to the Cash Advance Facility Agreement;

**"Cash Advance Facility Ledger"** means a Ledger created for the purpose of recording any drawing under the Cash Advance Facility in accordance with the Administration Agreement;

**"Cash Advance Facility Loan"** means the aggregate principal amount of all Cash Advance Facility Drawings for the time being advanced and outstanding under the Cash Advance Facility;

**"Cash Advance Facility Margin"** means 0.25 per cent.;

**"Cash Advance Facility Maximum Amount"** means, on any Notes Payment Date, an amount equal to the greater of (i) 1.9 per cent. of the Principal Amount Outstanding of the Class A Notes on such date and (ii) 0.65 per cent of the Principal Amount Outstanding of the Class A Notes as at the Closing Date.

**"Cash Advance Facility Provider"** means SNS Bank;

**"Cash Advance Facility Rights"** means any and all rights of the Issuer under or in connection with the Cash Advance Facility Agreement;

**"Cash Advance Facility Stand-by-Drawing"** means the drawing by the Issuer of the entire undrawn portion under the Cash Advance Facility Agreement if a Cash Advance Standby Drawing Event occurs;

**"Cash Advance Facility Stand-by Drawing Event"** means any of the events specified as such in section 5.5 (*Liquidity Support*) of this Prospectus;

**"Cash Advance Facility Stand-by Ledger"** means a ledger created for the purpose of recording any Cash Advance Facility Stand-by Drawing in accordance with the Administration Agreement;

**"Cash Advance Facility Stand-by Loan"** means the aggregate principal amount of all Cash Advance Facility Stand-by Drawings made under the Cash Advance Facility Agreement for the time being outstanding;

**"Class"** means either the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes or the Class E Notes;

**"Class A Notes"** means any of Class A1 Notes, the Class A2 Notes and the Class A3 Notes;

**"Class A1 & A2 Joint Lead Managers"** means each of BNP Paribas, London Branch, Credit Suisse Securities (Europe) Limited and Jefferies International Limited;

**"Class A1 and A2 Notes Purchase Agreement"** means the notes purchase agreement relating to the Class A1 Notes and the Class A2 Notes between the Class A1 & A2 Joint Lead Managers, the Co-Manager, the Issuer and the Sellers dated the Signing Date;

**"Class A1 Notes"** means the EUR 192,000,000 class A1 mortgage-backed floating rate Notes 2012 due September 2044;

**"Class A1 Principal Deficiency"** means any Interest Shortfall and any Realised Losses on the Mortgage Receivables standing to the debit of the Class A1 Principal Deficiency Ledger;

"**Class A1 Principal Deficiency Ledger**" means the Ledger created for the purpose of recording any Class A1 Principal Deficiency in accordance with the Administration Agreement;

"**Class A2 Notes**" means the EUR 480,000,000 class A2 mortgage-backed floating rate Notes 2012 due 2044;

"**Class A2 Principal Deficiency**" means any Interest Shortfall and any Realised Losses on the Mortgage Receivables standing to the debit of the Class A2 Principal Deficiency Ledger;

"**Class A2 Principal Deficiency Ledger**" means the Ledger created for the purpose of recording any Class A2 Principal Deficiency in accordance with the Administration Agreement;

"**Class A3 Joint Lead Managers**" means each of The Royal Bank of Scotland plc and Jefferies International Limited;

"**Class A3 Notes**" means the EUR 211,200,000 class A3 mortgage-backed fixed rate Notes 2012 due 2044;

"**Class A3 Notes Purchase Agreement**" means the notes purchase agreement-relating to the Class A3 Notes-between the Class A3 Joint Lead Managers, the Co-Manager, the Issuer and the Sellers dated the Signing Date;

"**Class A3 Principal Deficiency**" means any Interest Shortfall and any Realised Losses on the Mortgage Receivables standing to the debit of the Class A3 Principal Deficiency Ledger;

"**Class A3 Principal Deficiency Ledger**" means the Ledger created for the purpose of recording any Class A3 Principal Deficiency in accordance with the Administration Agreement;

"**Class A Principal Deficiency**" means the Class A1 Principal Deficiency, the Class A2 Principal Deficiency and the Class A3 Principal Deficiency;

"**Class A Principal Deficiency Ledger**" means the Class A1 Principal Deficiency Ledger, Class A2 Principal Deficiency Ledger and the Class A3 Principal Deficiency Ledger jointly;

"**Class A Principal Deficiency Limit**" means the Principal Amount Outstanding of the Class A Notes;

"**Class B, C, D and E Notes Purchase Agreement**" means the notes purchase agreement-relating to the Class B Notes, Class C Notes, Class D Notes and Class E Notes-between the Co-Manager, the Issuer and the Sellers dated the Signing Date;

"**Class B Notes**" means the EUR 28,800,000 class B mortgage-backed Notes 2012 due 2044;

"**Class B Principal Deficiency**" means any Interest Shortfall and any Realised Losses on the Mortgage Receivables standing to the debit of the Class B Principal Deficiency Ledger;

"**Class B Principal Deficiency Ledger**" means the Ledger created for the purpose of recording any Class B Principal Deficiency in accordance with the Administration Agreement;

"**Class B Principal Shortfall**" has the meaning ascribed to it in Condition 9(a);

"**Class C Notes**" means the EUR 19,200,000 class C mortgage-backed Notes 2012 due 2044;

"**Class C Principal Deficiency**" means any Interest Shortfall and any Realised Losses on the Mortgage Receivables standing to the debit of the Class C Principal Deficiency Ledger;

"**Class C Principal Deficiency Ledger**" means the Ledger created for the purpose of recording any Class C Principal Deficiency in accordance with the Administration Agreement;

"**Class C Principal Shortfall**" has the meaning ascribed to it in Condition 9(a);

"**Class D Notes**" means the EUR 14,400,000 class D mortgage-backed Notes 2012 due 2044;

"**Class D Principal Deficiency**" means any Interest Shortfall and any Realised Losses on the Mortgage Receivables standing to the debit of the Class D Principal Deficiency Ledger;

"**Class D Principal Deficiency Ledger**" means the Ledger created for the purpose of recording any Class D Principal Deficiency in accordance with the Administration Agreement;

"**Class D Principal Shortfall**" has the meaning ascribed to it in Condition 9(a);

"**Class E Notes**" means the EUR 14,400,000 class E mortgage-backed Notes 2012 due 2044;

"**Class E Principal Deficiency**" means any Interest Shortfall and any Realised Losses on the Mortgage Receivables standing to the debit of the Class E Principal Deficiency Ledger;

"**Class E Principal Deficiency Ledger**" means the Ledger created for the purpose of recording any Class E Principal Deficiency in accordance with the Administration Agreement;

"**Class E Principal Shortfall**" has the meaning ascribed to it in Condition 9(a);

"**Clean-Up Call Option**" means the right of the Issuer to redeem all of the Notes in whole but not in part in accordance with Condition 6(e);

"**Clearstream, Luxembourg**" means Clearstream Banking, société anonyme;

"**Closing Date**" means 3 October 2012 or such later date as may be agreed between the Issuer, the Sellers and the Managers;

"**Collection Foundation**" means Stichting Hypotheken Incasso;

"**Collection Foundation Accounts**" means the accounts held by the Collection Foundation with the relevant Foundation Account Provider(s);

"**Collection Foundation Accounts Pledge Agreement**" means the collection foundation accounts pledge agreement between, *inter alia*, the Security Trustee, the Previous Transaction Security Trustees, the Issuer and the Previous Transaction SPVs, containing a first ranking right of pledge on the balances standing to the credit of the Collection Foundation Accounts in favour of, *inter alia*, the Security Trustee and the Previous Transaction Security Trustees jointly as security for any and all liabilities of the Collection Foundation to the Security Trustee and the Previous Transaction Security Trustees, and (ii) a second ranking right of pledge in favour of, *inter alia*, the Issuer and the Previous Transaction SPVs jointly as security for any and all liabilities of the Collection Foundation to the Issuer and the Previous Transaction SPVs, dated the Closing Date;

"**Collection Foundation Trigger Event**" means the event that the credit rating of SNS Bank's long term default rating falls below "BBB" by Fitch or "Baa1" by Moody's or such rating is withdrawn;

"**Common Safekeeper**" means Clearstream, Luxembourg in respect of the Class A Notes and Bank of America National Association, London Branch in respect of the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes.

"**Common Service Provider**" means Bank of America Merrill Lynch;

"**Co-Manager**" means SNS Bank;

"**Conditions**" means the terms and conditions of the Notes set out in Schedule 5 to the Trust Deed as from time to time modified in accordance with the Trust Deed and, with respect to any Notes

represented by a Global Note, as modified by the provisions of the relevant Global Note;

**"Coupons"** means the interest coupons appertaining to the Notes;

**"CPR"** means Conditional Prepayment Rate;

**"CRA Regulation"** means Regulation (EC) No 1060/2009 of 16 September 2009 on credit rating agencies, as amended by Regulation EU No 513/2011 of 18 May 2011;

**"Credit Rating Agency"** means any credit rating agency (including any successor to its rating business) who, at the request of the Issuer, assigns, and for as long it assigns, one or more ratings to the Notes, from time to time, which as at the Closing Date includes Fitch and Moody's ;

**"Credit Rating Agency Confirmation"** means, if the Credit Rating Agencies are notified of a certain event or matter, the earlier of (i) confirmations in writing from each of the Credit Rating Agencies that the then current ratings of the Notes, other than the Class E Notes, will not be adversely affected by or withdrawn as a result of such event or matter and (ii) if a Credit Rating Agency neither provides such confirmations nor indicates (a) which conditions should be met before it is in a position to grant such confirmations or (b) that the then current ratings of the Notes, other than the Class E Notes will be adversely affected by or withdrawn as a result of such event or matter, the passage of 14 days after such notification;

**"Credit Suisse International"** means Credit Suisse International, incorporated under the laws of England and Wales and established in London, United Kingdom;

**"Current Loan to Foreclosure Value Ratio"** means the ratio calculated by dividing (i) the Outstanding Principal Amount of a Mortgage Receivable minus any Participation by (ii) the Foreclosure Value;

**"Cut-Off Date"** means 31 August 2012;

**"Deed of Assignment and Pledge"** means a deed of assignment and pledge of Mortgage Receivables in the form set out in the Mortgage Receivables Purchase Agreement dated the Closing Date;

**"Deferred Purchase Price"** means part of the purchase price for the Mortgage Receivables equal to the sum of all Deferred Purchase Price Instalments;

**"Deferred Purchase Price Instalment"** means, after application of the relevant available amounts in accordance with the relevant Priority of Payments, any amount remaining after all items ranking higher than the item relating to the Deferred Purchase Price have been satisfied;

**"Definitive Notes"** means Notes in definitive bearer form in respect of any Class of Notes;

**"Delivery Amount"** means, on any Notes Payment Date, the higher of (i) the Potential Set-Off Required Amount minus the Posted Collateral Value and (ii) zero;

**"Deposit Agreement"** means the deposit agreement between the Sellers, the Issuer, the Security Trustee and the Agent (as defined therein) dated the Closing Date;

**"Determination Mortgage Calculation Period"** means a Mortgage Calculation Period for which no Mortgage Report is available;

**"Directors"** means ATC Management B.V. as the sole director of the Issuer and the Shareholder and Europe Management Company B.V. as the sole director of the Security Trustee collectively;

**"Disruption Interest Overpaid Amount"** means the amount, if any, by which (a) the Available Revenue Funds determined in respect of a Mortgage Calculation Period comprising a Determination Mortgage Calculation Period, exceed (b) the Available Revenue Funds as determined in accordance

with the available Mortgage Reports;

**"Disruption Interest Underpaid Amount"** means the amount, if any, by which (a) the Available Revenue Funds as determined in accordance with the available Mortgage Reports exceed (b) the Available Revenue Funds determined in respect of a Mortgage Calculation Period comprising a Determination Mortgage Calculation Period;

**"Disruption Principal Overpaid Amount"** means the amount, if any, by which (a) the Available Principal Funds determined in respect of a Mortgage Calculation Period comprising a Determination Mortgage Calculation Period, exceed (b) the Available Principal Funds as determined in accordance with the available Mortgage Reports;

**"Disruption Principal Underpaid Amount"** means the amount, if any, by which (a) the Available Principal Funds as determined in accordance with the available Mortgage Reports exceed (b) the Available Principal Funds determined in respect of a Mortgage Calculation Period comprising a Determination Mortgage Calculation Period;

**"DNB"** means the Dutch central bank ("*De Nederlandsche Bank N.V.*");

**"Eligible Collateral"** means, in respect of the Financial Collateral Agreement, euro denominated cash;

**"Enforcement Date"** means the date of an Enforcement Notice;

**"Enforcement Notice"** means the notice delivered by the Security Trustee to the Issuer pursuant to Condition 10 (*Events of Default*);

**"EONIA"** means the reference rate equal to the overnight rate as calculated by the Banking Federation of the European Union, if such day is a Business Day, on such Business Day or, if such day is not a Business Day, on the first Business Day following that day, at or about 7 p.m. Brussels time on such Business Day and which appears for information purposes on the Reuters Screen EONIA (or its successor sources) (or, if not available, any other display page on any screen service maintained by any registered information vendor (including, without limitation, the Reuter Monitor Money Rate Service and the Bloomberg Service) for the display of the EONIA rate selected by or on behalf of the Issuer);

**"Equivalent Eligible Collateral"** means, in relation to any Eligible Collateral comprised in the Posted Collateral, collateral of the same type as Eligible Collateral;

**"Escrow List of Loans"** means, at the Closing Date and at each Notes Payment Date, a list of all Mortgage Loans held by the Issuer at such time, which list includes (i) the name and address of the Borrower and (ii) the address of the Mortgaged Assets, if different from (i), and which list shall be held in escrow by a civil law notary as further set out in Clause 15 of the Mortgage Receivable Purchase Agreement;

**"EUR"** or **"euro"** means the lawful currency of the member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community (signed in Rome on 25 March 1957), as amended from time to time;

**"EURIBOR"** has the meaning ascribed to it in Condition 4(e) (*Interest*);

**"EURIBOR Reference Banks"** has the meaning ascribed to it in Condition 4(e) (*Interest*);

**"Euroclear"** means Euroclear Bank SA/NV as operator of the Euroclear System;

**"Euronext Amsterdam"** means NYSE Euronext in Amsterdam;

**"Events of Default"** means any of the events specified as such in Condition 10 (*Events of Default*);

"**Excess Margin**" means 0.45 per cent. per annum;

"**Excess Swap Collateral**" means, (x) in respect of the date such Swap Agreement is terminated, collateral of a value equal to the amount by which (i) the value of the Credit Support Balance (as defined in the credit support annex forming part of the Swap Agreement) exceeds (ii) the amount owed by the Swap Counterparty (if any) to the Issuer pursuant to Section 6(e) of the Swap Agreement, provided that for the purposes of this calculation under this limb (x)(ii) only, the value of the Credit Support Balance (as defined in the credit support annex forming part of the Swap Agreement) shall be deemed to be zero and (y) in respect of any other valuation date under the Swap Agreement, collateral of a value equal to the amount by which the value of collateral transferred to the Issuer by the Swap Counterparty and accrued exceeds the value of the Swap Counterparty's collateral posting requirements under the credit support annex forming part of the Swap Agreement on such date.

"**Exchange Date**" means the date, not earlier than forty (40) days after the issue date of the Notes on which interests in the Temporary Global Notes will be exchangeable for interests in the Permanent Global Notes;

"**Extraordinary Resolution**" means a resolution adopted at a meeting of Noteholders of a Class duly convened and held by the Noteholders of a Class by a majority of not less than two-thirds of the validly cast votes, except that in case of an Extraordinary Resolution approving a Basic Terms Change the majority required shall be at least seventy-five (75) per cent. of the validly cast votes;

"**Final Maturity Date**" means the Notes Payment Date falling in September 2044;

"**Final Portfolio**" has the meaning ascribed thereto in section 6.2 (*Description of Mortgage Loans*);

"**Financial Cash Collateral Funds**" means, on any day, the Posted Collateral standing to the credit of the Financial Cash Collateral Ledger at the close of business of such day;

"**Financial Cash Collateral Ledger**" means the Ledger created for the purpose of recording any Eligible Collateral transferred by a Seller to the Issuer under the Financial Collateral Agreement in accordance with the Administration Agreement;

"**Financial Collateral Agreement**" means the financial collateral agreement between the Issuer, the Sellers and the Security Trustee dated the Closing Date;

"**Financial Collateral Interest**" means, with respect to a Mortgage Calculation Period, any amount of interest calculated for each day in that Mortgage Calculation Period on the Financial Cash Collateral Funds;

"**First Optional Redemption Date**" means the Notes Payment Date falling in September 2017;

"**Fitch**" means Fitch Ratings Ltd. and includes any successor to its rating business;

"**Fixed Rate Interest Amount**" means, on any Interest Determination Date, the amount of interest payable on the Class A3 Notes for the following Interest Period;

"**Floating Interest Rate**" means the rate of interest applicable from time to time to the Class A1 Notes and the Class A2 Notes, as determined in accordance with Condition 4 (*Interest*);

"**Floating Rate Interest Amount**" means, on any Interest Determination Date, the amount of interest payable on the Class A1 Notes and the Class A2 Notes for the following Interest Period;

"**Floating Rate Mortgage Loan**" means a Mortgage Loan consisting of a loan or loan part bearing a floating rate of interest;

"**Floating Rate Mortgage Receivable**" means the Mortgage Receivable resulting from a Floating Rate Mortgage Loan;

**"Foreclosure Value"** means the foreclosure value of the Mortgaged Asset;

**"Foundation Account Provider"** means any of SNS Bank, RegioBank or Rabobank, as the context may require;

**"Foundation Administrator"** means SNS Bank in its capacity as foundation administrator to the Collection Foundation;

**"Further Advance"** means a loan or a further advance to be made to a Borrower under a Mortgage Loan, which is secured by the same Mortgage;

**"General Banking Conditions"** means the general banking conditions of the Issuer Account Bank in the form in which they have presently been deposited by the Netherlands Banking Association ("*Nederlandse Vereniging van Banken*") with the clerk of the District Court of Amsterdam;

**"Global Note"** means any Temporary Global Note or Permanent Global Note;

**"Higher Ranking Class"** means, in relation to any Class of Notes, each Class of Notes which has not been previously redeemed or written off in full and which ranks higher in priority to it in the Redemption Priority of Payments;

**"ICSDs"** means International Central Securities Depositories;

**"Indemnification"** has the meaning ascribed to it in Clause 11.1 of the Mortgage Receivables Purchase Agreement;

**"Initial Bank Savings Participation"** means at the Closing Date an amount equal to the balance of the relevant Bank Savings Account with accrued interest up to the Cut-Off Date;

**"Initial Insurance Savings Participation"** means, at the Closing Date, an amount equal to the sum of the Savings Premia received by the Insurance Savings Participant with accrued interest up to the Cut-Off Date;

**"Initial Participation"** means each of the Initial Bank Savings Participation and the Initial Savings Participation;

**"Initial Purchase Price"** means, in respect of any Mortgage Receivable, its Outstanding Principal Amount on the Cut-Off Date;

**"Initial Savings Participation"** means an Initial Bank Savings Participation and/or an Initial Insurance Savings Participation;

**"Insurance Company"** means any insurance company established in the Netherlands;

**"Insurance Policy"** means each of a Life Insurance Policy, a Risk Insurance Policy and/or a Savings Insurance Policy;

**"Insurance Savings Mortgage Loan"** means a Mortgage Loan to which a Savings Insurance Policy is connected and listed as such, at Closing, in the List of Mortgage Loans attached as Schedule 1 to the Mortgage Receivables Purchase Agreement and at any time after the Closing Date, listed as such in the most recent List of Mortgage Loans;

**"Insurance Savings Mortgage Receivable"** means the Mortgage Receivable resulting from any Insurance Savings Mortgage Loan;

**"Insurance Savings Participant"** means SRLEV N.V., a public company incorporated under the laws of the Netherlands and established in Utrecht, the Netherlands;

**"Insurance Savings Participation"** means, on any Mortgage Calculation Date, in respect of each Insurance Savings Mortgage Receivable, an amount equal to the Initial Insurance Savings Participation in respect of such Insurance Savings Mortgage Receivable increased with the Insurance Savings Participation Increase up to (and including) the Mortgage Calculation Period immediately preceding such Mortgage Calculation Date, but not exceeding the Outstanding Principal Amount of such Insurance Savings Mortgage Receivable;

**"Insurance Savings Participation Agreement"** means the insurance savings participation agreement between the Issuer and the Insurance Savings Participant and the Security Trustee dated the Closing Date;

**"Insurance Savings Participation Increase"** means an amount calculated for each Mortgage Calculation Period on the relevant Mortgage Calculation Date by application of the following formula:

$(P \times I) + S$ , whereby:

P = Participation Fraction;

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

I = the amount of interest due by the Borrower on the relevant Insurance Savings Mortgage Receivable and actually received by the Issuer in respect of such Mortgage Calculation Period;

**"Insurance Savings Participation Redemption Available Amount"** has the meaning ascribed thereto in section 7.6 (*Participation Agreements*) of this Prospectus;

**"Insurance Savings Participation Rights"** means any and all rights of the Issuer vis-à-vis the Insurance Savings Participant under or in connection with the Participation Agreement;

**"Interest Collections"** has the meaning ascribed to it in Schedule 4 to the Administration Agreement;

**"Interest Determination Amount"** has the meaning ascribed to it in Schedule 4 to the Administration Agreement;

**"Interest Determination Date"** has the meaning ascribed to it in Condition 4(e) (*Interest*);

**"Interest Determination Ratio"** has the meaning ascribed to it in Schedule 4 to the Administration Agreement;

**"Interest-only Mortgage Loan"** means a mortgage loan or part thereof in respect of which the Borrower is not required to repay principal until maturity;

**"Interest Period"** means the period from (and including) the Closing Date to (but excluding) the Notes Payment Date falling in December 2012 and each successive period from (and including) a Notes Payment Date to (but excluding) the next succeeding Notes Payment Date;

**"Interest Rate Reset Date"** means a date on which the rate of interest to be paid on the Mortgage Loans is reset in accordance with the relevant Mortgage Conditions;

**"Interest Reconciliation Ledger"** means the Ledger created for the purpose of recording any reconciliation payments in relation to interest in accordance with the Administration Agreement;

**"Interest Shortfall"** means the sum of the Swapped Notes Interest Shortfall and the Non-Swapped



Notes Interest Shortfall;

**"Investment Account"** means an 'SNS Rendementrekening' investments account held with SNS Bank;

**"Investment Firm"** means in relation to Investment Mortgage Loans, the bank or investment firm ("*beleggingsonderneming*") offering the relevant investment funds and/or securities;

**"Investment Funds"** means certain investment funds offered by SNS Beleggingsfondsen N.V.;

**"Investment Mortgage Loan"** means a mortgage loan or part thereof in respect of which the Borrower is not required to repay principal until maturity, but undertakes to invest defined amounts through a Borrower Investment Account;

**"Investment Mortgage Receivable"** means the Mortgage Receivable resulting from an Investment Mortgage Loan;

**"Investor Report"** has the meaning ascribed to it in Clause 8.3 of the Administration Agreement;

**"Issuer"** means Holland Mortgage Backed Series (Hermes) XVIII B.V., a private company with limited liability incorporated under the laws of the Netherlands and established in Amsterdam, the Netherlands;

**"Issuer Account Agreement"** means the issuer account agreement between the Issuer, the Security Trustee and the Issuer Account Bank dated the Closing Date;

**"Issuer Account Bank"** means Rabobank;

**"Issuer Account Rights"** means any and all rights of the Issuer vis-à-vis the Issuer Account Bank under or in connection with the Issuer Account Agreement;

**"Issuer Accounts"** means any of the Issuer Collection Account and the Swap Collateral Account;

**"Issuer Accounts Funds"** means, on any day, the balance standing to the credit of the Issuer Accounts at the close of business on such day;

**"Issuer Accounts Interest"** means, with respect to a Notes Calculation Period, the interest received on the Issuer Accounts during such period;

**"Issuer Accounts Interest Rate"** means the interest rate as set out in Clause 3.2 of the Issuer Account Agreement;

**"Issuer Accounts Period"** means the period from (and including) any Notes Payment Date to (but excluding) any consecutive Notes Payment Date, save for the first Issuer Accounts Period which shall be from and including the Closing Date to but excluding the Notes Payment Date falling in December 2012;

**"Issuer Administrator"** means ATC Financial Services B.V., a private company with limited liability incorporated under the laws of the Netherlands and established in Amsterdam, the Netherlands;

**"Issuer Collection Account"** means the bank account of the Issuer with the Issuer Account Bank designated as such in the Issuer Account Agreement;

**"Issuer Collection Account Funds"** means, on any day, the balance standing to the credit of the Issuer Collection Account at the close of business on such day;

**"Issuer Expenses"** means the sum of:

- (i) 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 Transaction Documents;
- (ii) the administration fees and expenses due and payable to the Servicers under the Servicing

- Agreement and the Issuer Administrator under the Administration Agreement;
- (iii) (i) any amounts due and payable to third parties under obligations incurred in the Issuer's business (other than under the Transaction 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 the Withheld Amount) and the fees and expenses due to the Credit Rating Agencies and any legal advisor, auditor and accountant, appointed by the Issuer or the Security Trustee, (ii) fees and expenses due to the Paying Agent and the Reference Agent under the Paying Agency Agreement and (iii) the Cash Advance Facility Commitment Fee under the Cash Advance Facility Agreement;

provided that, for the purposes of calculating the Fixed Rate Payer Amounts (as defined in the Swap Agreement) in respect of any Notes Calculation Period in accordance with the Swap Agreement, that the amounts described in this definition in respect of any Notes Calculation Period shall not exceed 0.30 per cent of the Principal Amount Outstanding of the Notes;

**"Issuer Management Agreement"** means the issuer management agreement between the Issuer, ATC Management B.V. and the Security Trustee dated the Signing Date;

**"Issuer Mortgage Receivables Pledge Agreement"** means the mortgage receivables pledge agreement entered into by the Issuer (as pledgor) and the Security Trustee (as pledgee) dated the Closing Date;

**"Issuer Payment Obligations"** has the meaning ascribed thereto in Clause 2.1 of the Parallel Debt Agreement;

**"Issuer Rights"** means any and all rights of the Issuer (a) under or in connection with (i) the Mortgage Receivables Purchase Agreement, (ii) the Administration Agreement, (iii) the Servicing Agreement, (iv) the Participation Agreements, (v) the Cash Advance Facility Agreement, (vi) the Swap Agreement and (vii) the Issuer Account Agreement and (b) in respect of the Issuer Collection Account;

**"Issuer Rights Pledge Agreement"** means the pledge agreement between, among others, the Issuer, the Security Trustee, the Sellers and the Servicers dated the Closing Date pursuant to which a right of pledge is created in favour of the Security Trustee over the Issuer Rights;

**"Issuer Services"** means the services to be provided by the Issuer Administrator to the Issuer and the Security Trustee, as set out in the Administration Agreement;

**"Joint Lead Managers"** means each of the Class A1 & A2 Joint Lead Managers and the Class A3 Joint Lead Managers;

**"Jointly-held Borrower Pledges"** means the Borrower Pledges which are jointly-held by the relevant Seller and the Issuer and/or the Security Trustee, as the case may be;

**"Jointly-held Mortgages"** means the Mortgages which are jointly-held by the relevant Seller and the Issuer and/or the Security Trustee; as the case may be;

**"Land Registry"** means the Dutch land registry (*het Kadaster*);

**"Ledger"** means any of the ledgers referred to in Clause 5 of the Administration Agreement;

**"Life Beneficiary Rights"** means all rights and/or claims which any of the Sellers, as the case may be, the Issuer or the Security Trustee has vis-à-vis a Life Insurance Company in respect of the relevant Life Insurance Policy under which the relevant Seller has been appointed by the Borrower/insured as first beneficiary ("begunstigde") in connection with the Life Mortgage Receivable set out in the relevant Borrower Insurance Pledge;

**"Life Insurance Company"** means any Insurance Company with which the Borrowers have entered into Life Insurance Policies in connection with any Mortgage Loans;

"**Life Insurance Policy**" means an insurance policy taken out by any Borrower comprised of a risk insurance element and a capital insurance element which pays out a certain amount on an agreed date or, if earlier, upon the death of the insured;

"**Life Mortgage Loan**" means a mortgage loan or part thereof in respect of which the Borrower is not required to repay principal until maturity, but instead pays on a monthly basis a premium to the relevant Insurance Company;

"**Life Mortgage Receivable**" means the Mortgage Receivable resulting from a Life Mortgage Loan;

"**Linear Mortgage Loan**" means a mortgage loan or part thereof in respect of which the Borrower each month pays a fixed amount of principal towards redemption of such mortgage loan (or relevant part thereof) until maturity;

"**Linear Mortgage Receivable**" means the Mortgage Receivable resulting from a Linear Mortgage Loan;

"**Listing Agent**" means ABN AMRO Bank;

"**List of Mortgage Loans**" means at the Closing Date, the list attached as Schedule 1 to the Mortgage Receivables Purchase Agreement, and at each Notes Payment Date, a list of all Mortgage Loans attached to the relevant Repurchase Deed, stating the same details regarding the Mortgage Loans as required in Schedule 1 to the Mortgage Receivables Purchase Agreement;

"**Loan Files**" means the file or files relating to each Mortgage Loan containing, inter alia, (i) all material correspondence relating to that Mortgage Loan; and (ii) a certified copy of the Mortgage Deed;

"**Management Agreement**" means any of (i) the Issuer Management Agreement, (ii) the Shareholder Management Agreement and (iii) the Security Trustee Management Agreement;

"**Manager**" means each of the Joint Lead Managers and the Co-Manager;

"**Market Value**" means the market value (*marktwarde*) of the relevant Mortgaged Asset based on (a) if available, the most recent valuation by an external valuer, or (b) if no valuation is available, the assessment by the Dutch tax authorities on the basis of the WOZ at the time of application by the Borrower;

"**Master Definitions Agreement**" means the master definitions agreement between, amongst others, the Sellers, the Issuer and the Security Trustee dated the Signing Date;

"**Moody's**" means Moody's Investors Service Ltd. and includes any successor to its rating business;

"**Mortgage**" means a mortgage right (*hypothekrecht*) securing the relevant Mortgage Receivable;

"**Mortgage Calculation Date**" means, in relation to a Mortgage Collection Payment Date, the third Business Day prior to such Mortgage Collection Payment Date;

"**Mortgage Calculation Period**" means the period commencing on (and including) the first day of each calendar month and ending on (and including) the last day of such calendar month except for the mortgage calculation period which commences on (and includes) the Cut-Off Date and ends on (and includes) the last day of September 2012;

"**Mortgage Collection Payment Date**" means the 8th business day of each calendar month;

"**Mortgage Collections**" has the meaning ascribed to it in Schedule 4 to the Administration Agreement;

"**Mortgage Conditions**" means the terms and conditions applicable to a Mortgage Loan, as set forth in the relevant mortgage deed and/or in any loan document, offer document or any other document including any applicable general terms and conditions for mortgage loans as amended or supplemented

from time to time;

**"Mortgage Deeds"** means notarially certified copies of the notarial deeds constituting the Mortgage Loans;

**"Mortgage Interest"** means interest (receivable or received) under a Mortgage Loan;

**"Mortgage Interest Rate"** means the rate(s) of interest from time to time chargeable to Borrowers under the Mortgage Loans;

**"Mortgage Loan Amendment"** an amendment of the terms of the Relevant Mortgage Loan, or part of such Mortgage Loan as a result of which such Mortgage Loan no longer meets the Mortgage Loan Criteria;

**"Mortgage Loan Criteria"** means the criteria relating to the Mortgage Loans set forth as such in section 7.3 (*Mortgage Loan Criteria*) of this Prospectus;

**"Mortgage Loan Services"** means the services to be provided by the Servicer to the Issuer and the Security Trustee with respect to the Mortgage Loans, as set out in the Servicing Agreement;

**"Mortgage Loans"** means the mortgage loans granted by the relevant Seller to the relevant Borrowers which may consist of one or more loan parts (*leningdelen*) as set forth in the list of loans attached to the Mortgage Receivables Purchase Agreement, to the extent not redeemed or retransferred or otherwise disposed of by the Issuer;

**"Mortgage Receivable"** means any and all rights of the relevant Seller (and after assignment of such rights to the Issuer, of the Issuer) against the Borrower under or in connection with a Mortgage Loan, including any and all claims of the relevant Seller (or the Issuer after assignment) on the Borrower as a result of the Mortgage Loan being terminated, dissolved or declared null and void;

**"Mortgage Receivables Purchase Agreement"** means the mortgage receivables purchase agreement between the Sellers, the Issuer and the Security Trustee dated the Signing Date;

**"Mortgage Report"** has the meaning ascribed to it in Clause 5.1 of the Servicing Agreement;

**"Mortgage Report Date"** means the 6<sup>th</sup> business day following each the end of Mortgage Calculation Period;

**"Mortgaged Asset"** means (i) a real property (*onroerende zaak*), (ii) an apartment right (*appartementsrecht*) or (iii) a long lease (*erfpachtsrecht*) situated in the Netherlands on which a Mortgage is vested;

**"Most Senior Class"** means such Class of Notes which has not been previously redeemed or written off in full and which ranks higher in priority than any other Class of Notes in the Redemption Priority of Payments;

**"MRPA Rights"** means any and all rights of the Issuer vis-à-vis each Seller under or in connection with the Mortgage Receivables Purchase Agreement;

**"NCC"** means the Netherlands Civil Code;

**"Net Foreclosure Proceeds"** means (i) the proceeds of a foreclosure on a Mortgage, (ii) the proceeds of foreclosure on any other collateral securing the relevant Mortgage Receivable, (iii) the proceeds, if any, of collection of any insurance policy in connection with the relevant Mortgage Receivable, including fire insurance policy and Insurance Policy, (iv) the proceeds of the NHG Guarantee and any other guarantees or sureties and (v) the proceeds of foreclosure on any other assets of the relevant Borrower, in each case after deduction of foreclosure costs in respect of such Mortgage Receivable;

**"NHG Conditions"** means the terms and conditions (*voorwaarden en normen*) of the NHG Guarantee

as set by Stichting WEW and as amended from time to time;

**"NHG Guarantee"** means a guarantee (*borgtocht*) under the NHG Conditions granted by Stichting WEW;

**"NHG Mortgage Loan"** means a Mortgage Loan that has the benefit of an NHG Guarantee;

**"NHG Mortgage Loan Receivable"** means the Mortgage Receivable resulting from an NHG Mortgage Loan;

**"Non-Swapped Class A Notes Fraction"** means, on any Notes Payment Date, an amount equal to 1 minus the Swapped Class A Notes Fraction.

**"Non-Swapped Notes Available Revenue Funds"** has the meaning ascribed thereto in section 5.1 (*Available Funds*);

**"Non-Swapped Notes Fraction"** means, on any Notes Payment Date, an amount equal to 1 minus the Swapped Notes Fraction;

**"Non-Swapped Notes Interest Shortfall"** means, on any Notes Calculation Date, an amount equal to the amount by which the Non-Swapped Notes Available Revenue Funds, without taking into account any withholding from the Available Principal Funds but including, for the avoidance of doubt, any drawing under the Cash Advance Facility, on the immediately following Notes Payment Date falls short of the amounts required to satisfy items (a) to (c) (inclusive) of the Non-Swapped Notes Revenue Priority of Payments;

**"Non-Swapped Notes Revenue Priority of Payments"** means the relevant priority of payments set out as such in section 5.2 (*Priorities of Payments*) of this Prospectus;

**"Noteholders"** means the persons who for the time being are the holders of the Notes;

**"Notes"** means the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes;

**"Notes Calculation Date"** means, in relation to a Notes Payment Date, the second Business Day prior to such Notes Payment Date;

**"Notes Calculation Period"** means, in relation to a Notes Calculation Date, the three successive Mortgage Calculation Periods immediately preceding such Notes Calculation Date except for the first Notes Calculation Period which will commence on the Cut-Off Date and ends on and includes the last day of December 2012;

**"Notes Payment Date"** means the 18th day of March, June, September and December or, if such day is not a Business Day, the immediately succeeding Business Day unless it would as a result fall in the next calendar month, in which case it will be the Business Day immediately preceding such day;

**"Notes Purchase Agreements"** means each of the Class A1 and A2 Notes Purchase Agreement, the Class A3 Notes Purchase Agreement and the Class B, C, D and E Notes Purchase Agreement;

**"Notification Event"** means any of the Assignment Notification Events and the Pledge Notification Events;

**"NVM"** means the Dutch Association of Real Estate Brokers and Immovable Property Experts (*Nederlandse Vereniging van Makelaars en vastgoeddeskundigen*);

**"Optional Redemption Date"** means any Notes Payment Date from (and including) the First Optional Redemption Date up to (and excluding) the Final Maturity Date;

**"Original Foreclosure Value"** means the Foreclosure Value as assessed by the relevant Seller at the time of granting the Mortgage Loan;

**"Other Claim"** means any claim the relevant Seller has against the Borrower, other than a Mortgage Receivable, which is secured by the Mortgage and/or Borrower Pledge;

**"Outstanding Principal Amount"** means, at any moment in time, (i) the outstanding principal amount of a Mortgage Receivable at such time and (ii), after a Realised Loss in respect of such Mortgage Receivable has been debited to the Principal Deficiency Ledger, zero;

**"Parallel Debt"** has the meaning as ascribed thereto in the section 4.7 (*Security*) of this Prospectus;

**"Parallel Debt Agreement"** means the parallel debt agreement between, amongst others, the Issuer, the Security Trustee and the Secured Creditors (other than the Noteholders) dated the Closing Date;

**"Participants"** means each of the Bank Savings Participants and the Insurance Savings Participant;

**"Participation"** means, in respect of each Insurance Savings Mortgage Receivable, the Insurance Savings Participation and in respect of each Bank Savings Mortgage Receivable, the Bank Savings Participation;

**"Participation Agreement"** means each of the Bank Savings Participation Agreement and/or the Insurance Savings Participation Agreement;

**"Participation Fraction"** means in respect of each Insurance Savings Mortgage Receivable and each Bank Savings Mortgage Receivable, an amount equal to the relevant Participation on the first day of the relevant Mortgage Calculation Period divided by the Outstanding Principal Amount of such Insurance Savings Mortgage Receivable or Bank Savings Mortgage Receivable, as applicable, on the first day of the relevant Mortgage Calculation Period;

**"Participation Increase"** means the Bank Savings Participation Increase and/or the Insurance Savings Participation Increase;

**"Participation Rights"** means the Bank Savings Participation Rights and/or the Insurance Savings Participation Rights;

**"Paying Agency Agreement"** means the paying agency agreement between the Issuer, the Paying Agent, the Reference Agent and the Security Trustee dated the Closing Date;

**"Paying Agent"** means ABN AMRO Bank;

**"Permanent Global Note"** means a permanent global note in respect of a Class of Notes;

**"Pledge Agreements"** means any of the Issuer Mortgage Receivables Pledge Agreement and the Issuer Rights Pledge Agreement;

**"Pledge Notification Event"** means any of the events specified in Clause 5 of the Issuer Mortgage Receivables Pledge Agreement and Clause 5 of the Issuer Rights Pledge Agreement;

**"Post-Enforcement Priority of Payments"** means the relevant priority of payments set out as such in section 5.2 (*Priorities of Payments*) of this Prospectus;

**"Posted Collateral"** means, on the relevant Notes Payment Date, the aggregate Eligible Collateral that has been transferred by each Seller and received by the Issuer pursuant to the Financial Collateral Agreement, together with any Financial Collateral Interest Amount, and standing to the credit of the Financial Cash Collateral Ledger;

**"Posted Collateral Value"** means, on any day, the balance standing to the credit of the Financial Cash Collateral Ledger with accrued interest at the close of business of such day.

**"Post-Foreclosure Proceeds"** means any amounts received, recovered or collected from a Borrower in respect of a Mortgage Receivable in addition to Net Foreclosure Proceeds, whether in relation to interest, principal or otherwise, following completion of foreclosure on the Mortgage and other collateral securing the Mortgage Receivables;

**"Potential Set-Off Amount"** has the meaning ascribed thereto in section 5.1 (*Available Funds*);

**"Potential Set-Off Required Amount"** has the meaning ascribed thereto in section 5.1 (*Available Funds*);

**"Pre-Closing Proceeds"** means all proceeds ("*vruchten*") of the Mortgage Receivables received by each of the Sellers during the period commencing on the Cut-off Date and ending on the Closing Date, including, but not limited to, the sum of all amounts received (i) as interest on the Mortgage Receivables, if and to the extent such interest relates to such period, (ii) as prepayment penalties under the Mortgage Receivables, and (iii) as repayment and prepayment of principal under the Mortgage Receivables;

**"Prepayment Penalties"** means any prepayment penalties (*boeterente*) to be paid by a Borrower under a Mortgage Loan as a result of the Mortgage Receivable being repaid (in whole or in part) prior to the maturity date of such Mortgage Loan other than (i) on a date whereon the interest rate is reset or (ii) as otherwise permitted pursuant to the Mortgage Conditions;

**"Previous Transaction Security Trustees"** means Stichting Security Trustee Holland Mortgage Backed Series (Hermes) VIII, Stichting Security Trustee Holland Mortgage Backed Series (Hermes) IX, Stichting Security Trustee Holland Mortgage Backed Series (Hermes) X, Stichting Security Trustee Holland Mortgage Backed Series (Hermes) XI, Stichting Security Trustee Holland Mortgage Backed Series (Hermes) XII, Stichting Security Trustee Holland Mortgage Backed Series (Hermes) XIII, Stichting Security Trustee Holland Mortgage Backed Series (Hermes) XIV, Stichting Security Trustee Holland Mortgage Backed Series (Hermes) XV, Stichting Security Trustee Holland Mortgage Backed Series (Hermes) XVI, Stichting Security Trustee Holland Mortgage Backed Series (Hermes) XVII, Stichting Security Trustee PEARL Mortgage Backed Securities 1, Stichting Security Trustee PEARL Mortgage Backed Securities 2, Stichting Security Trustee PEARL Mortgage Backed Securities 3, Stichting Security Trustee PEARL Mortgage Backed Securities 4, Stichting Security Trustee Lowland Mortgage Backed Securities 1; and Stichting Security Trustee SNS Covered Bond Company;

**"Previous Transaction SPV's"** means Holland Mortgage Backed Series (Hermes) VIII B.V., Holland Mortgage Backed Series (Hermes) IX B.V., Holland Mortgage Backed Series (Hermes) X B.V., Holland Mortgage Backed Series (Hermes) XI B.V., Holland Mortgage Backed Series (Hermes) XII B.V., Holland Mortgage Backed Series (Hermes) XIII B.V., Holland Mortgage Backed Series (Hermes) XIV B.V., Holland Mortgage Backed Series (Hermes) XV B.V., Holland Mortgage Backed Series (Hermes) XVI B.V., Holland Mortgage Backed Series (Hermes) XVII B.V., PEARL Mortgage Backed Securities 1 B.V., PEARL Mortgage Backed Securities 2 B.V., PEARL Mortgage Backed Securities 3 B.V., PEARL Mortgage Backed Securities 4 B.V., Lowland Mortgage Backed Securities 1 B.V. and SNS Covered Bond Company B.V.;

**"Principal Amount Outstanding"** means, with respect to any Note on any date, the principal amount of that Note upon issue less the aggregate amount of all Redemption Amounts that have become due and payable prior to such date, provided that for the purpose of Conditions 4, 6 and 10 all Redemption Amounts that have become due and not been paid shall not be so deducted.

**"Principal Collections"** has the meaning ascribed to it in Schedule 4 to the Administration Agreement;

**"Principal Deficiency"** means the debit balance, if any, of the relevant Principal Deficiency Ledger;

**"Principal Deficiency Ledger"** means the principal deficiency ledger relating to the relevant Class of

Notes;

**"Principal Ledger"** means a Ledger created for the purpose of recording any amounts received by the Issuer in connection with the Mortgage Receivables identified as principal in accordance with the Administration Agreement;

**"Principal Reconciliation Ledger"** means the Ledger created for the purpose of recording any reconciliation payments in relation to principal in accordance with the Administration Agreement;

**"Principal Shortfall"** means an amount equal to the balance of the relevant Principal Deficiency Ledger divided by the number of Notes of the relevant Class of Notes on the relevant Notes Payment Date;

**"Priority of Payments"** means any of the Revenue Priorities of Payments, Redemption Priority of Payments and/or the Post-Enforcement Priority of Payments;

**"Professional Market Party"** means a professional market party (*professionele marktpartij*) as defined in the Wft;

**"Prospectus"** means this prospectus dated 1 October 2012 relating to the issue of the Notes;

**"Prospectus Directive"** means Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003, as amended by the Directive 2010/73/EC of the European Parliament and of the Council of 24 November 2010, as the same may be further amended;

**"Provisional Pool"** means a provisional pool of mortgage loans which forms the basis for the Final Portfolio;

**"Purchase Price"** means the Initial Purchase Price and the Deferred Purchase Price;

**"Quarterly Information Report"** has the meaning ascribed to it in Clause 8.2 of the Administration Agreement;

**"Rabobank"** means Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (trading as Rabobank International), a cooperation with limited liability ("*coöperatie met beperkte aansprakelijkheid*") organised under the laws of the Netherlands and established in Amsterdam, the Netherlands;

**"Rabobank Account"** means the bank account with Rabobank in its capacity as Foundation Account Provider with account number 11.20.29.671;

**"Realised Losses"** has the meaning as ascribed thereto in section 5.3 (*Loss Allocation*) of this Prospectus;

**"Receivables Proceeds Distribution Agreement"** means the receivables proceeds distribution agreement between the Sellers, the Collection Foundation and the Foundation Account Provider dated 19 December 2011;

**"Reconciliation Ledger"** means each of the Principal Reconciliation Ledger and Interest Reconciliation Ledger;

**"Redemption Amount"** means the principal amount so redeemable in respect of a Note as described in Condition 6 (*Redemption*);

**"Redemption Priority of Payments"** means the relevant priority of payments set out as such in section 5.2 (*Priorities of Payments*) of this Prospectus;

**"Reference Agent"** means ABN AMRO Bank N.V.;



**"Reference Mortgage Lenders"** means five (5) leading mortgage lenders in the Dutch mortgage market selected by the Issuer Administrator on behalf of the Issuer in good faith;

**"RegioBank"** means RegioBank N.V., a public limited liability company organised under the laws of the Netherlands, and established in Utrecht, the Netherlands;

**"Relevant Bank Savings Mortgage Loans"** means in relation to each Bank Savings Participant, the Bank Savings Mortgage Loans of which the relevant Bank Savings Participant holds the relevant Bank Savings Account;

**"Relevant Bank Savings Mortgage Receivables"** means with respect to each Bank Savings Participant the Relevant Mortgage Receivables in connection with the Relevant Bank Savings Mortgage Loans;

**"Relevant Class"** has the meaning ascribed to it in Condition 10 (*Events of Default*);

**"Relevant Floating Rate Mortgage Loan"** means, with respect to a Seller the Floating Rate Mortgage Loan originated by the relevant Seller;

**"Relevant Floating Rate Mortgage Receivable"** means a Mortgage Receivable resulting from the Relevant Floating Rate Mortgage Loan;

**"Relevant Implementation Date"** means the date on which the Prospectus Directive is implemented in the relevant Relevant Member State;

**"Relevant Member State"** means each member state of the European Economic Area which has implemented the Prospectus Directive;

**"Relevant Mortgage Loan"** means, with respect to a Seller, the Mortgage Loan originated by the relevant Seller;

**"Relevant Mortgage Receivable"** means a Mortgage Receivable resulting from the Relevant Mortgage Loan;

**"Relevant NHG Mortgage Loan"** means, with respect to a Seller, an NHG Mortgage Loan originated by the relevant Seller;

**"Repurchase Deed"** means the deed of repurchase and reassignment of Mortgage Receivables in the form attached as Schedule 3 to the Mortgage Receivables Purchase Agreement;

**"Repurchase Mortgage Receivables"** means the Mortgage Receivables, repurchased and reassigned by the Issuer to the relevant Seller under any Repurchase Deed;

**"Required Statistical Information"** has the meaning ascribed to it in Clause 18 of the Administration Agreement;

**"Requisite Credit Rating"** means the rating of (i) in respect of Moody's, 'Prime-1' (short-term) by Moody's and (ii) in respect of Fitch, the short-term issuer default rating of 'F-1' by Fitch or the long-term issuer default rating of 'A' by Fitch;

**"Return Amount"** means, on any Notes Payment Date, the higher of (i) the Posted Collateral Value minus the Potential Set-Off Required Amount and (ii) zero;

**"Revenue Ledger"** means a Ledger created for the purpose of recording any amounts received by the Issuer in connection with the Mortgage Receivables identified as interest in accordance with the Administration Agreement;

**"Revenue Priorities of Payments"** means the Swapped Notes Revenue Priority of Payments and the

Non-Swapped Notes Revenue Priority of Payments;

**"Risk Insurance Policy"** means the risk insurance (*risicoverzekering*) which pays out upon the death of the life insured, taken out by a Borrower with any of the Insurance Companies;

**"Savings Beneficiary Rights"** means all rights and/or claims which the relevant Seller has or will have vis-à-vis the Insurance Savings Participant in respect of any Savings Insurance Policies under which the relevant Seller has been appointed by the Borrower/insured as first beneficiary ("begunstigde") in connection with the Savings Mortgage Receivable;

**"Savings Insurance Policy"** means an insurance policy taken out by any Borrower, in connection with a Savings Mortgage Loan, comprised of a risk insurance element and a capital insurance element which pays out a certain amount on an agreed date or, if earlier, upon the death of the insured life;

**"Savings Mortgage Loan"** means an Insurance Savings Mortgage Loan and/or a Bank Savings Mortgage Loan;

**"Savings Mortgage Receivable"** means the Mortgage Receivable resulting from a Savings Mortgage Loan;

**"Savings Premium"** means the savings part of the premium due and any extra saving amounts paid by the relevant Borrower, if any, to the Insurance Savings Participant on the basis of the Savings Insurance Policy;

**"Scheduled Interest"** means the scheduled interest on the Mortgage Receivables less, with respect to each Savings Mortgage Receivable, an amount equal to the scheduled interest multiplied by the Participation Fraction;

**"Secured Creditors"** means (a) the Noteholders, (b) the Directors, (c) the Issuer Administrator, (d) the Servicers, (e) the Paying Agent, (f) the Reference Agent, (g) the Insurance Savings Participant, (h) the Sellers, (i) the Bank Savings Participants (j) the Cash Advance Facility Provider and (k) the Swap Counterparty;

**"Securities Act"** means the United States Securities Act of 1933 (as amended);

**"Security"** means any and all security interest created pursuant to the Pledge Agreements;

**"Security Account"** means such account as opened by the Security Trustee in its name at any bank as chosen by the Security Trustee, to which account payments from Borrowers and any other relevant debtor shall be directed upon notification as referred to in Clause 5.1 of the Issuer Mortgage Receivables Pledge Agreement and/or the withdrawal of the power to collect pursuant to Clause 5.1 of the Issuer Rights Pledge Agreement;

**"Security Trustee"** means Stichting Security Trustee Holland Mortgage Backed Series (Hermes) XVIII, a foundation (*stichting*) organised under the laws of the Netherlands and established in Amsterdam, the Netherlands;

**"Security Trustee Management Agreement"** means the security trustee management agreement between the Security Trustee and Europe Management Company B.V. dated the Signing Date;

**"Security Trustee Secured Liabilities"** means any and all liabilities (whether actual or contingent), whether principal, interest or otherwise, to the extent such liabilities result in a claim for payment of money ("geldvordering"), which are now or may at any time hereafter be due, owing or payable (i) from or by the Issuer to the Security Trustee resulting from or in connection with the Parallel Debt Agreement and (ii) from or by the Issuer to the Security Trustee resulting from or in connection with any of the other Transaction Documents;

**"Sellers"** means each of SNS Bank and RegioBank;

**"Sellers Clean-Up Call Option"** means the option (but not the obligation) of the Sellers, acting jointly, to repurchase the Mortgage Receivables on a Notes Payment Date if on the Notes Calculation Date immediately preceding such Notes Payment Date the aggregate Outstanding Principal Amount of the Mortgage Receivables is not more than 10 per cent. of the aggregate Outstanding Principal Amount of the Mortgage Receivables on the Cut-off Date;

**"Servicers"** means each of SNS Bank and RegioBank;

**"Servicer Termination Event"** means any of the events mentioned in Clause 21.1 of the Servicing Agreement;

**"Services"** means the Mortgage Loan Services and the Issuer Services;

**"Servicing Agreement"** means the servicing agreement between the Servicers, the Issuer and the Security Trustee dated the Closing Date;

**"Servicing Rights"** means any and all rights of the Issuer vis-à-vis the Servicers under or in connection with the Servicing Agreement;

**"Set-Off Amount"** means, in respect of any Relevant Mortgage Receivable on any Notes Payment Date, an amount equal to the full amount due but unpaid in respect of such Relevant Mortgage Receivable during the Notes Calculation Period immediately preceding such Notes Payment Date if and to the extent the Issuer, as a result of the fact that a Borrower has invoked a right of set-off for amounts due by the relevant Seller to it and the relevant Seller has not reimbursed the Issuer for such amount on the relevant Notes Payment Date, has not received such amount during the Notes Calculation Period immediately preceding such Notes Payment Date;

**"Shareholder"** means Stichting Holding Hermes XVIII, a foundation (*stichting*) organised under the laws of the Netherlands and established in Amsterdam, the Netherlands;

**"Shareholder Management Agreement"** means the shareholder management agreement between the Shareholder, ATC Management B.V. and the Security Trustee dated the Signing Date;

**"Signing Date"** means 1 October 2012 or such later date as may be agreed between the Issuer, the Sellers and the Managers;

**"SNS Bank"** means SNS Bank N.V., a public limited liability company organised under the laws of the Netherlands, and established in Utrecht, the Netherlands;

**"SNS REAAL"** means SNS REAAL N.V., a public limited liability company organised under the laws of the Netherlands, and established in Utrecht, the Netherlands;

**"SNS REAAL Group"** means each company forming part of the group within the meaning of article 2:24b of the Dutch Civil Code of SNS REAAL;

**"Solvency II"** means 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,

**"Special Measures Financial Institutions Act"** means the *Wet bijzondere maatregelen financiële ondernemingen*;

**"Stichting WEW"** means Stichting Waarborgfonds Eigen Woningen;

**"Sub-Class"** means in respect of a Class of Notes a sub-class thereof;

**"Swap Agreement"** means the swap agreement (documented under a 1992 ISDA master agreement, including the schedule thereto, a credit support annex and a confirmation) between the Issuer, the Swap

Counterparty and the Security Trustee dated as of the Closing Date;

**"Swap Collateral"** means, at any time, any asset (including, without limitation, cash and/or securities) which is paid or transferred by the Swap Counterparty to the Issuer as collateral to secure the performance by the Swap Counterparty of its obligations under the Swap Agreement together with any income or distributions received in respect of such asset and any equivalent of such asset into which such asset is transformed;

**"Swap Collateral Account"** means the bank account held with the Issuer Account Bank into which any Swap Collateral in the form of cash may be deposited;

**"Swap Collateral Account Funds"** means, on any day, the balance standing to the credit of the Swap Collateral Account at the close of business on such day;

**"Swap Counterparty"** means Credit Suisse International;

**"Swap Counterparty Default Payment"** means any termination payment due and payable to the Swap Counterparty as a result of the occurrence of (i) an Event of Default (as defined in the Swap Agreement) where the Swap Counterparty is the Defaulting Party (as defined in the Swap Agreement) or (ii) an Additional Termination Event (as defined in the Swap Agreement) where the Swap Counterparty is the sole Affected Party (as defined in the Swap Agreement), including a Settlement Amount (as defined in the Swap Agreement);

**"Swapped Class A Notes Fraction"** means, on any Notes Payment Date, the aggregate Principal Amount Outstanding of the Class A1 Notes and the Class A2 Notes divided by the aggregate Principal Amount Outstanding of the Class A Notes on such Notes Payment Date, provided that such fraction shall always be at a level to ensure that the Swapped Notes Available Revenue Funds will be sufficient to meet items (a), (b) and (c) of the Swapped Notes Revenue Priority of Payments;

**"Swapped Notes Available Revenue Funds"** has the meaning ascribed thereto in section 5.1 (*Available Funds*);

**"Swapped Notes Fraction"** means, on any Notes Payment Date, the Principal Amount Outstanding of the Class A1 Notes and the Class A2 Notes divided by the aggregate Principal Amount Outstanding of the Notes on such Notes Payment Date;

**"Swapped Notes Interest Shortfall"** means, on any Notes Calculation Date, an amount equal to the amount by which the Swapped Notes Available Revenue Funds, without taking into account any withholding from the Available Principal Funds but including, for the avoidance of doubt, any drawing under the Cash Advance Facility, on the immediately following Notes Payment Date falls short of the amounts required to satisfy items (a) up to and including (f) of the Swapped Notes Revenue Priority of Payments;

**"Swapped Notes Revenue Priority of Payments"** means the relevant priority of payments set out as such in section 5.2 (*Priorities of Payments*) of this Prospectus;

**"Swap Required Ratings"** means the relevant credit ratings required as set forth in the schedule to the Swap Agreement;

**"Swap Rights"** means any and all rights of the Issuer under or in connection with the Swap Agreement;

**"Swap Termination Payment Ledger"** means the Ledger created for the purpose of recording any amounts received by the Issuer from the Swap Counterparty upon early termination of the Swap Agreement;

**"TARGET 2"** means the Trans-European Automated Real-Time Gross Settlement Express Transfer 2 System;

**"TARGET 2 Settlement Day"** means any day on which TARGET 2 is open for the settlement of payments in euro;

**"Tax Call Option"** means the option of the Issuer to redeem the Notes for certain tax reasons as provided in Condition 6(f);

**"Tax Credit"** means any tax credit, allowance, set-off, refund 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 directly (i.e. outside of the Revenue Priorities of Payments) by the Issuer to the Swap Counterparty pursuant to the terms of the Swap Agreement;

**"Tax Event"** means (i) action taken by a relevant taxing authority or brought in a court of competent jurisdiction, or (ii) any change in tax law, in both cases after the date of the Swap Agreement, as a result of which 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;

**"Temporary Global Note"** means a temporary global note in respect of a Class of Notes;

**"Transaction Documents"** means the Master Definitions Agreement, the Mortgage Receivables Purchase Agreement, the Administration Agreement, the Financial Collateral Agreement, the Swap Agreement, the Cash Advance Facility Agreement, the Issuer Account Agreement, the Servicing Agreement, the Pledge Agreements, the Parallel Debt Agreement, the Notes Purchase Agreements, the Participation Agreements, the Beneficiary Waiver Agreement, the Notes, the Paying Agency Agreement, the Management Agreements, the Deed of Assignment and Pledge, any Repurchase Deed, the Receivables Proceeds Distribution Agreement, the Collection Foundation Account Pledge Agreement and the Trust Deed;

**"Transaction Parties"** means any party to the Transaction Documents or any counterparty of the Issuer;

**"Trust Deed"** means the trust deed entered into by, amongst others, the Issuer and the Security Trustee dated the Closing Date;

**"Trustee Indemnification"** has the meaning ascribed to it in Clause 11.2 of the Mortgage Receivables Purchase Agreement;

**"Wft"** means the Dutch Financial Supervision Act (*Wet op het financieel toezicht*) and its subordinate and implementing decrees and regulations as amended from time to time;

**"Wge"** means the Dutch Giro Securities Transfer Act (*Wet Giraal Effectenverkeer*);

**"Withheld Amount"** means the amount withheld as item (iii) of the Swapped Notes Available Revenue Funds;

**"WOZ"** means the Dutch Valuation of Immovable Property Act (*Wet waardering onroerende zaken*).

## 2. INTERPRETATION

2.1 The language of this Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed thereto under applicable law.

2.2 Any reference in this Prospectus to:

"this Agreement" or an "Agreement" or "this Deed" or a "deed" or a "Deed" or a "Transaction Document" or any of the Transaction Documents (however referred to or defined) shall be construed as a reference to such document or agreement as the same may be amended, supplemented, restated, novated or otherwise modified from time to time;

"business day" shall be construed as a reference to a day on which banks are generally open for business in Amsterdam;

a "Class" of Notes shall be construed as a reference to the Class A Notes, the Class B notes, the Class C Notes, the Class D Notes or the Class E Notes, as applicable;

a "Class A", "Class B", "Class C", "Class D" or "Class E" Noteholder, Principal Deficiency, Principal Deficiency Ledger or Redemption Amount shall be construed as a reference to a Noteholder of, or a Principal Deficiency, the Principal Deficiency Ledger or a Redemption pertaining to, as applicable, the relevant Class of Notes;

"foreclosure" includes any lawful manner of generating proceeds from collateral whether by public auction, by private sale or otherwise;

"holder" means the bearer of a Note and related expressions shall (where appropriate) be construed accordingly;

"including" or "include" shall be construed as a reference to "including without limitation" or "include without limitation", respectively;

"indebtedness" shall be construed so as to include any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent;

a "law" shall be construed as any law (including common or customary law), statute, constitution, decree, judgement, treaty, regulation, directive, bye-law, order or any other legislative measure of any government, supranational, local government, statutory or regulatory body or court;

a "month" is a reference to a period starting on one day in a calendar month and ending on the numerically corresponding day in the next succeeding calendar month except that:

(i) if any such numerically corresponding day is not a Business Day, such period shall end on the immediately succeeding Business Day to occur in that next succeeding calendar month or, if none, it shall end on the immediately preceding Business Day; and

(ii) if there is no numerically corresponding day in that next succeeding calendar month, that period shall end on the last Business Day in that next succeeding calendar month;

the "Notes", the "Conditions", any "Transaction Document" or any other agreement or document shall be construed as a reference to the Notes, the Conditions, such Transaction Document or, as the case may be, such other agreement or document as the same may have been, or may from time to time be, amended, varied, novated, supplemented or replaced;

any "party" or a party to any Transaction Document (however referred to or defined) shall be construed so as to include its successors (including after a novation) and transferees and any subsequent successors and transferees in accordance with their respective interests;

a "person" shall be construed as a reference to any person, firm, company, corporation, government, state or agency of a state or any association or partnership (whether or not having separate legal personality) of two or more of the foregoing or any successor or successors of such party;

"principal" shall be construed as the English translation of "*hoofdsom*" or, if the context so requires, "*pro resto hoofdsom*";

"repay", "redeem" and "pay" shall each include both of the others and "repaid", "repayable" and "repayment", "redeemed", "redeemable" and "redemption" and "paid", "payable" and "payment" shall be construed accordingly;

a "statute" or "treaty" shall be construed as a reference to such statute or treaty as the same may have been, or may from time to time be, amended or, in the case of a statute, re-enacted;

a "successor" of any party shall be construed so as to include an assignee or successor in title of such party and any person who under the laws of the jurisdiction of incorporation or domicile of such party has assumed the rights and obligations of such party under a Transaction Document or to which, under such laws, such rights and obligations have been transferred; and

a reference to "suspension of payments" or "moratorium of payments" shall, where applicable, be deemed to include a reference to the suspension of payments ("*voorlopige surséance van betaling*") as meant in the Dutch Bankruptcy Act ("*faillissementswet*") or any emergency regulation ("*noodregeling*") on the basis of the Wft; and, in respect of a private individual, any debt restructuring scheme ("*schuldsanering natuurlijke personen*");

"tax" includes any present or future tax, levy, impost, duty or other charge of a similar nature (including, without limitation, any penalty payable in connection with any failure to pay or any delay in paying any of the same);

2.3 In this Prospectus, save where the context otherwise requires, words importing the singular number include the plural and vice versa.

2.4 Headings used in this Prospectus are for ease of reference only and do not affect the interpretation of this Prospectus.

## REGISTERED OFFICES

### ISSUER

**Holland Mortgage Backed Series (Hermes) XVIII B.V.**  
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### SELLERS AND SERVICERS

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**RegioBank N.V.**  
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### LEGAL ADVISERS

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*To the Joint Lead Managers*  
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### ISSUER ACCOUNT BANK

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LISTING AGENT**

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**Bank of America National Association, London Branch**

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