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**STICHTING ELEVEN CITIES No. 8**  
(a foundation established under the laws of the Netherlands  
with its registered office in Amsterdam, the Netherlands)

**EUR 165,000,000 floating rate Senior Class A1 Mortgage-Backed Notes 2011 due 2043, issue price 100 per cent.**  
**EUR 557,200,000 floating rate Senior Class A2 Mortgage-Backed Notes 2011 due 2043, issue price 100 per cent.**  
**EUR 24,800,000 floating rate Mezzanine Class B Mortgage-Backed Notes 2011 due 2043, issue price 100 per cent.**  
**EUR 24,800,000 fixed rate Mezzanine Class C Mortgage-Backed Notes 2011 due 2043, issue price 100 per cent.**  
**EUR 16,500,000 fixed rate Mezzanine Class D Mortgage-Backed Notes 2011 due 2043, issue price 100 per cent.**  
**EUR 37,200,000 fixed rate Junior Class E Mortgage-Backed Notes 2011 due 2043, issue price 100 per cent.**  
**EUR 12,400,000 fixed rate Subordinated Class F Notes 2011 due 2043, issue price 100 per cent.**

An application has been made to list the EUR 165,000,000 floating rate Senior Class A Mortgage-Backed Notes 2011 due 2043 (the '**Senior Class A1 Notes**'), the EUR 557,200,000 floating rate Senior Class A2 Mortgage-Backed Notes 2011 due 2043 (the '**Senior Class A2 Notes**'), the EUR 24,800,000 floating rate Mezzanine Class B Mortgage-Backed Notes 2011 due 2043 (the '**Mezzanine Class B Notes**'), the EUR 24,800,000 fixed rate Mezzanine Class C Mortgage-Backed Notes 2011 due 2043 (the '**Mezzanine Class C Notes**'), the EUR 16,500,000 fixed rate Mezzanine Class D Mortgage-Backed Notes 2011 due 2043 (the '**Mezzanine Class D Notes**'), the EUR 37,200,000 fixed rate Junior Class E Mortgage-Backed Notes 2011 due 2043 (the '**Junior Class E Notes**'), the EUR 12,400,000 fixed rate Subordinated Class F Notes 2011 due 2043 (the '**Subordinated Class F Notes**'), together with the Senior Class A Notes, the Mezzanine Class B Notes, the Mezzanine Class C Notes and the Mezzanine Class D Notes, the '**Mortgage-Backed Notes**') and together with the Mortgage-Backed Notes, the '**Notes**') to be issued by Stichting Eleven Cities No. 8 (the '**Issuer**') on or about 1 December 2011, on NYSE Euronext in Amsterdam ('**Euronext Amsterdam**'). This prospectus ('**Prospectus**') has been approved by the Netherlands Authority for the Financial Markets ('*Stichting Autoriteit Financiële Markten*').

The Senior Class A Notes and the Mezzanine Class B Notes will carry a floating rate of interest, payable quarterly in arrear on each Quarterly Payment Date, which will be three month Euribor plus a margin per annum, which will be, but solely in respect of the Senior Class A Notes only up to (but excluding) the first Optional Redemption Date, for the Senior Class A1 Notes 1.25 per cent., for the Senior Class A2 Notes 1.65 per cent. and for the Mezzanine Class B Notes 0.00 per cent. The Mezzanine Class C Notes, the Mezzanine Class D Notes, the Junior Class E Notes and the Subordinated Class F Notes will carry fixed rates of interest, payable quarterly in arrear on each Quarterly Payment Date, which will be for the Mezzanine Class C Notes 0.01 per cent., for the Mezzanine Class D Notes 0.01 per cent., for the Junior Class E Notes 0.01 per cent. and for the Subordinated Class F Notes 0.01 per cent. If on the first Optional Redemption Date the Senior Class A Notes will not be redeemed in full, in accordance with the terms and conditions of the Notes (the '**Conditions**'), the margin applicable to the Senior Class A Notes will be reset. The interest on such Class of Notes from (and including) the first Optional Redemption Date will be equal to three month Euribor, plus a margin per annum which will be for the Senior Class A1 Notes 2.50 per cent. and for the Senior Class A2 Notes 3.30 per cent. The interest on the Mezzanine Class B Notes, the Mezzanine Class C Notes, the Mezzanine Class D Notes, the Junior Class E Notes and the Subordinated Class F Notes will not be reset. Where withholding or deduction of taxes, duties, assessments or charges are required by law in respect of payments of principal and/or interest of the Notes, such withholding or deduction will be made without an obligation of the Issuer to pay any additional amounts to the Noteholders.

The Notes are scheduled to mature on the Quarterly Payment Date falling in September 2043 (the '**Final Maturity Date**'). On each Quarterly Payment Date, provided that no Enforcement Notice has been given, the Mortgage-Backed Notes will be subject to mandatory redemption (in whole or in part) in the circumstances set out in, and subject to, and in accordance with the Conditions by applying the Notes Redemption Available Amount starting with, first, the Senior Class A1 Notes, and then, the Senior Class A2 Notes, second, the Mezzanine Class B Notes, third, the Mezzanine Class C Notes, fourth, the Mezzanine Class D Notes and, fifth, the Junior Class E Notes. On the Quarterly Payment Date falling in September 2016 and on each Quarterly Payment Date thereafter (each an '**Optional Redemption Date**') the Issuer will have the option to redeem all (but not some only) of the Mortgage-Backed Notes then outstanding at their Principal Amount Outstanding, subject to, in the case of the Mortgage-Backed Notes except for the Senior Class A Notes, Condition 9(b). In addition, the Issuer has the option to redeem all of the Mortgage-Backed Notes upon the occurrence of a Tax Change in whole but not in part subject to and in accordance with the Conditions. Finally, the Issuer will redeem the Mortgage-Backed Notes then outstanding at their Principal Amount Outstanding in accordance with Condition 6(b) if the Seller exercises its option to repurchase the Mortgage Receivables upon the occurrence of a Regulatory Change ('**Regulatory Call Option**') and/or when exercising Clean-Up Call Option and subject to, in the case of the Notes except for the Senior Class A Notes, Condition 9(b), provided that the Class A Principal Deficiency Ledger has no balance on such Quarterly Payment Date. On each Quarterly Payment Date, provided that no Enforcement Notice has been given, the Subordinated Class F Notes will be subject to mandatory partial redemption in the circumstances set out in, subject to and in accordance with Condition 6(f) through the application of the Class F Redemption Available Amount on such date.

It is a condition precedent to issuance of the Notes that the Senior Class A1 Notes, on issue, be assigned an 'Aaa (sf)' rating by Moody's Investors Service Limited ('**Moody's**') and an 'AAAs' rating by Fitch Ratings Ltd ('**Fitch**') and together with Moody's, the '**Rating Agencies**', the Senior Class A2 Notes, on issue, be assigned an 'Aaa (sf)' rating by Moody's and an 'AAAs' rating by Fitch, the Mezzanine Class B Notes, on issue, be assigned an 'Aa1 (sf)' rating by Moody's and an 'AA+sf' rating by Fitch, the Mezzanine Class C Notes, on issue, be assigned an 'Aa3 (sf)' rating by Moody's and an 'A-sf' rating by Fitch, the Mezzanine Class D Notes, on issue, be assigned an 'A1 (sf)' rating by Moody's and the Junior Class E Notes, on issue, be assigned a 'Baa3 (sf)' rating by Moody's. The Subordinated Class F Notes will not be assigned a rating. Each of the Rating Agencies is established in the European Union and is registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the Regulation (EC) No 1060/2009 of 16 September 2009 on credit rating agencies as amended by Regulation (EU) No 513/2011 (the '**CRA Regulation**') unless the rating is provided by a credit rating agency operating in the European Union before 7 June 2010 which is registered in accordance with the CRA Regulation.

**A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. For a discussion of some of the risks associated with an investment in the Notes, see *Risk Factors* herein.**

The Notes will be (indirectly) secured by a right of pledge over the Mortgage Receivables and the Beneficiary Rights relating thereto vested by the Issuer in favour of Stichting Security Trustee Eleven Cities No. 8 (the '**Security Trustee**') and a right of pledge vested by the Issuer in favour of the Security Trustee over all rights of the Issuer under or in connection with most of the Relevant Documents. The right to payment of interest and principal on the Mezzanine Class B Notes, the Mezzanine Class C Notes, the Mezzanine Class D Notes, the Junior Class E Notes and the Subordinated Class F Notes will be subordinated and may be limited as more fully described under *Terms and Conditions of the Notes*.

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

The Senior Class A Notes are intended to be held in a manner which will allow Eurosystem eligibility. This does not necessarily mean that the Senior Class A Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem (the '**Eurosystem Eligible Collateral**') either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria as specified by the European Central Bank. The other Classes of Notes are not intended to be recognised as Eurosystem Eligible Collateral.

The Notes will be solely the obligations of the Issuer. The Notes will not be obligations or responsibilities of, or guaranteed by, any other entity or person, in whatever capacity acting, including, without limitation, the Initial Noteholder, the Arranger and Sole Bookrunner, the Floating Rate GIC Provider, the Liquidity Facility Provider, the Savings Insurance Participant, the Bank Savings Participant, the Listing Agent, any of the other Secured Parties, the Insurance Companies and the Security Trustee or any other person, in whatever capacity acting. No liability whatsoever in respect of any failure by the Issuer to pay any amount due under the Notes will be accepted by the Initial Noteholder, the Arranger and Sole Bookrunner, the Floating Rate GIC Provider, the Liquidity Facility Provider, the Savings Insurance Participant, the Bank Savings Participant, the Listing Agent, any of the other Secured Parties, the Insurance Companies and the Security Trustee, in whatever capacity acting. None of the Initial Noteholder, the Arranger and Sole Bookrunner, the Floating Rate GIC Provider, the Liquidity Facility Provider, the Savings Insurance Participant, the Bank Savings Participant, the Listing Agent, any of the other Secured Parties, the Insurance Companies 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 Relevant Documents).

The Notes have not been and will not be registered under the United States Securities Act of 1933 (as amended) (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 persons as defined in Regulation S under the Securities Act except in certain transactions permitted by US tax regulations and Regulation S under the Securities Act. The Notes have not been approved or disapproved by the US Securities and Exchange Commission, any state securities commission or any other regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of this offering on accuracy or adequacy of this Prospectus. Any representation to the contrary is unlawful.

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

The Seller has agreed to purchase upon issue the Notes. In addition, the Seller has undertaken with the Issuer to retain, on an ongoing basis, the Mezzanine Class B Notes, the Mezzanine Class C Notes, the Mezzanine Class D Notes and the Junior Class E Notes. The Seller may elect to dispose of any of the Notes at any time.

The Seller undertakes that it shall procure that any entity that is an allowed entity under paragraph 2 of article 122a of 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 (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% of the nominal value of the securitised exposures in accordance with article 122a of the Capital Requirements Directive. At the date of this Prospectus such interest is retained in accordance with item (c) of article 122a paragraph 1 of the Capital Requirements Directive, by the Seller holding the Mezzanine Class B Notes, the Mezzanine Class C Notes, the Mezzanine Class D Notes and the Junior Class E Notes. In addition, the Seller shall (i) adhere to the requirements set out in paragraph 6 of article 122a of the Capital Requirements Directive and (ii) make appropriate disclosures to Noteholders about the retained net economic interest in the Notes 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 quarterly investor reports. In the Notes Purchase Agreement, the Seller shall undertake vis-à-vis the Arranger and Sole Bookrunner, the Issuer and the Security Trustee that it shall at all times comply with article 122a of the Capital Requirements Directive.

Each prospective investor is required to independently assess and determine the sufficiency of the information described above and in this Prospectus generally for the purposes of complying with article 122a of the Capital Requirements Directive and none of the Issuer, the Seller, the Security Trustee nor the Arranger and Sole Bookrunner makes any representation that the information described above or in this Prospectus is sufficient in all circumstances for such purposes. In addition each prospective Noteholder should ensure that they comply with the implementing provisions in respect of article 122a of the Capital Requirements Directive in their relevant jurisdiction. Investors who are uncertain as to the requirements which apply to them in respect of their relevant jurisdiction, should seek guidance from their regulator. For further information please refer to the Risk Factor entitled "*Regulatory initiatives may result in increased regulatory capital requirements and/or decreased liquidity in respect of the Notes*".

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

The date of this Prospectus is 2 December 2011.

**Sole Bookrunner and Arranger**  
**RBS**

## CONTENTS

SUMMARY .....	5
RISK FACTORS .....	10
STRUCTURE DIAGRAM .....	30
OVERVIEW OF THE PARTIES AND PRINCIPAL FEATURES OF THE TRANSACTION.....	33
IMPORTANT INFORMATION .....	51
CREDIT STRUCTURE.....	53
OVERVIEW OF THE DUTCH RESIDENTIAL MORTGAGE MARKET .....	68
FRIESLAND BANK N.V.....	72
FRIESLAND BANK RESIDENTIAL MORTGAGE BUSINESS.....	75
DESCRIPTION OF MORTGAGE LOANS .....	78
NHG GUARANTEE PROGRAMME.....	80
SUMMARY OF THE MORTGAGE PORTFOLIO .....	83
MORTGAGE RECEIVABLES PURCHASE AGREEMENT .....	90
SERVICING AND ADMINISTRATION AGREEMENT .....	100
SUB-PARTICIPATION AGREEMENTS .....	102
THE ISSUER .....	105
USE OF PROCEEDS .....	107
DESCRIPTION OF SECURITY .....	108
THE SECURITY TRUSTEE .....	110
THE SWAP COUNTERPARTY .....	112
TERMS AND CONDITIONS OF THE NOTES .....	113
THE GLOBAL NOTES .....	129
TAXATION IN THE NETHERLANDS .....	131
PURCHASE AND SALE .....	134
GENERAL INFORMATION .....	137
INDEX OF DEFINED TERMS .....	139
REGISTERED OFFICES .....	144

## SUMMARY

*This summary 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 attaches to the Issuer, being the entity which has prepared the summary, and applied for its notification, but only if the summary 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.*

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

### **The transaction**

The following is a limited overview of the transaction described in this Prospectus. Reference is also made to the indicative structure diagram herein.

The Issuer will purchase the Mortgage Receivables and, on the Closing Date, accept the assignment from the Seller of the Mortgage Receivables (i.e. the rights under or in connection with certain pre-selected Mortgage Loans originated by the Seller) and the Beneficiary Rights relating thereto by means of a registered deed of assignment (the **'Deed of Assignment'**), as a result of which legal title to the Mortgage Receivables and such Beneficiary Rights is transferred to the Issuer. Furthermore, the Issuer will on the Closing Date issue the Notes and use the proceeds of the Mortgage-Backed Notes, to pay to the Seller part of the Initial Purchase Price for the Mortgage Receivables pursuant to the Mortgage Receivables Purchase Agreement. In respect of construction mortgage loans ("*bouwhypotheek*") which have not been fully disbursed on the Closing Date, the Issuer will withhold an amount from the Initial Purchase Price equal to the aggregate Construction Amounts. In addition, the Issuer will pay the Deferred Purchase Price to the Seller, which is to be paid on each Quarterly Payment Date in Deferred Purchase Price Instalments, if any (see *Mortgage Receivables Purchase Agreement* below). The proceeds of the issue of the Subordinated Class F Notes will be credited to the Reserve Account. Also, the Issuer will enter into a Savings Insurance Sub-Participation Agreement with the Savings Insurance Participant on the Closing Date under which the Savings Insurance Participant will acquire participations in the relevant Savings Mortgage Receivables equal to amounts of Savings Premiums paid by the relevant Borrower to the Savings Insurance Participant with accrued interest in respect of a Savings Insurance Policy. Furthermore, the Issuer will enter into a Bank Savings Sub-Participation Agreement with the Bank Savings Participant with respect to the Bank Savings Mortgage Loans. Under the Bank Savings Sub-Participation Agreement, the Bank Savings Participant will acquire participations in the relevant Bank Savings Mortgage Receivables equal to amounts of Monthly Bank Savings Deposits paid by the relevant Borrower to the Bank Savings Participant in respect of a Bank Savings Mortgage Loan.

The Issuer will use receipts of principal and interest in respect of the Mortgage Receivables, amounts received under the Sub-Participation Agreements and together with (a) in respect of the Mortgage-Backed Notes only, amounts it receives under the Swap Agreement, amounts it receives under the Liquidity Facility Agreement and drawings from the Reserve Account and, in certain circumstances, the Construction Account and (b) in respect of all Notes, the amounts it receives under the Floating Rate GIC, to make payments of, *inter alia*, principal and interest due in respect of the Notes. The obligations of the Issuer in respect of the Notes will rank below the obligations of the Issuer in respect of certain items set forth in the applicable priority of payments (see *Credit Structure* below) and (i) payments of principal and interest on the Mezzanine Class B Notes are subordinated to, *inter alia*, payments of principal and interest on the Senior Class A Notes, (ii) payments of principal and interest on the Mezzanine Class C Notes are subordinated to, *inter alia*, payments of principal and interest on the Senior Class A Notes and the Mezzanine Class B Notes, (iii) payments of principal and interest on the Mezzanine Class D Notes are subordinated to, *inter alia*, payments of principal and interest on the Senior Class A Notes, the Mezzanine Class B Notes and the Mezzanine Class C Notes, (iv) payments of principal and interest on the Junior Class E Notes are subordinated to, *inter alia*, payments of principal and interest on the Senior Class A Notes, the Mezzanine Class B Notes, the Mezzanine Class C Notes and the Mezzanine Class D Notes, (v) payments of principal and interest on the Subordinated Class F Notes are subordinated to, *inter alia*, payments of interest on the Senior Class A Notes, the Mezzanine Class B Notes, the Mezzanine Class C Notes, the Mezzanine Class D Notes and the Junior Class E Notes and limited as more fully described herein under *Credit Structure* and *Terms and Conditions of the Notes*.

The Subordinated Class F Noteholders do not have the right to receive any amounts pursuant to the Principal Priority of Payments.

Pursuant to the Liquidity Facility Agreement, the Issuer will be entitled to make drawings if, after application of amounts available on the Reserve Account and without taking into account any drawing under the Liquidity Facility Agreement, there is a shortfall in the Notes Interest Available Amount to meet certain items of the Interest Priority of Payments in full (see *Credit Structure* below).

Pursuant to the Floating Rate GIC, the Floating Rate GIC Provider will agree to pay a guaranteed rate of interest determined by reference to Euro OverNight Index Average (**'EONIA'**) minus a margin on the balance standing from time to time to the credit of the Issuer Collection Account, the Potential Set-off Reserve Account and the Swap Cash Collateral Account. In addition, the Floating Rate GIC Provider will agree to pay a guaranteed rate of interest determined by reference to the Euro Interbank Offered Rate (**'Euribor'**) for three month deposits in euro minus a margin on the balance standing from time to time to the credit of the Reserve Account and the Construction Account (see *Credit Structure* below).

The proceeds of the issue of the Subordinated Class F Notes will be credited to the Reserve Account. The purpose of the Reserve Account will be to enable the Issuer to meet its payment obligations under certain items of the Interest Priority of Payments in the event that the Notes Interest Available Amount is not sufficient to meet such payment obligations on a Quarterly Payment Date, see *Credit Structure* below.

Pursuant to the Potential Set-Off Reserve Subordinated Loan Agreement, the Issuer will be entitled to make drawings from the Potential Set-Off Reserve Account on each Quarterly Payment Date in an amount equal to the positive difference between the Potential Set-Off Reserve Account Required Amount and the balance standing to the credit of the Potential Set-Off Reserve Account, until such time as the Mortgage-Backed Notes are redeemed in full. The Issuer shall make a drawing from the Potential Set-Off Reserve Account on any Quarterly Payment Date if and to the extent the Issuer has, as a result of the fact that a Borrower has invoked a right of set-off for amounts due by the Seller to it and the Seller has not reimbursed the Issuer for such amount, prior to or on the relevant Quarterly Payment Date, not received the full amount due but unpaid in respect of any such Mortgage Receivable(s). Furthermore, the balance standing to the credit of the Potential Set-Off Reserve Account will be available to the Issuer on any Quarterly Payment Date if and to the extent the Issuer has not received an amount which is due and payable by the Seller as compensation in case of a breach by the Seller of its agreement in the Mortgage Receivables Purchase Agreement that, in case of foreclosure of a Mortgage Receivable, the share ("*aandeel*") in each jointly-held security interest of the Security Trustee and/or the Issuer will be equal to the Outstanding Principal Amount in respect of the Mortgage Receivables, increased with interest and costs, if any, and the share of the Seller will be equal to the Net Proceeds less the Outstanding Principal Amount in respect of the Mortgage Receivables, increased with interest and costs, if any (an amount equal to the total claim of the Issuer and/or the Security Trustee vis-à-vis the Seller under or in connection with such agreement which is due and payable but not received by the Issuer and/or the Security Trustee being the **'Other Claims Indemnity Amount'**).

Pursuant to the Servicing and Administration Agreement, the Pool Servicer will – *inter alia* – provide (a) administration and management services to the Issuer on a day-to-day basis in relation to the Mortgage Loans and the Mortgage Receivables and the Beneficiary Rights relating thereto, including, without limitation, the collection and recording of payments of principal, interest and other amounts in respect of the Mortgage Receivables and the direction of amounts received by the Seller to the Issuer Collection Account, (b) prepare and provide the Issuer Administrator with certain statistical information regarding the Issuer as required by law for submission to the relevant governmental authorities, (c) implementation of arrears procedures including the enforcement of the mortgage rights and (d) provide information on the Participations in the Savings Mortgage Receivables or in the Bank Savings Mortgage Receivables and the Potential Set-Off Reserve Subordinated Loan Agreement, as the case may be, and the Issuer Administrator will agree (i) to provide certain administration, calculation and cash management services to the Issuer including without limitation, all calculations to be made pursuant to the Conditions in connection with the Notes and (ii) to submit certain statistical information regarding the Issuer as referred to above to certain governmental authorities if and when requested (see further *Servicing and Administration Agreement* and *Friesland Bank Residential Mortgage Business* below).

To mitigate (part of) the risk of a difference between the rate of interest payable by the Issuer on the Mortgage-Backed Notes and the rate of interest to be received by the Issuer on the Mortgage Receivables and the interest received on the Issuer Collection Account (less, in respect of a Liquidity Facility Stand-by Drawing which has been deposited on the Issuer Collection Account, interest received with respect to the amount having a corresponding amount on the Liquidity Facility Stand-by Ledger), the Issuer will enter into a Swap Agreement (see *Credit Structure* below). The risk of the difference between the rate on interest payable by the Issuer on the Subordinated Class F Notes and the interest received on the Reserve Account will not be hedged. With respect to the scope of such hedge reference is made to *Risk of the Issuer in respect of Interest* in *Risk Factors* below.

Stichting Eleven Cities No. 8 is established under the laws of the Netherlands as a foundation ("*stichting*") and registered with the Commercial Register of the Chamber of Commerce of Amsterdam. The Issuer is established to issue the Notes and to purchase the Mortgage Receivables (see *Risk Factors* below).

### **The Notes**

The Issuer will issue the Notes on the Closing Date.

The Seller has agreed to purchase upon issue the Notes. In addition, the Seller has undertaken with the Issuer to retain, on an ongoing basis, the Mezzanine Class B Notes, the Mezzanine Class C Notes, the Mezzanine Class D Notes and the Junior Class E Notes. The Seller may elect to dispose of any of the Notes at any time.

The Seller shall, or undertakes that any entity designated by the Seller as allowed entity under paragraph 2 of article 122a of the Capital Requirement 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% of the nominal value of the securitised exposures in accordance with article 122a of the Capital Requirement Directive. At the date of this Prospectus such interest is retained in accordance with item (c) of article 122a paragraph 1 of the Capital Requirements Directive, by the Seller holding the Mezzanine Class B Notes, the Mezzanine Class C Notes, the Mezzanine Class D Notes and the Junior Class E Notes. In addition, the Seller shall (i) adhere to the requirements set out in paragraph 6 of article 122a of the Capital Requirements Directive and (ii) make appropriate disclosures to Noteholders about the retained net economic interest in the Notes 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 quarterly investor reports. In the Notes Purchase Agreement, the Seller shall undertake vis-à-vis the Arranger and the Sole Bookrunner, the Issuer and the Security Trustee that it shall at all times comply with article 122a of the Capital Requirements Directive.

Each prospective investor is required to independently assess and determine the sufficiency of the information described above and in this Prospectus generally for the purposes of complying with article 122a of the Capital Requirements Directive and none of the Issuer, the Seller, the Security Trustee nor the Arranger and Sole Bookrunner makes any representation that the information described above or in this Prospectus is sufficient in all circumstances for such purposes. In addition each prospective Noteholder should ensure that they comply with the implementing provisions in respect of article 122a of the Capital Requirements Directive in their relevant jurisdiction. Investors who are uncertain as to the requirements which apply to them in respect of their relevant jurisdiction, should seek guidance from their regulator. For further information please refer to the Risk Factor entitled "*Regulatory initiatives may result in increased regulatory capital requirements and/or decreased liquidity in respect of the Notes*".

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

### **Security**

The Notes will be secured indirectly, through the Security Trustee, by (i) a first ranking pledge granted by the Issuer to the Security Trustee over the Mortgage Receivables and the Beneficiary Rights relating thereto and (ii) a first ranking pledge by the Issuer to the Security Trustee over the Issuer's rights under or in connection with (most of) the Relevant Documents and in respect of the Transaction Accounts.

In order to ensure the valid creation of the security rights under Netherlands law in favour of the Security Trustee, the Issuer shall undertake in the Parallel Debt Agreement to pay to the Security Trustee, by way of a parallel debt, under the same terms and conditions, an amount equal to the aggregate of all its undertakings, liabilities and obligations to the Secured Parties pursuant to certain of the Relevant Documents.

The Trust Deed sets out the priority of the secured claims of the Secured Parties. See for a more detailed description *Credit Structure* and *Description of Security* below.

### **Interest on the Notes**

The Senior Class A Notes and the Mezzanine Class B Notes will carry a floating rate of interest, payable quarterly in arrear on each Quarterly Payment Date, which will be three month Euribor plus a margin per annum (or, in respect of the first Floating Rate Interest Period, the rate which represents the linear interpolation of Euribor for three (3) and four (4) month deposits in euro).

The interest on the Mezzanine Class C Notes, the Mezzanine Class D Notes, the Junior Class E Notes and the Subordinated Class F Notes, which will carry a fixed rate of interest, will also be payable quarterly in arrear on each Quarterly Payment Date, each time as calculated over a Floating Rate Interest Period.

On the first Optional Redemption Date, the margin of the Senior Class A Notes will be reset subject to and in accordance with the Conditions. The margin on each Class of Notes, other than the Senior Class A Notes, will not be reset.

### **Redemption of the Notes**

Unless previously redeemed, the Issuer will redeem the Notes at their respective Principal Amount Outstanding on the Final Maturity Date subject to, in respect of the Notes except for the Senior Class A Notes, Condition 9(b).

Provided that no Enforcement Notice has been served in accordance with Condition 10, on each Quarterly Payment Date the Issuer will be obliged to apply the Notes Redemption Available Amount, which broadly consists of all amounts of principal received (i) as repayment or pre-payment on the Mortgage Receivables, (ii) in connection with a repurchase or sale of the Mortgage Receivables to (partially) redeem the Mortgage-Backed Notes and (iii) in respect of the Sub-Participation Agreements, sequentially in accordance with the Principal Priority of Payments starting with, first, the Senior Class A1 Notes, and then, the Senior Class A2 Notes, second, the Mezzanine Class B Notes, third, the Mezzanine Class C Notes, fourth, the Mezzanine Class D Notes and, fifth, the Junior Class E Notes.

The Issuer will have the option to redeem all of the Mortgage-Backed Notes, but not some only, on each Optional Redemption Date at their Principal Amount Outstanding subject to, in the case of the Notes, except for the Senior Class A Notes, Condition 9(b). In addition, the Issuer has the option to redeem all of the Mortgage-Backed Notes upon the occurrence of a Tax Change in whole but not in part subject to and in accordance with the Conditions. Finally, the Issuer will redeem the Mortgage-Backed Notes at their Principal Amount Outstanding in accordance with Condition 6(b) if the Seller exercises its Regulatory Call Option and/or Clean-Up Call Option on any Quarterly Payment Date subject to, in the case of the Notes, except for the Senior Class A Notes, Condition 9(b), provided that the Class A Principal Deficiency Ledger has no balance on such Quarterly Payment Date.

Subsequent to such redemption of the Mortgaged-Backed Notes in full and provided that no Enforcement Notice has been served in accordance with Condition 10, on each Quarterly Payment Date, the Subordinated Class F Notes will be subject to mandatory partial redemption in the circumstances set out in, subject to and in accordance with Condition 6(f) through the application of the Class F Redemption Available Amount on such date.

### **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 under *Credit Structure*. The Noteholders shall not have recourse on any assets of the Issuer after the date on which the Issuer no longer holds any Mortgage Receivables and the Beneficiary Rights and there are no balances standing to the credit of the Transaction Accounts and the Issuer has no further rights under or in connection with any of the Relevant Documents. In the event that the Security in respect of the Notes has been fully enforced and the proceeds of such enforcement, after payment of all other claims ranking under the Trust Deed in priority to a Class of Notes are insufficient to pay in full all principal and interest and other amounts whatsoever due in respect of such Notes, the Noteholders of the relevant Class of Notes shall have no further claim against the Issuer or the Security Trustee in respect of any such unpaid amounts.

### **Listing**

Application has been made to list the Notes on Euronext Amsterdam.

### **Rating**

It is a condition precedent to issuance of the Notes that the Senior Class A1 Notes, on issue, be assigned an 'Aaa (sf)' rating by Moody's and an 'AAAsf' rating by Fitch, the Senior Class A2 Notes, on issue, be assigned an 'Aaa (sf)' rating by Moody's and an 'AAAsf' rating by Fitch, the Mezzanine Class B Notes, on issue, be assigned an 'Aa1 (sf)' rating by Moody's and an 'AA+sf' rating by Fitch, the Mezzanine Class C Notes, on issue, be assigned an 'Aa3 (sf)' rating by Moody's and an 'A-sf' rating by Fitch, the Mezzanine Class D Notes, on issue, be assigned an 'A1 (sf)' rating by Moody's and the Junior Class E Notes, on issue, be assigned a 'Baa3 (sf)' rating by Moody's. The Subordinated Class F Notes will not be assigned a rating. Credit ratings included or referred to in this Prospectus have been issued by Moody's and Fitch, each of which is established in the European Union and is registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 50088817 M 6676563

September 2009 on credit rating agencies. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the Regulation (EC) No 1060/2009 of 16 September 2009 on credit rating agencies as amended by Regulation (EU) No 513/2011 (the '**CRA Regulation**') unless the rating is provided by a credit rating agency operating in the European Union before 7 June 2010 which is registered in accordance with the CRA Regulation.

#### **Risk factors**

There are certain factors which may affect the Issuer's ability to fulfil its obligations under the Notes and which prospective Noteholders should take into account. These risk factors relate to, *inter alia*, the Notes such as (but not limited to) 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 and the Beneficiary Rights relating thereto, the proceeds of the sale of any Mortgage Receivables and the receipt by it of certain other funds. Despite certain facilities, there remains a credit or counterparty risk, liquidity risk, prepayment risk, maturity risk and interest rate risk relating to the Notes. Moreover, there are certain structural and legal risks relating to the Mortgage Receivables (see *Risk Factors* below).

## 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, principal or other amounts on or in connection with the Notes may occur for other reasons not known to the Issuer or not deemed to be material enough and the Issuer does not represent that the statements below regarding the risks of holding 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, the Seller, the Arranger and Sole Bookrunner, the Initial Noteholder, the Liquidity Facility Provider, the Pool Servicer, the Issuer Administrator, the Floating Rate GIC Provider, the Savings Insurance Participant, the Bank Savings Participant, the Swap Counterparty, the Directors, the Paying Agent, the Reference Agent, the Listing Agent or the Security Trustee. Furthermore, none of the Seller, the Arranger and Sole Bookrunner, the Initial Noteholder, the Liquidity Facility Provider, the Pool Servicer, the Issuer Administrator, the Floating Rate GIC Provider, the Savings Insurance Participant, the Bank Savings Participant, the Swap Counterparty, the Directors, the Paying Agent, the Reference Agent, the Listing Agent, the Security Trustee nor any other person in whatever capacity acting, will accept any liability whatsoever to Noteholders in respect of any failure by the Issuer to pay any amounts due under the Notes.

None of the Seller, the Liquidity Facility Provider, the Swap Counterparty, the Pool Servicer, the Issuer Administrator, the Directors, the Paying Agent, the Reference Agent, the Listing Agent, the Arranger and Sole Bookrunner, the Initial Noteholder, the Floating Rate GIC Provider, the Savings Insurance Participant, the Bank Savings Participant, 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 Relevant Documents).

#### **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 on the Notes will be dependent on the receipt by it of funds under the Mortgage Receivables and the Beneficiary Rights relating thereto and of amounts under the Sub-Participation Agreements and the proceeds of the sale of any Mortgage Receivables and (a) in respect of the Mortgage-Backed Notes only, amounts it receives under the Swap Agreement, amounts it receives under the Liquidity Facility Agreement and drawings from the Reserve Account and, in certain circumstances, the Construction Account and (b) in respect of all Notes, the receipt by it of interest in respect of the balances standing to the credit of the Transaction Accounts (see further *Credit Structure*). The Issuer does not have any other resources available to meet its obligations under the Notes.

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

Counterparties to the Issuer may not perform their obligations under the Relevant Documents, which may result in the Issuer not being able to meet its obligations. It should be noted that there is a risk that (a) Friesland Bank in its capacity as Seller and Pool Servicer and as provider of the Potential Set-Off Reserve Subordinated Loan will not perform its respective obligations vis-à-vis the Issuer, (b) N.V. Bank Nederlandse Gemeenten in its capacity as Floating Rate GIC Provider and Liquidity Facility Provider will not perform its obligations vis-à-vis the Issuer, (c) The Royal Bank of Scotland N.V. in its capacity as Paying Agent, Reference Agent and Listing Agent will not perform its obligations vis-à-vis the Issuer, (d) The Royal Bank of Scotland plc in its capacity as Swap Counterparty will not perform its obligations vis-à-vis the Issuer, (e) TMF Netherlands B.V. as Issuer Administrator and Director will not perform its obligations under the Servicing and Administration Agreement and the relevant Management Agreement respectively, (f) the Savings Insurance Participant will not perform its obligations under the Savings Insurance Sub-Participation Agreement, (g) the Bank Savings Participant will not perform its obligations under the Bank Savings Sub-Participation Agreement and (h) ANT Securitisation Services B.V. will not perform its obligations under the relevant Management Agreement. Non-performance by a counterparty could lead to losses for the Noteholders.

If a creditor of the Issuer (such as – potentially – the Swap Counterparty) or a related entity becomes subject to insolvency proceedings in any jurisdiction, and it is entitled to 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 Relevant Documents. In particular, based on a recent decision of the US Bankruptcy Court, there is a risk that such subordination provisions would not be upheld under US bankruptcy laws in respect of creditors subject to US bankruptcy laws which may lead to losses under the Notes. Such laws may be relevant in certain circumstances with respect to US established entities and certain non-US established entities with assets or operations in the US (although the scope of any such proceedings may be limited if the relevant non-US entity is a bank with a licensed branch in a US state).

#### **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 it has been set up as a bankruptcy remote entity, as, among others, non-petition wording has been included in the Relevant Documents and recourse by the Secured Parties has been limited to the assets of the Issuer 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 to the Borrowers of the assignment to the Issuer but prior to notification of the right of pledge in favour of the Security Trustee and after bankruptcy or suspension of payments will be 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 ("*uitwinning*") of the right of pledge on the Mortgage Receivables and the Beneficiary Rights relating thereto but not the collection ("*inning*") of interest and principal payments of the Mortgage Receivables and (iii) the Security Trustee may be obliged following bankruptcy of the Issuer 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 bankruptcy or suspension of payments of the Issuer becomes effective. The Issuer has been advised that the assets pledged to the Security Trustee under the Trustee Assets Pledge Agreement should probably be regarded as future receivables. This would for example apply to amounts paid to the Transaction Accounts following the Issuer's bankruptcy or suspension of payments. With respect to the effectiveness of a right of pledge on the Beneficiary Rights, reference is made to *Risks relating to Beneficiary Rights under the Insurance Policies* below and with respect to Construction Amounts reference is made to *Risks related to Construction Amounts* below.

#### **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 in favour of the Security Trustee, the Issuer has in the Parallel Debt Agreement, as a separate and independent obligation, by way of parallel debt, undertaken to pay to the Security Trustee amounts equal to the amounts due by it to the Secured Parties. The Issuer has been advised that such a parallel debt creates a claim of the Security Trustee thereunder which can be validly secured by a right of pledge such as the rights of pledge created by the Trustee Receivables Pledge Agreement and the Trustee Assets Pledge Agreement.

Any payments in respect of the Parallel Debt and any proceeds received by the Security Trustee are, in the case of any insolvency of the Security Trustee, not separated from the Security Trustee's other assets. The Secured Parties therefore have a counterparty or credit risk on the Security Trustee. However, the Security Trustee is set up as a special purpose vehicle and is therefore unlikely to become insolvent.

#### **License requirement under the Act on Financial Supervision**

Under the Act on Financial Supervision as amended from time to time ("*Wet op het Financieel Toezicht*"), which entered into force on 1 January 2007, a special purpose vehicle which services ("*beheert*") and administers ("*uitvoert*") loans granted to consumers must have a license under the Act on Financial Supervision. As some of the Mortgage Receivables may be granted to consumers, the Issuer must have a license. However, 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 Act on Financial Supervision. The Issuer has outsourced the servicing and administration of the Mortgage Receivables to the Pool Servicer. The Pool Servicer holds a license under the Act on Financial Supervision and the Issuer thus benefits from the exemption.

However, if the appointment of the Pool Servicer under the Servicing and Administration 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 Act on Financial Supervision. If the Servicing and Administration Agreement is terminated and the Issuer has not outsourced the servicing and administration of the Mortgage Receivables to a licensed entity and does not hold a license itself, the Issuer will have to terminate its activities and settle ("*afwikkelen*") its existing agreements. This could result in early redemption of the Notes.

#### **A foundation as Issuer and payment of the Deferred Purchase Price**

Under Netherlands law, a foundation ("*stichting*") such as the Issuer is prohibited to make any distribution ("*uitkering*"), including any distribution of profits, to its incorporators, members of its corporate bodies and/or any third party, unless, in respect of any third party, such distribution has an idealistic or social tendency and a foundation is prohibited to have in its statutory objects clause ("*statutaire doelomschrijving*") the making of such distributions. In legal literature, distributions are regarded as a performance ("*prestatie*") for which no consideration or unequal consideration ("*ongelijkwaardige prestatie*") is stipulated or provided. Payments made by a foundation in consideration of goods delivered or services rendered are allowed, provided that the consideration is fair and in proportion to the goods delivered or services rendered.

The Issuer has been advised that payments made by the Issuer under the Relevant Documents, other than the Deferred Purchase Price, will not be in violation of the prohibition, assuming that the obligations under which the payments are made are fair and entered into for an equal consideration. The Deferred Purchase Price is part of the consideration for the sale of the Mortgage Receivables. The consideration for the sale of the Mortgage Receivables consists of the Initial Purchase Price (which is equal to the aggregate Outstanding Principal Amount of the Mortgage Receivables at the Cut-off Date) and the Deferred Purchase Price, the amount of the Deferred Purchase Price depends on the Excess Margin as agreed in the Swap Agreement and the actual performance of the Mortgage Receivables during the term of the transaction. It could be argued that the Deferred Purchase Price is actually a distribution of profits to a third party (i.e. the Seller), since each Deferred Purchase Price Instalment is equal to any funds remaining at the relevant Quarterly Payment Date after all amounts payable at such date have been satisfied and, consequently, effectively returns any profits to the Seller. The Issuer has been advised that the Deferred Purchase Price, when taking into account the transaction described herein as a whole, should be seen as a consideration for the sale of the Mortgage Receivable which is deferred in order to provide credit enhancement and not as a distribution of profits. Should the Deferred Purchase Price be considered as a distribution of profits and thus be unlawful, the Issuer can be dissolved by the court, although some legal authors even defend mandatory dissolution of a foundation by the court. Dissolution of the Issuer constitutes an event of default under the Conditions, which causes the Notes to immediately become due and repayable. Furthermore the contractual provisions with respect to the Deferred Purchase Price, as well as any Deferred Purchase Price Instalments paid to the Seller, could be held to be void or voidable, which would result in an obligation to repay any amounts received by the Seller as Deferred Purchase Price. If it was argued that the Mortgage Receivables Purchase Agreement would not have been entered into by the Seller without the Deferred Purchase Price, the entire Mortgage Receivables Purchase Agreement could also be held to be invalid, which would result in an obligation for the Seller to repay the Purchase Price and for the Issuer to re-assign the Mortgage Receivables. However, the Mortgage Receivables Purchase Agreement provides that it is the explicit intention of the parties thereto that invalidity of the Deferred Purchase Price will not affect the validity of the Mortgage Receivables Purchase Agreement as a whole.

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

##### **Risk related to payments received by the 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 or registered deed of assignment, without notification of the assignment to the debtors being required ("*stille cessie*"). The legal title to the Mortgage Receivables and the Beneficiary Rights relating thereto will be assigned by the Seller to the Issuer on the Closing Date through a registered deed of assignment. The Mortgage Receivables Purchase Agreement will provide that the assignment of the relevant Mortgage Receivables and the Beneficiary Rights relating thereto by the Seller to the Issuer will not be notified by the Seller or, as the case may be, the Issuer to the Borrowers and the Insurance Companies except if certain events occur. For a description of certain of these events reference is made to the section *Mortgage Receivables Purchase Agreement*.

Until notification of the assignment has been made to the Borrowers, the Borrowers under the Mortgage Receivables can only validly pay to the Seller in order to fully discharge their payment obligations ("*bevrijdend betalen*") in respect thereof. The Seller has undertaken in the Mortgage Receivables Purchase Agreement to transfer on each day of the calendar month or if this is not a business day the next succeeding business day to the Issuer any amounts received by it in respect of the Mortgage Receivables. However, receipt of such amounts by

the Issuer is subject to the Seller actually making such payments. If the 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.

Payments made by Borrowers to the Seller prior to notification but after bankruptcy or emergency regulations in respect of the Seller having been declared will be part of the Seller's bankruptcy estate. In respect of these payments, the Issuer will be a creditor of the estate ("*boedelschuldeiser*") and will receive payment prior to (unsecured) creditors with ordinary claims, but after preferred creditors of the estate and after deduction of the general bankruptcy costs ("*algemene faillissementskosten*").

#### **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 which corresponds to its debt to the same counterparty and it is entitled to pay his debt as well as to enforce payment of his claim. Subject to these requirements being met, each Borrower will be entitled to set off amounts due by the Seller to him (if any) with amounts he owes in respect of the Mortgage Receivable prior to notification of the assignment of the Mortgage Receivable to the Issuer having been made. Such amounts due by the Seller to a Borrower could, *inter alia*, result from current account balances or deposits made, including, in respect of Bank Savings Mortgage Loans, the Bank Savings Deposit of a Borrower held with the Seller, or result from services rendered by the Seller to the Borrower, such as investment advice, investment management services or services as an intermediary in respect of offering insurance policies rendered by the Seller or for which the Seller is responsible or held liable. As a result of the set-off of amounts due and payable by the Seller to the Borrower with amounts the Borrower owes in respect of the Mortgage Receivable, the Mortgage Receivable will, partially or fully, be extinguished ("*gaat teniet*"). Set-off by Borrowers could thus lead to losses under the Notes.

To the extent that the mortgage conditions applicable to the relevant Mortgage Loans provide that all payments by the Borrowers should be made without any set-off, it is uncertain whether it is intended as a waiver by the relevant Borrowers of their set-off rights vis-à-vis the Seller, but if this provision can be regarded as such, 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 against the Seller results from the same legal relationship as the relevant Mortgage Receivable or (ii) the counterclaim of the Borrower has been originated and become due and payable 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 Mortgage Receivable and the claim of the Borrower on the 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 ("*opgekomen*") and become due and payable ("*opeisbaar*") prior to notification of the assignment and, further, provided that all other requirements for set-off have been met (see above). A balance on a current account is due at any time and, therefore, this requirement will be met. In the case of deposits, including any Construction Amounts, it will depend on the terms of the deposit whether the balance thereof will be due at the moment of notification of the assignment. The same applies in the case of a balance on a Bank Savings Account. The Issuer has been informed by the Seller that a balance on a deposit account and a Bank Savings Account with the Seller can, in principle, be withdrawn at any time unless agreed otherwise and, consequently, such balance is due and payable ("*opeisbaar*") at any time. If after the moment the Borrower receives notification of the assignment of the Mortgage Receivable, amounts are debited from or credited to the current account, the deposit account or, as the case may be, the Bank Savings Account, the Borrower will only be able 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, the deposit account or the Bank Savings Account after such moment, notwithstanding that amounts may have been credited. Claims of a Borrower against the Seller could, *inter alia*, result from current account balances or deposits made by such Borrower with the Seller, including, in respect of Bank Savings Mortgage Loans, the balance on the Bank Savings Account of a Borrower held with the Seller (see *Credit Structure* below). The balances standing to the credit of any current accounts, deposits, but excluding any Bank Savings Deposits and Construction Amounts, are taken into account when calculating the Potential Set-Off Amount.

If notification of the assignment of the Mortgage Receivables is made after the bankruptcy or emergency regulations of the 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 claim, if each claim (i) came into existence prior to the moment at which the bankruptcy became 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, preliminary suspension of payments or emergency regulations.

The Mortgage Receivables Purchase Agreement provides that if a Borrower sets off amounts due to it by the Seller against the relevant Mortgage Receivable and, as a consequence thereof, the Issuer does not receive the amount which it is entitled to receive in respect of such Mortgage Receivable, the Seller will pay to the Issuer an amount equal to the difference between the amount which the Issuer would have received in respect of the relevant Mortgage Receivable if no set-off had taken place and the amount actually received by the Issuer in respect of such Mortgage Receivable. To ascertain that such amounts are available to the Issuer at any time, the Seller will have an obligation to grant to the Issuer the Potential Set-Off Reserve Subordinated Loan in favour of the Issuer up to the Potential Set-Off Reserve Account Required Amount on each Quarterly Payment Date, until such time as the Mortgage-Backed Notes are redeemed in full (see *Credit Structure* below). Notwithstanding this, if the Seller would not meet its obligations under the Mortgage Receivables Purchase Agreement or under the Potential Set-Off Reserve Subordinated Loan Agreement or if the Set-Off Amount is higher than the balance standing to the credit of the Potential Set-Off Reserve Account, set-off by Borrowers could lead to losses under the Notes.

In order to mitigate the set-off risk in respect of Bank Savings Mortgage Loans, the Bank Savings Sub-Participation Agreement has been entered into by the Issuer with Friesland Bank N.V. Therefore, the Issuer will normally not suffer any damages if the Borrower would invoke set-off, if and to the extent the amount for which the Borrower would invoke set-off does not exceed the amount of the relevant Bank Savings Participation. The amount for which the Borrower can invoke set-off may, depending on the circumstances involved, exceed the amount of the relevant Bank Savings Participation.

For specific set-off issues relating to the Life Insurance Policies and Savings Insurance Policies connected to the Mortgage Loans and to Construction Amounts, reference is made to paragraphs *Risk relating to Insurance Policies* and *Risks related to Construction Amounts*, respectively, below.

#### **Risk that the Bank Security Rights will not follow the Mortgage Receivables upon assignment to the Issuer**

The Mortgage Receivables will be secured by mortgage rights which will secure not only the loan granted to the Borrower for the purpose of acquiring the Mortgaged Assets, but also all other existing and future liabilities and moneys the Borrower may owe to the Seller (**'Bank Mortgages'**).

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 commentators has been for a long time that upon the assignment of a receivable secured by a Bank Mortgage, such mortgage 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 a Bank Mortgage 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 mortgage right. These commentators claim that this view is supported by case law.

There is a trend in recent legal literature to dispute the view set out in the preceding paragraph. Commentators following such trend argue that in case of assignment of a receivable secured by a Bank Mortgage, the Mortgage will in principle (partially) pass to the assignee as an accessory right. In this argument the transfer does not conflict with the nature of a Bank Mortgage, 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 Bank Mortgage will be jointly-held by the assignor and the assignee after the assignment. In this view a Bank Mortgage only continues to secure exclusively claims of the original holder of the mortgage right and will not pass to the assignee, if this has been explicitly stipulated in the mortgage deed.

Although the view prevailing in the past, to the effect that given its nature a Bank Mortgage 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 a Bank Mortgage in view of its nature follows the receivable as an accessory right upon its assignment. Whether in the particular circumstances involved the Bank Mortgage will remain with the original mortgagee, will be a matter of interpretation of the relevant mortgage deed.

The Seller will represent and warrant that the mortgage deeds do not contain any explicit provision on the issue of whether the security interest follows the receivable upon its assignment. Therefore there is no clear indication of the intention of the parties. The Issuer has been advised that also in such a case the Bank Mortgages will (partially) follow the receivable as an 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 commentators on Bank Mortgages in the past, which view continues to be defended by some legal commentators.

The Mortgage Loans also provide for rights of pledge including Borrower Insurance Pledges and Borrower Bank Savings Deposit Pledges granted in favour of the Seller, which secure the same debts as the Bank Mortgages (**'Bank Pledges'** and jointly with the Bank Mortgages, the **'Bank Security Rights'**). The above applies *mutatis mutandis* to the Bank Pledges.

Furthermore, the above applies *mutatis mutandis* in respect of the pledge of the Mortgage Receivables by the Issuer to the Security Trustee under the Trustee Receivables Pledge Agreement.

Finally, in respect of a Mortgage Receivable that is administered as having the benefit of a NHG Guarantee, it is noted that if the Issuer does not have the benefit of the mortgage right, it also will not be entitled to claim under any NHG Guarantee. If the Issuer or the Security Trustee, as the case may be, does not have the benefit of security over the Mortgaged Asset, this may result in losses to the Noteholders if such security is required to be enforced.

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

If the Bank Mortgages have (partially) followed the Mortgage Receivable upon its assignment, the Bank Mortgages will be jointly-held by the Issuer (or the Security Trustee, as pledgee) and the Seller and would secure both the Mortgage Receivable held by the Issuer (or the Security Trustee, as pledgee) and any claims held by the Seller resulting from current accounts, other loans or otherwise (the **'Other Claims'**).

In case the Bank Mortgages are jointly-held by both the Issuer and/or the Security Trustee and the Seller, the rules applicable to joint-ownership ("*gemeenschap*") apply. The Netherlands Civil Code provides for various mandatory rules applying to such jointly-owned rights. In the Mortgage Receivables Purchase Agreement the Seller, the Issuer and the Security Trustee will agree that the Issuer and/or the Security Trustee (as applicable) will manage and administer such jointly-held rights. 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 Bank Security Rights will be considered as day-to-day management and, consequently, the consent of the Seller's bankruptcy trustee (in case of bankruptcy) or administrator (in case of emergency regulations) may be required for such foreclosure.

On the basis of Netherlands Civil Code the shares of the joint-owners in a community are equal, unless their legal relationship provides otherwise. Therefore, the Seller, the Issuer and/or the Security Trustee (as applicable) will agree that in case of foreclosure the share ("*aandeel*") in each jointly-held security interest of the Issuer (the Security Trustee) will be equal to the Outstanding Principal Amount in respect of the Mortgage Receivable, increased with interest and costs, if any, and the share of the Seller will be equal to the Net Proceeds less the Outstanding Principal Amount in respect of the Mortgage Receivable, increased with interest and costs, if any. It is uncertain whether this arrangement will be enforceable against the Seller or, in case of its bankruptcy or emergency regulations, its trustee ("*curator*") or administrator ("*bewindvoerder*"). In addition, the Seller will undertake vis-à-vis the Issuer and the Security Trustee to only assign, pledge or transfer any Other Claims provided that the assignee, the pledgee or the transferee of such Other Claims has agreed in writing to be bound by this arrangement and to the obligation to impose the arrangement on any subsequent transferee or assignee and so on. Furthermore it is noted that this arrangement may not be effective against the Borrower.

In this respect it will be agreed that in case of a breach by the Seller of its obligations under these agreements or if any of such agreement is dissolved, void, nullified or ineffective for any reason in respect of the Seller, the Seller shall pay the Issuer and/or the Security Trustee (as applicable) the Other Claims Indemnity Amount. Receipt of such amount by the Issuer and/or the Security Trustee is subject to the ability of the Seller to actually make the payment.. To ascertain that such amounts are available to the Issuer at any time, the Issuer will enter into the Potential Set-Off Reserve Subordinated Loan with the Seller and the Security Trustee and deposit any drawing under the Potential Set-Off Reserve Subordinated Loan from time to time in the Potential Set-Off

Reserve Account. The Issuer shall, on any Quarterly Payment Date, have the right to make drawings from the Potential Set-Off Reserve Account if and to the extent the Issuer has not received the Other Claims Indemnity Amount.

If (a trustee or administrator of) the Seller would, notwithstanding the arrangement set out above, enforce the jointly-held Bank Mortgages securing the Mortgage Receivables, the Issuer and/or the Security Trustee would have a claim against the 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. To further secure the obligations of the Seller under this arrangement, the Seller shall have an obligation to pledge, upon the occurrence of an Assignment Notification Event, the Other Claims in favour of the Security Trustee and the Issuer respectively. Such pledge (if vested) will secure the claim of the Issuer and/or the Security Trustee on the Seller created for this purpose equal to the share of the Seller in the foreclosure proceeds in relation to a defaulted Borrower which claim becomes due and payable upon a default of the relevant Borrower. If, after the pledge of the Other Claims, the Assignment Notification Event has been cured and is not continuing, the Issuer and the Security Trustee will be obliged to release the rights of pledge vested on the Other Claims. In addition, each of the Issuer and the Security Trustee undertakes to release such right of pledge on any Other Claims of a Borrower if the Outstanding Principal Amount in respect of the relevant Mortgage Receivable has been repaid in full.

#### **Risk that the mortgage right on long lease ceases to exist**

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

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

When underwriting a Mortgage Loan to be secured by a mortgage right on a long lease the Seller will require that the maturity date of the Mortgage Receivable falls before the maturity date of the long lease.

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

All rights of a Borrower under the Insurance Policies have been pledged to the Seller (the '**Borrower Insurance Pledge**'). The Issuer has been advised that it is probable that the right to receive payment, including the commutation payment ("*afkoopsom*"), under the Insurance Policies will be regarded by a Dutch court as a future right. The pledge of a future right is, under Dutch 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. The same applies to any rights of pledge on the rights of the relevant Borrower in connection with the Bank Savings Account (the '**Borrower Bank Savings Deposit Pledge**'). This means that it is uncertain whether such pledges will be effective. The Borrower Pledges secure the same liabilities as the Bank Security Rights (see *Risk that the Bank Security Rights will not follow the Mortgage Receivables upon assignment to the Issuer* above).

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

The Seller has been appointed as beneficiary under the relevant Insurance Policy, except that in certain cases another beneficiary is appointed who will rank ahead of the Seller, provided that, *inter alia*, the relevant Insurance Company is irrevocably authorised by such beneficiary to pay the proceeds of the Insurance Policy to the Seller (the '**Borrower Insurance Proceeds Instruction**'). The Issuer has been advised that it is unlikely that the appointment of the 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. The Beneficiary Rights will be assigned by the Seller to the Issuer and will be pledged to the Security Trustee by the Issuer (see *Description of Security* below). 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 a beneficiary waiver agreement (the '**Beneficiary Waiver Agreement**') with the Seller and the Savings Insurance Participant under which the Seller, 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, waives its rights as beneficiary under the Insurance Policies with the Savings Insurance Participant and appoints as first beneficiary up to the amount of

the relevant Mortgage Receivables (i) the Issuer subject to the dissolving condition ("*ontbindende voorwaarde*") of a Trustee Notification Event and (ii) the Security Trustee under the condition precedent ("*opschortende voorwaarde*") of the occurrence of a Trustee 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 with the Life Insurance Companies, the Seller and, in respect of the Savings Insurance Policies, the Savings Insurance 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 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 up to the amount of the relevant Mortgage Receivables.

In the event that a Borrower Insurance Proceeds Instruction has been given, the Seller and, in respect of the Insurance Policies with the Saving Insurance Participant, the Savings Insurance 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 Seller and to issue such instruction up to the amount of the relevant Mortgage Receivables in favour of (i) the Issuer subject to the dissolving condition ("*ontbindende voorwaarde*") of a Trustee Notification Event and (ii) the Security Trustee under the condition precedent ("*opschortende voorwaarde*") of the occurrence of a Trustee 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 the Issuer or the Security Trustee, as the case may be, has not become beneficiary of the Insurance Policies or the assignment, pledge or the waiver of the Beneficiary Rights is not effective, any proceeds under the Insurance Policies will be payable to the Seller or to another beneficiary rather than to the Issuer or the Security Trustee, as the case may be. If the proceeds are paid to the Seller, it will pursuant to the Mortgage Receivables Purchase Agreement be obliged to pay the amount involved to the Issuer or the Security Trustee, as the case may be. If the proceeds are paid to the Seller and the Seller does not pay such amount to the Issuer or the Security Trustee, as the case may be, e.g. in case of bankruptcy of the Seller, or if the proceeds are paid to another beneficiary instead of the Issuer or the Security Trustee, as the case may be, this may result in the amount paid under the Insurance Policies not being applied in reduction of the relevant Mortgage Receivables. This may lead to the Borrower invoking set-off or defences against the Issuer or, as the case may be, the Security Trustee for the amounts so received by the Seller or another beneficiary, as the case may be.

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

Under certain types of Mortgage Loans the Seller has the benefit of rights under Life Insurance Policies and Savings Insurance Policies (together the **Insurance Policies**) with Life Insurance Companies and the Savings Insurance Participant respectively (together the **Insurance Companies**). 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 under *Set-off by Borrowers may affect the proceeds under the Mortgage Receivables* above, 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 Seller and the Borrowers. Therefore, in order to invoke a right of set-off, the Borrowers would have to establish that the Seller and the relevant Insurance Company should be regarded as one legal entity or, possibly, based upon interpretation of case law, that set-off is allowed, even if the Seller and the relevant Insurance Company are not considered as one legal entity, since the Insurance Policies and the Mortgage Loans might be regarded as one inter-related legal relationship. Furthermore, the Borrowers should have a counterclaim that is due and payable. If the relevant Insurance Company is declared bankrupt or subject to emergency regulations, the Borrower will have the right unilaterally to terminate the Insurance Policy and to receive a commutation payment ("*afkoopsom*"). These rights are subject to the Borrower Insurance Pledge. As a consequence of such right of pledge the power to collect the commutation payment has passed to, and the power to terminate may probably only be exercised by, the pledgee

in accordance with and subject to the policy conditions. It may be argued that the Borrower will on this basis not be entitled to invoke a right of set-off for the commutation payment vis-à-vis the Seller, subject, however, to what is stated above under Risk that Borrower Pledges will not be effective. However, apart from the right to terminate the Insurance Policies, the Borrowers are also likely to have the right to dissolve the Insurance Policies and to claim restitution of premiums paid and/or supplementary damages. It is uncertain whether such claim is subject to the Borrower Insurance Pledge. If not, the Borrower Insurance Pledge would not obstruct a right of set-off in respect of such claim by the Borrowers.

Set-off vis-à-vis the Issuer after notification of the assignment would be subject to the additional requirements for set-off after assignment being met (see *Set-off by Borrowers may affect the proceeds under the Mortgage Receivables* above). In the case of Savings Mortgage Loans (one of) these requirements is likely to be met, since it is likely that the Savings Mortgage Loans and the Savings Insurance Policies are to be regarded as one legal relationship. If the 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 Seller, the Issuer 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 material 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 Life Mortgage Loans or Savings Mortgage Loans, as the case may be, or possibly suspension of their obligations thereunder. They could also argue that it was the intention of the Borrower, the Seller and the relevant Insurance Company, that at least they could rightfully interpret the Mortgage Conditions and the promotional materials in such 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, 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 defense on "error" ("*dwaling*"), i.e. that the Mortgage Loan 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 a Mortgage Receivable which may lead to losses under the Notes.

#### *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 the Seller that with respect to Mortgage Loans whereby it is a condition for the granting of the relevant Mortgage Loan that a life insurance policy (the '**Life Insurance Policy**') is entered into by the Borrower (i) a Borrower Insurance Pledge is granted on the rights under such policy in favour of the Seller, (ii) there is no connection, whether from a legal or a commercial point of view, between the Life Mortgage Loan and the relevant Life Insurance Policy other than the relevant Borrower Insurance Pledge and the relevant Beneficiary Rights, (iii) the Life Mortgage Loans and the Life Insurance Policies are not marketed as one product or under one name, (iv) the Borrowers are free to choose the life insurance company (the '**Life Insurance Company**') subject to approval by the Seller and (v) any Life Insurance Company is not a group company (within the meaning of article 2:24b NCC) of the Seller, it is unlikely that the courts will honour set-off or defences of Borrowers, as described above. If, for any reason, a Borrower could invoke a right of set-off in case of an insolvency of a Life Insurance Company, this may result in a loss for the Noteholders.

#### *Savings Mortgage Loans*

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

In respect the Savings Mortgage Loans a Savings Insurance Sub-Participation Agreement is entered into between the Issuer, the Security Trustee and the Savings Insurance Participant. The Savings Insurance Sub-Participation Agreement will provide that should a Borrower invoke a defence, including but not limited to a right of set-off or counterclaim in respect of such Savings Mortgage Loan or if, for whatever reason, the Savings Insurance

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 Savings Mortgage Receivable, the relevant Savings Insurance Participation of the Savings Insurance Participant will be reduced by an amount equal to the amount which the Issuer has failed to receive. The amount of the Savings Insurance Participation is equal to the amounts of Savings Premium received by the Issuer plus the accrued yield on such amount (see *Sub-Participation Agreements* below), provided that the Savings Insurance Participant will have paid all amounts equal to the amounts due under the Savings Insurance Sub-Participation Agreement to the Issuer. Therefore, normally the Issuer will not suffer any damages if the Borrower would invoke any such set-off or defence, if and to the extent that the amount for which the Borrower would invoke set-off or defences does not exceed the amount of the Savings Insurance Participation. However, the amount for which the Borrower can invoke set-off or defences may, depending on the circumstances, exceed the amount of the Savings Insurance Participation.

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

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

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

Pursuant to the Mortgage Conditions, part of the Mortgage Loan may be withheld and will be applied towards construction of, or improvements to, the mortgaged property (such amount to be referred to as the '**Construction Amounts**'). Such Construction Amount will only be paid to the Borrower in the event that certain conditions are met. The aggregate amount of the Construction Amounts as of the Cut-Off Date was EUR 6,565,741.29. The Issuer and the Seller will agree in the Mortgage Receivables Purchase Agreement that the Issuer will withhold from the Initial Purchase Price an amount equal to the aggregate Construction Amounts as of the Cut-Off Date. Such amounts will be deposited in the Construction Account. On each Quarterly Payment Date the Issuer will release from the Construction Account such part of the Initial Purchase Price which equals the difference between the aggregate Construction Amounts and the balance standing to the credit of the Construction Account and pay such amount to the Seller.

Pursuant to the Mortgage Conditions, Construction Amounts have to be paid out within a certain period after the relevant Mortgage Loan has been granted. Upon the expiry of such period, any remaining Construction Amount will either (i) be paid out by the Seller to the relevant Borrower and consequently the remaining part of the Initial Purchase Price will be paid by the Issuer to the Seller or (ii) be set-off against the relevant Mortgage Receivable up to the amount of the Construction Amount, in which case the Issuer shall have no further obligation towards the Seller to pay the remaining part of the Initial Purchase Price, and consequently any remaining part of the Construction Amount will be transferred to the Issuer Collection Account and will form part of the Notes Redemption Available Amount. If any of the events set forth in items (d) and (e) of the definition of the Notification Events has occurred, the Issuer will no longer be under the obligation to pay such remaining part of the Initial Purchase Price. The amount for which the Borrower can invoke set-off or defences may, depending on the circumstances, exceed the amount of the Construction Amount.

Under Dutch law the distinction between 'existing' ("*bestaande*") receivables and 'future' ("*toekomstige*") receivables is relevant. If receivables are to be regarded as future receivables, an assignment and/or pledge thereof will not be effective to the extent the receivable comes into existence after or on the date on which the assignor or, as the case may be, the pledgor has been declared bankrupt or granted a suspension of payments (emergency regulations). If, however, receivables are to be considered as existing receivables, the assignment and/or pledge thereof are not affected by the bankruptcy or suspension of payments (emergency regulations) of the assignor/pledgor. The Issuer has been advised that based on case law and legal literature uncertainty remains whether on the basis of the applicable terms and conditions the part of the Mortgage Receivables relating to the Construction Amounts are considered to be existing receivables. It could be argued that such part of the Mortgage Loan concerned comes into existence only when and to the extent the Construction Amounts are paid out. If the part of the Mortgage Receivable relating to the Construction Amounts is to be regarded as a future receivable, the assignment and/or pledge of such part will not be effective if the Construction Amounts are paid out on or after the date on which the Seller is declared bankrupt or has become subject to a emergency regulations.

**Risk related to the value of investments under Life Insurance Policies**

The value of investments made 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 Life Mortgage Loans**

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 Life Mortgage Loans. 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 ("*vernietigen*") or a Borrower may claim set-off or defences against the Seller or the Issuer (or the Security Trustee). The merits of such claims will, to a large extent, depend on the manner in which the product was marketed and the promotional material and offer letters ("*offertes*") 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 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 consumers.

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/policy holder 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 Seller is itself liable, whether jointly with the insurer or separately, vis-à-vis the Borrower/policy holder. In this situation, which may depend on the involvement of the 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 Seller will not indemnify the Borrower.

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

**Risk related to prepayments on the Mortgage Receivables**

The maturity of the Notes of each Class will depend on, *inter alia*, the amount and timing of payment of principal (including full and partial prepayments, sale of the Mortgage Receivables by the Issuer, Net Proceeds upon enforcement of a Mortgage Loan and repurchase by the Seller of Mortgage Receivables) on the Mortgage Receivables. The average maturity of the Notes may be adversely affected by a higher or lower than anticipated

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

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

**Risks of Losses associated with declining values of the Mortgaged Assets**

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

**Risks related to the NHG Guarantee**

Certain of the Mortgage Receivables will have the benefit of an NHG Guarantee. Pursuant to the terms and conditions (*voorwaarden en normen*) of the NHG Guarantee the '*Stichting Waarborgfonds Eigen Woningen*' ('WEW') has no obligation to pay any loss (in whole or in part) incurred by a lender after a private or a forced sale of the mortgaged property if such lender has not complied with the terms and conditions of the NHG Guarantee. The Seller will on the Closing Date represent and warrant in respect of such Mortgage Receivables that (a) each NHG Guarantee connected to a Mortgage Loan constitutes legal, valid and binding obligations of the WEW, enforceable in accordance with its terms, (b) all terms and conditions applicable to the NHG Guarantee at the time of origination of the Mortgage Loan were complied with and (c) the Seller is not aware of any reason why any claim under any NHG Guarantee should not be met in full and in a timely matter.

The terms and conditions of the NHG Guarantee (irrespective of the type of redemption of the mortgage loan) stipulate that the guaranteed amount is reduced on a monthly basis by an amount which is equal to the amount of the monthly repayments plus interest as if the mortgage loan were to be repaid on a 30 year annuity basis. The actual redemption structure of a Mortgage Loan can be different (see further *Description of the Mortgage Loans*). This may result in the Issuer not being able to fully recover any loss incurred with the WEW under the NHG Guarantee and may lead to a Realised Loss in respect of such Mortgage Loan and consequently, in the Issuer not being able to fully repay the Notes.

If any loan part of a Mortgage Loan which had the benefit from a NHG Guarantee on the Cut-Off Date no longer has the benefit of the NHG Guarantee as a result of action taken or omitted to be taken by the Seller or the Pool Servicer, the Seller will undertake in the Mortgage Receivables Purchase Agreement to repurchase and accept re-assignment of the Mortgage Receivable resulting from such Mortgage Loan and the Beneficiary Rights relating thereto on the Mortgage Payment Date immediately following the date on which the Seller or the Pool Servicer has become aware or has been notified hereof.

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

In the Netherlands, subject to a number of conditions, mortgage loan interest payments are deductible from the income of the Borrowers for income tax purposes. The period allowed for deductibility is restricted to a term of 30 years and it only applies to mortgage loans secured by owner occupies properties. It is, however, uncertain if and to what extent such deductibility will remain in force and for how long. As from 2005, it is also no longer allowed, after a refinancing, to deduct interest on any equity extractions. Should there be a change to such deductibility and the right to deduct mortgage loan interest payment, this may among other things have an effect on the house prices and the rate of recovery and, depending on the changes in treatment of existing mortgage loans, may result in an increase of payment defaults, prepayments and repayments.

**RISK FACTORS REGARDING THE NOTES**

**Risk that the Issuer does not exercise its right to redeem the Mortgage-Backed Notes on an Optional Redemption Date**

Although as a result of the increase in the margin payable in respect of the floating rate of interest on the Senior Class A Notes, the Issuer may have an incentive to exercise its right to redeem the Mortgage-Backed Notes on the first Optional Redemption Date or on any Optional Redemption Date thereafter, no guarantee can be given that the Issuer will actually exercise such right. The exercise of such right will, *inter alia*, depend on the ability of the Issuer to have sufficient funds available to redeem the Mortgage-Backed Notes subject to, in respect of the Notes, except for the Senior Class A Notes, Condition 9(b), for example through a sale of Mortgage Receivables still outstanding at that time. The Mortgaged-Backed Notes, except for the Senior Class A Notes, can be redeemed at an amount less than their Principal Amount Outstanding (see Condition 6(d) and Condition 9(b) under *Terms and Conditions of the Notes*). The Senior Class A Notes will have to be redeemed in full on the Optional Redemption Date on which such right is exercised.

If the Issuer exercises its right to redeem the Mortgage-Backed Notes on any Optional Redemption Date, it has the right to sell the Mortgage Receivables. If the Issuer wishes to exercise the option to redeem the Mortgaged-Backed Notes on an Optional Redemption Date, the Issuer shall first offer such Mortgage Receivables for sale to the Seller. The Seller shall within a period of 14 business days inform the Issuer whether it wishes to repurchase the Mortgage Receivables. After such 14 business day period, the Issuer may offer such Mortgage Receivables for sale to any third party. The purchase price of the Mortgage Receivables will be calculated as described in *Sale of Mortgage Receivables* under *Credit Structure* below. However, there is no guarantee that such third party will be found to purchase the Mortgage Receivables.

Any amounts of Notes Redemption Available Amount remaining after the Mortgage-Backed Notes have been redeemed in full shall form part of the Notes Interest Available Amount and, after all payments of the Interest Priority of Payments ranking higher in priority have been made, will be available to redeem or partially redeem, as the case may be, the Subordinated Class F Notes.

The optional redemption feature of the Notes is likely to limit their market value. During any period when the Issuer may elect to redeem the Mortgage-Backed Notes on or after the first Optional Redemption Date, the market value of the Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to the first Optional Redemption Date.

**Limited Recourse**

There will be no further claim on the Issuer for any Principal Amount Outstanding in respect of the Notes after the date on which the Issuer no longer holds any Mortgage Receivables and there are no balances standing to the credit of the Transaction Accounts and the Issuer has no further rights under or in connection with any of the Relevant Documents. In the event that the Security in respect of the Notes has been fully enforced and the proceeds of such enforcement, after payment of all other claims ranking under the Trust Deed in priority to the relevant Class of Notes are insufficient to pay in full all principal and interest and other amounts whatsoever due in respect of such Class of Notes, the Noteholders of such Class shall have no further claim against the Issuer or the Security Trustee in respect of any such unpaid amounts. If, on any date, the Security is to be enforced and the proceeds of the enforcement would be insufficient to fully redeem the Senior Class A Notes in full, such loss will be borne, *pro rata* and *pari passu*, by the holders of the Senior Class A Notes. If the Senior Class A1 Notes have been redeemed (in part or in full) at such time, this will result in the Senior Class A2 Notes bearing a greater loss than that borne by the Senior Class A1 Notes. (i) If the Senior Class A Notes have been redeemed (in part or in full) at such time, this will result in the Mezzanine Class B Notes, the Mezzanine Class C Notes, the Mezzanine Class D Notes, the Junior Class E Notes and the Subordinated Class F Notes bearing a greater loss than that borne by the Senior Class A Notes and (ii) if the Mezzanine Class B Notes have been redeemed (in part or in full) at such time, this will result in the Mezzanine Class C Notes, the Mezzanine Class D Notes, the Junior Class E Notes and the Subordinated Class F Notes bearing a greater loss than that borne by the Senior Class A Notes and the Mezzanine Class B Notes, (iii) if the Mezzanine Class C Notes have been redeemed (in part or in full) at such time, this will result in the Mezzanine Class D Notes, the Junior Class E Notes and the Subordinated Class F Notes bearing a greater loss than that borne by the Senior Class A Notes, the Mezzanine Class B Notes and the Mezzanine Class C Notes and (iv) if the Mezzanine Class D Notes have been redeemed (in part or in full) at such time, this will result in the Junior Class E Notes and the Subordinated Class F Notes bearing a greater loss than that borne by the Senior Class A Notes, the Mezzanine Class B Notes, the Mezzanine Class C Notes and the Mezzanine Class D Notes and (v) if the Junior Class E Notes have been redeemed (in part or in full) at such time, this will result in the Subordinated Class F Notes bearing a greater loss than that borne by the Senior Class A Notes, the Mezzanine Class B Notes, the Mezzanine Class C Notes, the Mezzanine Class D Notes and the Junior Class E Notes.

**Risk relating to early redemption as a result of exercise of Clean-Up Call Option, Regulatory Call Option**

**and redemption for Tax Reasons**

Should the Seller exercise its Clean-Up Call Option, the Issuer will redeem the Mortgage-Backed Notes by applying the proceeds of the sale of the Mortgage Receivables towards redemption of the Mortgage-Backed Notes subject to and in accordance with Condition 6(b) and subject to, in respect of the Mortgaged-Backed Notes, except for the Senior Class A Notes, Condition 9(b). Should the Seller exercise its Regulatory Call Option, the Issuer will redeem the Mortgage-Backed Notes by applying the proceeds of the sale of the Mortgage Receivables towards redemption of the Mortgage-Backed Notes in accordance with Condition 6(b) and subject to, in respect of the Mortgaged-Backed Notes, except for the Senior Class A Notes, Condition 9(b) on any Quarterly Payment Date, whether falling before or after the first Optional Redemption Date. The Seller may only exercise its Clean-Up Call Option or its Regulatory Call Option, provided that the Class A Principal Deficiency Ledger has no balance on such Quarterly Payment Date. The Issuer will have the option to redeem the Mortgage-Backed Notes upon a Tax Change in accordance with Condition 6(e). In accordance with Condition 6(e), such option can only be exercised if the Senior Class A Notes are redeemed in full. The Notes, except for the Senior Class A Notes, can be redeemed at an amount less than their Principal Amount Outstanding (see Condition 6(e) and Condition 9(b) under *Terms and Conditions of the Notes*).

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

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

To the extent set forth in Condition 9, (a) the Mezzanine Class B Notes are subordinated in right of payment to the Senior Class A Notes, (b) the Mezzanine Class C Notes are subordinated in right of payment to the Senior Class A Notes and the Mezzanine Class B Notes, (c) the Mezzanine Class D Notes are subordinated in right of payment to the Senior Class A Notes, the Mezzanine Class B Notes and the Mezzanine Class C Notes, (d) the Junior Class E Notes are subordinated in right of payment to the Senior Class A Notes, the Mezzanine Class B Notes, the Mezzanine Class C Notes and the Mezzanine Class D Notes and (e) the Subordinated Class F Notes are subordinated in right of payment to the interest on the Senior Class A Notes, the Mezzanine Class B Notes, the Mezzanine Class C Notes, the Mezzanine Class D Notes and the Junior Class E Notes. The Subordinated Class F Noteholders have no right to receive any amounts consisting of the Notes Redemption Available Amount. 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 pursuant to the relevant Priority of Payments than such Class of Notes.

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

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

**Limited Liquidity of the Notes**

The secondary market for mortgage-backed securities is 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.

### **Maturity Risk**

The ability of the Issuer to redeem all Mortgage-Backed 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 Mortgage-Backed Notes. If the value of the Mortgage Receivables is not sufficient to redeem the Mortgage-Backed Notes, this may result in losses for the Noteholders.

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

As provided in Condition 7, if withholding of, or deduction for, or an account of any present or future taxes, duties or charges of whatsoever nature are imposed by or on behalf of the Netherlands or any other jurisdiction or any political subdivision or any authority therein or thereof having power to tax, the Issuer or the Paying Agent (as applicable) will make the required withholding or deduction of such taxes, duties 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. If such withholdings, deductions, duties or charges are imposed, this may result in losses for the Noteholders.

### **Eligibility of the Senior Class A Notes for Eurosystem Monetary Policy**

The Senior Class A Notes are intended to be held in a manner which will allow Eurosystem eligibility. This means that the Senior Class A Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Senior Class A Notes will be recognised as Eurosystem Eligible Collateral, either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria as specified by the European Central Bank. If the Senior Class A Notes do not satisfy the criteria specified by the European Central Bank, there is a risk that the Senior Class A Notes will not be Eurosystem Eligible Collateral. The Issuer gives no representation, warranty, confirmation or guarantee to any investor in the Senior Class A Notes that the Senior Class A Notes will, either upon issue, or at any or all times during their life, satisfy all or any requirements for Eurosystem eligibility and be recognised as Eurosystem Eligible Collateral. Any potential investors in the Senior Class A Notes should make their own determinations and seek their own advice with respect to whether or not the Senior Class A Notes constitute Eurosystem Eligible Collateral. The other Classes of Notes are not intended to be recognised as Eurosystem Eligible Collateral.

### **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 Pool Servicer with respect to a Quarterly Calculation Period, then the Issuer and the Issuer Administrator on its behalf may use the three most recent Mortgage Reports for the purposes of the calculation of the amounts of principal and interest, respectively, available to the Issuer to make payments, as further set out in the Servicing and Administration Agreement. When the Issuer Administrator 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 by drawing amounts from the relevant ledger specifically created for such purpose (the "**Reconciliation Ledger**") as set out in the Servicing and Administration Agreement. Any (i) calculations properly done on the basis of such estimates in accordance with the Servicing and Administration Agreement, (ii) payments made and not made under any of the Notes and Relevant 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 Servicing and Administration Agreement, shall be deemed to be done, made or not made in accordance with the provisions of the Relevant Documents and will in itself not lead to an Event of Default or any other default under any of the Relevant Documents or breach of any triggers included therein (including but not limited to Assignment Notification Events or Trustee 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.

### **Conflict of interest between holders of different Classes of Notes**

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) each as a Class, but requiring the Security Trustee in any such case to have regard only to

the interests of the most senior ranking Class of Noteholders, if, in the Security Trustee's opinion, there is a conflict between the interests of this Class of Noteholders on one hand the lower ranking Class or, as the case may be, Classes of Noteholders on the other hand. In this respect the order of priority is as follows: firstly, the Senior Class A Noteholders, secondly, the Mezzanine Class B Noteholders, thirdly, the Mezzanine Class C Noteholders, fourthly, the Mezzanine Class D Noteholders, fifthly, the Junior Class E Noteholders and sixthly and finally, the Subordinated Class F Noteholders. In addition, the Security Trustee shall have regard to the interests of the other Secured Parties, and that in case of a conflict interest between the Secured Parties the Priority of Payments upon Enforcement set forth in the Trust Deed determines which interest of which Secured Party prevails.

#### **Modification, authorisation and waiver without consent of Noteholders**

The Security Trustee may, without the consent of the Noteholders and the other Secured Parties, agree to any modification of any of the provisions of the Trust Deed, the Notes or any other Relevant Documents which is of a formal, minor or technical nature or is made to correct a manifest error. In addition, the Security Trustee may, without the consent of the Noteholders and the other Secured Parties, (i) give its consent as provided for in the Relevant Documents or (ii) agree to, 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 Relevant Document which is in the opinion of the Security Trustee not materially prejudicial to the interests of the Noteholders and the other Secured Parties (in which respect the Security Trustee may (without further inquiry), if any Secured Party grants its consent in writing, rely upon such consent in writing of the relevant Secured Party as to the absence of material prejudice to the interests of such Secured Party), provided that the Security Trustee (a) has not been informed by any Secured Party, other than the Noteholders, that such Secured Party will be materially prejudiced thereby, (b) has notified the Rating Agencies, and (c) (i) has received a written confirmation from the relevant Rating Agency that the then current ratings assigned by it to the Mortgage-Backed Notes will not be adversely affected as a result of such event or matter or (ii) that by the 15th calendar day after the Rating Agency was notified of any such matter or event, such Rating Agency has not indicated (x) which conditions are to be met before it is in a position to give a written confirmation that the then current ratings assigned by it to the Mortgaged-Backed Notes will not be adversely affected as a result of such event or matter or (y) that the then current ratings assigned by it to any of the Mortgage-Backed Notes will be adversely affected; and in its reasonable opinion, does not expect that the then current ratings assigned to the Mortgage-Backed Notes by the Rating Agencies will be adversely affected by any such consent, modification, authorisation or waiver. Any such modification, authorisation or waiver shall be binding on the Noteholders and the other Secured Parties and, if the Security Trustee so requires, such modification, authorisation or waiver shall be notified to the Noteholders in accordance with Condition 13 and the other Secured Parties as soon as practicable thereafter. The Security Trustee shall not waive, modify or amend, or consent to any waiver, modification or amendment of any Relevant Document if it would cause the Swap Counterparty, in the sole opinion of the Swap Counterparty, to make a materially higher payment to the Issuer or receive a materially lower payment from the Issuer under the Swap Agreement than would have been the case had no amendment been made, unless (i) the Swap Counterparty has provided its prior written consent (such consent not to be unreasonably withheld or delayed) or (ii) in the Security Trustee's reasonable opinion, not amending such Relevant Document or granting its consent thereto would be materially prejudicial to the interests of the Noteholders.

#### **EU Council Directive on taxation of savings income**

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. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) 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 remains a risk that under certain circumstances the interest payments under the Mortgage-Backed Notes become subject to withholding tax.

#### **Risk of the Issuer in respect of Interest**

The risk that the interest received on the Mortgage Receivables and the interest received on the Issuer Collection Account (less, in respect of a Liquidity Facility Stand-by Drawing which has been deposited on the Issuer Collection Account, interest received with respect to the amount having a corresponding amount on the Liquidity

Facility Stand-by Ledger) is not sufficient for the Issuer to pay the interest on the Mortgage-Backed Notes is mitigated by the Swap Agreement.

However, the payments from the Swap Counterparty are not calculated over the aggregate Principal Amount Outstanding of all Mortgage-Backed Notes but, with respect to the Senior Class A Notes and the Mezzanine Class B Notes, are calculated over the aggregate Outstanding Principal Amount of the Mortgage Receivables, excluding Defaulted Mortgage Receivables, multiplied by the Swap Fraction and multiplied by the sum of Euribor and the weighted average spread of the Senior Class A Notes and the Mezzanine Class B Notes. As a result the Issuer may not receive sufficient funds to make payments in respect of interest on the Mortgage-Backed Notes.

Furthermore, the amounts that the Issuer may deduct from the amounts to be paid to the Swap Counterparty under the Swap Agreement in order to be able to pay its operating expenses (items (a), (b) and (c) of the Interest Priority of Payments) is capped. This means that the Issuer may not have sufficient funds to make the required payments pursuant to the Interest Priority of Payments, including in respect of interest on the Mortgage-Backed Notes.

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 further provide that if due to (i) action taken by a relevant taxing authority or brought in a court of competent jurisdiction, or (ii) any change in tax law, in both cases after the date of the Swap Agreement, the Swap Counterparty will, or there is a substantial likelihood that it will, be required to pay to the Issuer additional amounts for or on account of tax or receive from the Issuer reduced amounts for or on account of tax (a **Tax Event**), the Swap Counterparty may (with the consent of the Issuer) transfer its rights and obligations to another of its offices, branches, affiliates or any other person to avoid the relevant Tax Event, failing which, the Swap Counterparty may terminate the Swap Agreement.

The Swap Agreement will be terminable by one party for a number of reasons, as more fully set out in the Swap Agreement, including if (i) an Event of Default (as defined therein) occurs in relation to the other party, (ii) it becomes unlawful for either party to perform its obligations under the Swap Agreement, (iii) an Enforcement Notice is served, (iv) the Issuer has transferred all or some of the Mortgage Receivables to a third party, which may be the Seller, other than where such sale, assignment and/or disposal is in accordance with any provision(s) of the Relevant Documents, not taking into account any amendments to the Relevant Documents after the Closing Date, unless with the Swap Counterparty's prior written consent (v) the Issuer amends, without the Swap Counterparty's prior written consent, any of the Relevant Documents which causes the Swap Counterparty, in the sole opinion of the Swap Counterparty, to make a materially higher payment to the Issuer or receive a materially lower payment from the Issuer under the Swap Agreement than would have been the case had no such amendment been made, unless (a) the Swap Counterparty has provided its prior written consent (such consent not to be unreasonably withheld or delayed) or (b) in the Security Trustee's reasonable opinion, not amending such Relevant Document or granting its consent thereto would be materially prejudicial to the interests of the Noteholders or (vi) the Issuer has amended, or has procured the amendment of, any of the Mortgage Conditions of a Mortgage Loan or any other provision or condition of the Mortgage Loans without the Swap Counterparty's prior written consent, other than where such amendment (a) had to be agreed to by the Issuer or, as the case may be, the Seller pursuant to the Mortgage Conditions or any applicable law or regulation, including the principles of reasonableness and fairness or (b) does not have a material adverse affect on the position of the Swap Counterparty under the Swap Agreement. With respect to the foregoing termination events mentioned in items (iv) and (vi), solely the part of the swap transaction relating to the relevant Mortgage Receivables which are subject to such transfer or amendment, as the case may be, is terminable. Events of Default in relation to the Issuer in the Swap Agreement 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 required to make a termination payment in connection with such termination and it will be exposed to changes in the relevant rates of interest if no replacement swap is entered into. Finally, as a result hereof the Issuer may have insufficient funds to make interest payments under the Mortgage-Backed Notes.

The interest payable under the Subordinated Class F Notes will not be hedged.

**Credit rating of the Mortgage-Backed Notes may not reflect all risks**

The ratings of the Mortgage-Backed Notes addresses the assessment made by the Rating Agencies of the likelihood of full and timely payment of interest and ultimate payment of principal on or before the Final Maturity Date. The Subordinated Class F Notes will not be assigned a rating.

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

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

Credit ratings included or referred to in this Prospectus have been issued by Moody's and Fitch, each of which is established in the European Union and has applied to be registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies.

**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 mortgage-backed securities, and may thereby affect the liquidity of such securities. Investors in the Notes are responsible for analysing their own regulatory position and none of the Issuer, the Arranger and Sole Bookrunner, the Initial Noteholder or the Seller makes any representation to any prospective investor or purchaser of the Notes regarding the regulatory capital treatment of their investment on the Closing Date or at any time in the future.

*Article 122a of the Capital Requirements Directive*

In particular, in Europe, investors should be aware of article 122a of the Capital Requirement Directive, which applies in general to new mortgage-backed securities 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 mortgage-backed securities unless the originator, sponsor or original lender in respect of the relevant securitisation has explicitly disclosed to the EU regulated credit institution that it will retain, on an ongoing basis, a net economic interest of not less than 5% in respect of certain specified credit risk tranches or asset exposures as contemplated by article 122a. Article 122a also requires an EU regulated credit institution to be able to demonstrate that it has undertaken certain due diligence in respect of, amongst other things, its note position and the underlying exposures and that procedures are established for such activities to be conducted on an on-going basis. Failure to comply with one or more of the requirements set out in article 122a will result in the imposition of a penal capital charge on the notes acquired by the relevant investor. 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.

The Seller has committed to retain, or to ensure that an allowed entity under paragraph 2 of article 122a of the Capital Requirements Directive, on an ongoing basis, a material net economic interest in the Notes which, in any event, shall not be less than 5% of the nominal value of the securitised exposures in accordance with article 122a of the Capital Requirement Directive. At the date of this Prospectus such interest is retained in accordance with item (c) of article 122a paragraph 1 of the Capital Requirements Directive, by the Seller holding the Mezzanine Class B Notes, the Mezzanine Class C Notes, the Mezzanine Class D Notes and the Junior Class E Notes. In addition, the Seller shall (i) adhere to the requirements set out in paragraph 6 of article 122a of the Capital Requirements Directive and (ii) make appropriate disclosures to Noteholders about the retained net economic interest in the Notes 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 quarterly investor reports. In the Notes Purchase Agreement, the Seller shall undertake vis-à-vis the Arranger and Sole Bookrunner, the Issuer and the Security Trustee that it shall at all times comply with article 122a of the Capital Requirements Directive.

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.

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

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

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

The Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments but as a way to reduce risk or enhance yield with an understood, measured and appropriate addition of risk to their overall portfolios. A potential investor should not invest in notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the investor's overall investment portfolio.

**Notes in global form**

Each Class of Notes shall be represented by a permanent Global Note in bearer form, without coupons, in the principal amount of the Notes of the relevant Class. Each permanent Global Note will be deposited with a common safekeeper on or about the Closing Date. Each permanent Global Note will be exchangeable for Notes in definitive form only in the circumstances as more fully described in Global Notes. 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 rules and procedures of Euroclear or Clearstream, Luxembourg, as applicable. 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.

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

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

**Proposed Changes to the Basel Capital Accord**

On 26 June 2004, the Basel Committee on Banking Supervision published the text of the new capital accord under the title "Basel II: International Convergence of Capital Measurement and Capital Standards: a Revised Framework" ("**Basel II**"). Basel II, 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

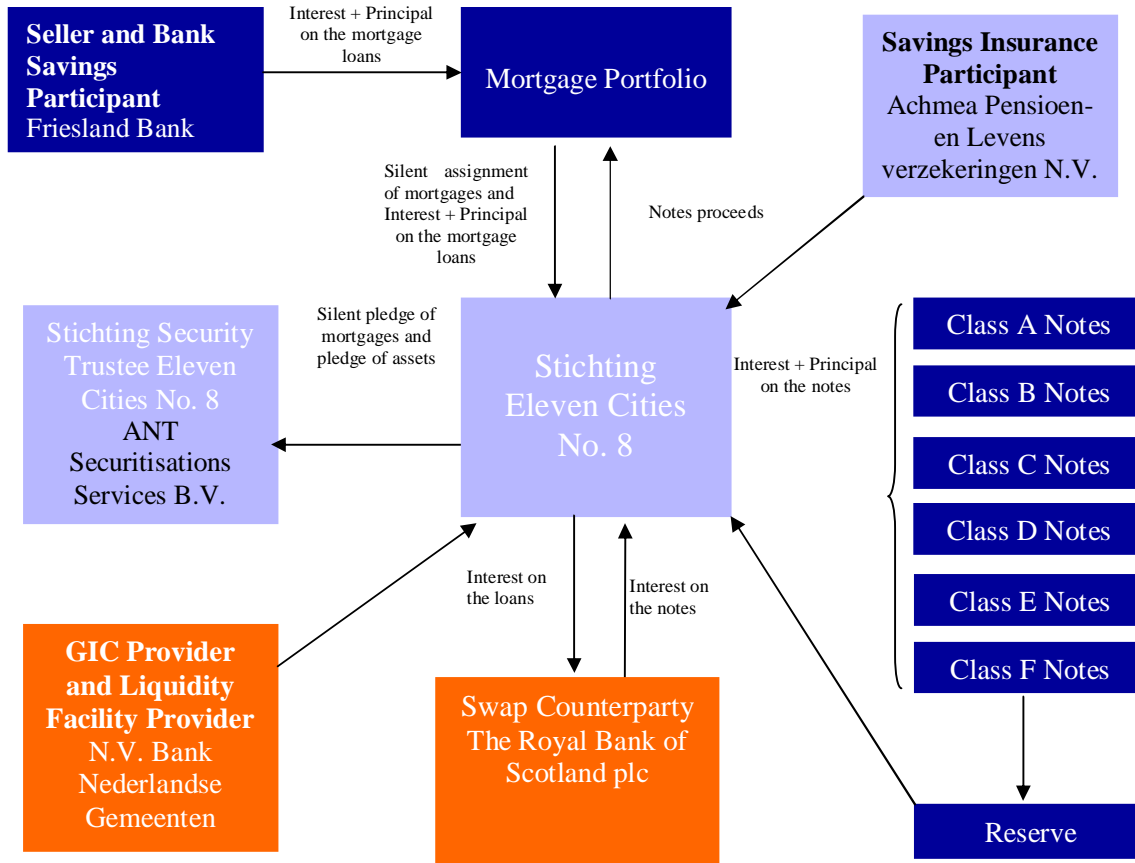
in a consolidating directive referred to as the Capital Requirements Directive. In October 2008, the European Commission adopted proposals to amend the Capital Requirements Directive in light of the financial crisis, which came into force on 7 December 2010. Recently, the Group of Governors and Heads of Supervision, the oversight body of the Basel Committee on Banking Supervision, announced a substantial strengthening of existing capital requirements and fully endorsed the agreements it reached on 26 July 2010, where new rules were proposed amending the existing Basel II Accord on bank capital requirements ("**Basel III**"). It is contemplated to implement these new rules by the end of 2011. 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). Consequently, potential investors should consult their own advisers as to the consequences to and effect on them of the application of Basel II and Basel III, as implemented by their own regulator, to their holding of any Notes. The Issuer and the Security Trustee are not responsible for informing Noteholders of the effects on the changes to risk-weighting which will result for investors from the adoption by their own regulator of Basel II or Basel III (whether or not implemented by them in its current form or otherwise).

#### **Rating of the State of the Netherlands**

The rating assigned to the Mortgaged-Backed Notes by the Rating Agencies takes into account the NHG Guarantee granted in connection with each of the Mortgage Loans. The NHG Guarantee is backed by the State of the Netherlands (see *NHG Guarantee*) which is currently rated 'Aaa' by Moody's and 'AAA' by Fitch. Moreover, '*Stichting Waarborgfonds Eigen Woningen*' (the "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 or 'AAA' by Fitch, respectively, or (ii) the WEW ceases to be rated 'Aaa' by Moody's or 'AAA' by Fitch, this may result in a review by Moody's or Fitch, respectively, of the Mortgaged-Backed Notes and could potentially result in a corresponding downgrade of the Mortgaged-Backed Notes.

## 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.



**Certain features of the Notes are summarised below**

	Senior Class A1 Notes	Senior Class A2 Notes	Mezzanine Class B Notes	Mezzanine Class C Notes	Mezzanine Class D Notes	Junior Class E Notes	Subordinate Class F Notes
Principal Amount Outstanding upon issue	€165,000,000	€557,200,000	€24,800,000	€24,800,000	€16,500,000	€37,200,000	€12,400,000
Credit Enhancement	(a) Payments of interest and payments of principal on the Mezzanine Class B Notes, the Mezzanine Class C Notes, the Mezzanine Class D Notes, the Junior Class E Notes and the Subordinated Class F Notes are subordinated to payments of interest and principal on the Senior Class A Notes and (b) the Excess Margin	(a) Payments of interest and payments of principal on the Mezzanine Class B Notes, the Mezzanine Class C Notes, the Mezzanine Class D Notes, the Junior Class E Notes and the Subordinated Class F Notes are subordinated to payments of interest and principal on the Senior Class A Notes and (b) the Excess Margin	(a) Payments of interest and payments of principal on the Mezzanine Class C Notes, the Mezzanine Class D Notes, the Junior Class E Notes and the Subordinated Class F Notes are subordinated to payments of interest and principal on the Mezzanine Class B Notes, and (b) the Excess Margin	(a) Payments of interest and payments of principal on the Mezzanine Class D Notes, the Junior Class E Notes and the Subordinated Class F Notes are subordinated to payments of interest and principal on the Mezzanine Class C Notes and (b) the Excess Margin	(a) Payments of interest and payments of principal on the Junior Class E Notes and the Subordinated Class F Notes are subordinated to payments of interest and principal on the Mezzanine Class D Notes and (b) the Excess Margin	(a) Payments of interest and payments of principal on the Subordinated Class F Notes are subordinated to payments of interest and principal on the Junior Class E Notes and (b) the Excess Margin	Excess Margin
Margin over three month Euribor up to but excluding Quarterly Payment Date falling in September 2016 (first Optional Redemption Date)	1.25 per cent. p.a.	1.65 per cent. p.a.	0.00 per cent. p.a.	N/a	N/a	N/a	N/a
Fixed rate				0.01 per cent. p.a.	0.01 per cent. p.a.	0.01 per cent. p.a.	0.01 per cent. p.a.

	Senior Class A1 Notes	Senior Class A2 Notes	Mezzanine Class B Notes	Mezzanine Class C Notes	Mezzanine Class D Notes	Junior Class E Notes	Subordinate Class F Notes
Margin over three month Euribor from (and including) Quarterly Payment Date in September 2016 (first Optional Redemption Date)	2.50 per cent. p.a.	3.30 per cent. p.a.	0.00 per cent. p.a.	N/a	N/a	N/a	N/a
Interest Accrual	Act/360	Act/360	Act/360	Act/360	Act/360	Act/360	Act/360
Quarterly Payment Dates	Interest and Principal will be payable quarterly in arrears on the 20 <sup>th</sup> day of March, June, September and December of each calendar year, modified following	Interest and Principal will be payable quarterly in arrears on the 20 <sup>th</sup> day of March, June, September and December of each calendar year, modified following	Interest and Principal will be payable quarterly in arrears on the 20 <sup>th</sup> day of March, June, September and December of each calendar year, modified following	Interest and Principal will be payable quarterly in arrears on the 20 <sup>th</sup> day of March, June, September and December of each calendar year, modified following	Interest and Principal will be payable quarterly in arrears on the 20 <sup>th</sup> day of March, June, September and December of each calendar year, modified following	Interest and Principal will be payable quarterly in arrears on the 20 <sup>th</sup> day of March, June, September and December of each calendar year, modified following	Interest and Principal will be payable quarterly in arrears on the 20 <sup>th</sup> day of March, June, September and December of each calendar year, modified following
Final Maturity Date	September 2043	September 2043	September 2043	September 2043	September 2043	September 2043	September 2043
Denomination	Euro 100,000	Euro 100,000	Euro 100,000	Euro 100,000	Euro 100,000	Euro 100,000	Euro 100,000
Form	In bearer form	In bearer form	In bearer form	In bearer form	In bearer form	In bearer form	In bearer form
Listing	Euronext Amsterdam by NYSE Euronext	Euronext Amsterdam by NYSE Euronext	Euronext Amsterdam by NYSE Euronext	Euronext Amsterdam by NYSE Euronext	Euronext Amsterdam by NYSE Euronext	Euronext Amsterdam by NYSE Euronext	Euronext Amsterdam by NYSE Euronext
Rating	'Aaa (sf)' by Moody's and 'AAAsf' by Fitch	'Aaa (sf)' by Moody's and 'AAAsf' by Fitch	'Aa1 (sf)' by Moody's and 'AA+sf' by Fitch	'Aa3 (sf)' by Moody's and 'A-(sf)' by Fitch	'A1 (sf)' by Moody's	'Baa3 (sf)' by Moody's	Not rated

## OVERVIEW OF THE PARTIES AND PRINCIPAL FEATURES OF THE TRANSACTION

*The following is an overview of the principal features of the issue of the Notes. This overview should be read in conjunction with, and is qualified in its entirety by reference to, the detailed information presented elsewhere in this Prospectus.*

### THE PARTIES:

<b>Issuer:</b>	Stichting Eleven Cities No. 8, established under the laws of the Netherlands as a foundation (" <i>stichting</i> ") and registered with the Commercial Register of the Chamber of Commerce of Amsterdam under number 53357361.
<b>Seller:</b>	Friesland Bank N.V. ( <b>Friesland Bank</b> ), incorporated under the laws of the Netherlands as a public company (" <i>naamloze vennootschap</i> "), having its corporate seat in Leeuwarden and registered with the Commercial Register of the Chamber of Commerce of Noord-Nederland under number 01002411.
<b>Pool Servicer:</b>	Friesland Bank or its successor or successors.
<b>Issuer Administrator:</b>	TMF Netherlands B.V., incorporated under the laws of the Netherlands as a private company with limited liability.
<b>Security Trustee:</b>	Stichting Security Trustee Eleven Cities No. 8, established under the laws of the Netherlands as a foundation and registered with the Commercial Register of the Chamber of Commerce of Amsterdam under number 53357256.
<b>Directors:</b>	TMF Netherlands B.V., the sole director of the Issuer and ANT Securitisation Services B.V., the sole director of the Security Trustee, both having its corporate seat in Amsterdam and registered with the Commercial Register of the Chamber of Commerce of Amsterdam under number 33126512 and number 33075510, respectively.
<b>Savings Insurance Participant:</b>	Achmea Pensioen- en Levensverzekeringen N.V., incorporated under the law of the Netherlands as a public company (" <i>naamloze vennootschap</i> "). The Savings Insurance Participant is the sole provider of Savings Insurance Policies relating to the Savings Mortgage Loans.
<b>Initial Noteholder:</b>	Friesland Bank.
<b>Bank Savings Participant:</b>	Friesland Bank. The Bank Savings Participant is the sole bank where the Bank Deposits relating to the Bank Savings Mortgage Loans are held.
<b>Liquidity Facility Provider:</b>	N.V. Bank Nederlandse Gemeenten, incorporated under the laws of the Netherlands as a public company (" <i>naamloze vennootschap</i> "), having its corporate seat in The Hague, the Netherlands ( <b>BNG</b> ).
<b>Swap Counterparty:</b>	The Royal Bank of Scotland plc, a public limited liability company incorporated under the laws of Scotland ( <b>RBS</b> ).
<b>Floating Rate GIC Provider:</b>	BNG.

**Paying Agent:** The Royal Bank of Scotland N.V. incorporated under the laws of the Netherlands as a public company ("*naamloze vennootschap*"), having its corporate seat in Amsterdam, the Netherlands (**RBS N.V.**).

**Reference Agent:** RBS N.V.

**Common Safekeeper:** In respect of the Senior Class A Notes, Euroclear/Clearstream, Luxembourg and in respect of the Notes, other than the Senior Class A Notes, Bank of America Merrill Lynch.

**Listing Agent:** RBS N.V.

**Arranger / Sole Bookrunner:** RBS.  
**PRINCIPAL FEATURES OF THE TRANSACTION**

**THE NOTES:**

**Notes:** The EUR 165,000,000 floating rate Senior Class A1 Mortgage-Backed Notes 2011 due 2043 (the '**Senior Class A1 Notes**'), the EUR 557,200,000 floating rate Senior Class A2 Mortgage-Backed Notes 2011 due 2043 (the '**Senior Class A2 Notes**' and together with the Senior Class A1 Notes, the '**Senior Class A Notes**'), the EUR 24,800,000 floating rate Mezzanine Class B Mortgage-Backed Notes 2011 due 2043 (the '**Mezzanine Class B Notes**'), the EUR 24,800,000 fixed rate Mezzanine Class C Mortgage-Backed Notes 2011 due 2043 (the '**Mezzanine Class C Notes**'), the EUR 16,500,000 fixed rate Mezzanine Class D Mortgage-Backed Notes 2011 due 2043 (the '**Mezzanine Class D Notes**') and the EUR 37,200,000 fixed rate Junior Class E Mortgage-Backed Notes 2011 due 2043 (the '**Junior Class E Notes**'), and together with the Senior Class A Notes, the Mezzanine Class B Notes, the Mezzanine Class C Notes and the Mezzanine Class D Notes, the '**Mortgage-Backed Notes**') and the EUR 12,400,000 fixed rate Subordinated Class F Notes 2011 due 2043 (the '**Subordinated Class F Notes**', and together with the Mortgage-Backed Notes, the '**Notes**') will be issued by the Issuer on or about 1 December 2011 (or such later date as may be agreed between the Issuer and the Initial Noteholder) (the '**Closing Date**').

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

**Issue Price:** The issue prices of the Notes will be as follows:

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

<b>Form:</b>	The Notes are in bearer form and, in respect of Notes in definitive form, serially numbered with coupons attached.
<b>Denomination:</b>	The Notes will be issued in denominations of EUR 100,000 each.
<b>Status and ranking:</b>	<p>The Notes of each Class rank <i>pari passu</i> without any preference or priority among Notes of the same Class. In accordance with the Conditions and the Trust Deed (i) payments of principal and interest on the Mezzanine Class B Notes are subordinated to, <i>inter alia</i>, payments of principal and interest on the Senior Class A Notes, (ii) payments of principal and interest on the Mezzanine Class C Notes are subordinated to, <i>inter alia</i>, payments of principal and interest on the Senior Class A Notes and the Mezzanine Class B Notes, (iii) payments of principal and interest on the Mezzanine Class D Notes are subordinated to, <i>inter alia</i>, payments of principal and interest on the Senior Class A Notes, the Mezzanine Class B Notes and the Mezzanine Class C Notes, (iv) payments of principal and interest on the Junior Class E Notes are subordinated to, <i>inter alia</i>, payments of principal and interest on the Senior Class A Notes, the Mezzanine Class B Notes, the Mezzanine Class C Notes and the Mezzanine Class D Notes and (v) payments of principal and interest on the Subordinated Class F Notes are subordinated to, <i>inter alia</i>, payments of interest on the Senior Class A Notes, the Mezzanine Class B Notes, the Mezzanine Class C Notes, the Mezzanine Class D Notes and the Junior Class E Notes. See further <i>Terms and Conditions of the Notes</i> below. The Subordinated Class F Noteholders do not have the right to receive any amount pursuant to the Principal Priority of Payments.</p> <p>The Senior Class A Notes comprise of the Senior Class A1 Notes and the Senior Class A2 Notes and the Senior Class A1 Notes and the Senior Class A2 Notes rank <i>pari passu</i> and <i>pro rata</i> without any preference or priority among all Notes of such Class in respect of the Security and payments of interest. Provided that no Enforcement Notice has been given, payments of principal on the Senior Class A Notes are applied sequentially first to the Senior Class A1 Notes and then to the Senior Class A2 Notes. To the extent that the Notes Redemption Available Amount is insufficient to redeem the Senior Class A1 Notes and/or the Senior Class A2 Notes in full when due in accordance with the Conditions for a period of fifteen days or more, this will constitute an Event of Default in accordance with Condition 10(a). The Senior Class A2 Notes do not therefore purport to provide credit enhancement to the Senior Class A1 Notes. If, on any date, the Security is to be enforced and the proceeds of the enforcement would be insufficient to fully redeem the Senior Class A Notes in full, such loss will be borne, <i>pro rata</i> and <i>pari passu</i>, by the holders of the Senior Class A Notes. If the Senior Class A1 Notes have been redeemed (in part or in full) at such time, this will result in the Senior Class A2 Notes bearing a greater loss than that borne by the Senior Class A1 Notes.</p>

**Interest:**

Interest on the Notes is payable by reference to successive quarterly interest periods (each a '**Floating Rate Interest Period**') and will be payable quarterly in arrear in euro in respect of the Principal Amount Outstanding on the 20th day of March, June, September and 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 20th day) in each year (each such day being a '**Quarterly Payment Date**'). Each successive Floating Rate Interest Period will commence on (and include) a Quarterly Payment Date and end on (but exclude) the next succeeding Quarterly Payment Date, except for the first Floating Rate Interest Period which will commence on (and include) the Closing Date and end on (but exclude) the Quarterly Payment Date falling in March 2012. The interest will be calculated on the basis of the actual days elapsed in a Floating Rate Interest Period divided by a year of 360 days.

Also the interest on the Mezzanine Class C Notes, the Mezzanine Class D Notes, the Junior Class E Notes and the Subordinated Class F Notes, which will carry a fixed rate of interest, is payable quarterly in arrear on each Quarterly Payment Date, each time as calculated over a Floating Rate Interest Period.

A '**Business Day**' means a day on which banks are open for business in Amsterdam and London, provided that such day is also a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007 ('**TARGET 2**') or any successor thereto is operating credit or transfer instructions in respect of payments in euro.

Interest on the Senior Class A Notes and the Mezzanine Class B Notes for each Floating Rate Interest Period from the Closing Date will accrue at a rate equal to the sum of the Euro Interbank Offered Rate ('**Euribor**') for three month deposits in euro (determined in accordance with Condition 4(d)) (or, in respect of the first Floating Rate Interest Period, the rate which represents the linear interpolation of Euribor for three (3) and four (4) month deposits in euro, rounded, if necessary, to the 5th decimal place with 0.000005 being rounded upwards) plus a margin which will, and solely in respect of the Senior Class A Notes only up to (but excluding) the first Optional Redemption Date:

- (i) for the Senior Class A1 Notes be equal to 1.25 per cent. per annum,
- (ii) for the Senior Class A2 Notes be equal to 1.65 per cent. per annum, and
- (iii) for the Mezzanine Class B Notes be equal to 0.00 per cent. per annum.

Interest on the Mezzanine Class C Notes, the Mezzanine Class D Notes, the Junior Class E Notes and the Subordinated Class F Notes for each Floating Rate Interest Period from the Closing Date will accrue at a fixed rate equal to:

- (i) for the Mezzanine Class C Notes 0.01 per cent. per annum,
- (ii) for the Mezzanine Class D Notes 0.01 per cent. per annum,
- (iii) for the Junior Class E Notes 0.01 per cent. per annum, and
- (iv) for the Subordinated Class F Notes 0.01 per cent. per annum.

**Interest Step-up:**

If on the first Optional Redemption Date the Senior Class A Notes have not been redeemed in full, the margin applicable to the Senior Class A Notes will be reset and will:

- (i) for the Senior Class A1 Notes be equal to 2.50 per cent. per annum, and
- (ii) for the Senior Class A2 Notes be equal to 3.30 per cent. per annum.

The rate of interest applicable to each Class of Notes, other than the Senior Class A Notes, will not be reset.

**Final Maturity Date:**

Unless previously redeemed as provided below, the Issuer will redeem the Notes, but in respect of the Mezzanine Class B Notes, the Mezzanine Class C Notes, the Mezzanine Class D Notes, the Junior Class E Notes and the Subordinated Class F Notes, subject to Condition 9, at their Principal Amount Outstanding on the Quarterly Payment Date falling in September 2043 (the **Final Maturity Date**).

**Mandatory Redemption of the Notes:**

Provided that no Enforcement Notice has been served in accordance with Condition 10, the Issuer will be obliged to apply the Notes Redemption Available Amount to (partially) redeem the Mortgage-Backed Notes on each Quarterly Payment Date at their respective Principal Amount Outstanding in the following order:

- (a) *firstly*, sequentially the Senior Class A1 Notes, until fully redeemed and then, the Senior Class A2 Notes, until fully redeemed; and
- (b) *secondly*, the Mezzanine Class B Notes, until fully redeemed, and
- (c) *thirdly*, the Mezzanine Class C Notes, until fully redeemed; and
- (d) *fourthly*, the Mezzanine Class D Notes, until fully redeemed, and
- (e) *fifthly and finally*, the Junior Class E Notes, until fully redeemed.

Provided that no Enforcement Notice has been served in accordance with Condition 10, the Issuer shall apply the Class F Redemption Available Amount on each Quarterly Payment Date, to redeem (or partially redeem) on a *pro rata* basis the Subordinated Class F Notes on each Quarterly Payment Date.

In addition thereto, upon the Mortgage-Backed Notes being redeemed in full, the Reserve Account Required Amount becomes zero and any remaining balances standing to the credit of the Reserve Account and the Issuer Collection Account (if any) after all payments of the Interest Priority of Payments ranking higher in priority have been made, will be available for

redemption of the Subordinated Class F Notes.

**Optional Redemption of the Notes:**

Unless previously redeemed in full, on the Quarterly Payment Date falling in September 2016 and on each Quarterly Payment Date thereafter (each an **'Optional Redemption Date'**), the Issuer will have the option to redeem all of the Mortgage-Backed Notes, but not some only, at their respective Principal Amount Outstanding or, in respect of the Mortgaged-Backed Notes, except for the Senior Class A Notes only, less the relevant Principal Shortfall, if any, on such date, subject to and in accordance with the Conditions. The Senior Class A Notes have to be redeemed in full on such Optional Redemption Date.

If the Issuer exercises its right to redeem the Mortgage-Backed Notes on any Optional Redemption Date, it has the right to sell the Mortgage Receivables. The Issuer shall first offer such Mortgage Receivables for sale to the Seller. The Seller shall within a period of 14 business days inform the Issuer whether it wishes to repurchase the Mortgage Receivables. After such 14 business day period, the Issuer may offer such Mortgage Receivables for sale to any third party. The purchase price of such Mortgage Receivables will be calculated as described in *Sale of Mortgage Receivables* in *Credit Structure* below.

With the proceeds of a sale to either the Seller or a third party, it will redeem the Mortgaged-Backed Notes as set out above .

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

**Withholding Tax:**

All payments by the Issuer in respect of the Notes will be made without withholding of or deduction for, or on account of any present or future taxes, duties, assessments or charges of whatsoever nature imposed or levied by or on behalf of the Netherlands, any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or charges are required by law. In that event, the Issuer will make the required withholding or deduction of such taxes, duties, assessments or charges for the account of the Noteholders, as the case may be, and shall not pay any additional amounts to such Noteholders.

**Redemption for tax reasons:**

If the Issuer (a) is or will become obliged to make any withholding or deduction for, or on account of, any taxes, duties or charges of whatsoever nature from payments in respect of any Class of Notes as a result of any change in, or amendment to, the laws or regulations of the Netherlands or any other jurisdiction or any political sub-division or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which becomes effective on or after the Closing Date and such obligation cannot be avoided by the Issuer taking reasonable measures available to it (a **'Tax Change'**) and (b) will have sufficient funds available on such Quarterly Payment Date to discharge all amounts of principal and interest due in respect of each Class of Mortgage-Backed Notes and any amounts required to be paid in priority to or *pari passu* with

each Class of Mortgage-Backed Notes in accordance with the Trust Deed, the Issuer has the option to redeem the Mortgage-Backed Notes, in whole but not in part, on any Quarterly Payment Date at their Principal Amount Outstanding, subject to, except for the Senior Class A Notes, Condition 9(b). No Class of Mortgaged-Backed Notes may be redeemed under such circumstances unless the other Class of Mortgage-Backed Notes (or such of them as are then outstanding) are also redeemed in full at the same time.

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

**Clean-Up Call Option:**

On each Quarterly Payment Date the Seller has the option (but not the obligation) to repurchase the Mortgage Receivables if on the Quarterly Calculation Date immediately preceding such Quarterly 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, however, provided that the Class A Principal Deficiency Ledger has no balance on such Quarterly Payment Date (the '**Clean-Up Call Option**').

The Issuer will undertake in the Mortgage Receivables Purchase Agreement to sell and assign the Mortgage Receivables to the Seller, or any third party appointed by the Seller at its sole discretion, in case the Seller exercises the Clean-Up Call Option. The purchase price will be calculated as set out in *Sale of Mortgage Receivables in Credit Structure* below, as a result of which the proceeds of such sale will be sufficient to redeem the Senior Class A Notes in full. If the Seller exercises its Clean-Up Call Option, then the Issuer will redeem the Mortgage-Backed Notes by applying the proceeds of the sale of the Mortgage Receivables towards redemption of the Mortgage-Backed Notes subject to and in accordance with Condition 6(b) and subject to, except for the Senior Class A Notes only, Condition 9(b).

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

**Regulatory Call Option:**

On each Quarterly Payment Date, the Seller has the option but not the obligation to repurchase the Mortgage Receivables upon the occurrence of a Regulatory Change, provided that the Class A Principal Deficiency Ledger has no balance on such Quarterly Payment Date (the '**Regulatory Call Option**').

The Issuer will undertake in the Mortgage Receivables Purchase Agreement to sell and assign the Mortgage Receivables to the Seller, or any third party appointed by the Seller at its sole discretion, in case the Seller exercises the Regulatory Call Option. The purchase price will be calculated as set out in *Sale of Mortgage Receivables in Credit Structure* below, as a result of which the proceeds of such sale will be sufficient to redeem the Senior Class A Notes in full. If the Seller exercises its Regulatory Call Option, then the Issuer will redeem the Mortgage-Backed Notes by applying the proceeds of the sale of the Mortgage Receivables towards redemption of the Mortgage-Backed Notes subject to and in accordance with Condition 6(b) and subject to, except for the Senior Class A Notes, Condition 9(b).

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

**Method of Payment:**

So long as the Notes are represented by a Global Note, payments of principal and interest will be made in Euro to a common safekeeper for Euroclear and Clearstream, Luxembourg for the credit of the respective accounts of the Noteholders.

**Security for the Notes:**

The Notes will be (indirectly) secured by (i) a first ranking right of pledge by the Issuer to the Security Trustee over (a) the Mortgage Receivables and (b) the Beneficiary Rights including all rights ancillary thereto and (ii) a first ranking right of pledge vested by the Issuer in favour of the Security Trustee over the Issuer's rights under or in connection with the Mortgage Receivables Purchase Agreement, the Swap Agreement, the Servicing and Administration Agreement, the Liquidity Facility Agreement, the Sub-Participation Agreements, the Potential Set-Off Subordinated Loan Agreement and the Floating Rate GIC and in respect of the Transaction Accounts. The amount payable to the Noteholders and the other Secured Parties will be limited to the amounts available for such purpose to the Security Trustee which, *inter alia*, will consist of amounts recovered by the Security Trustee on the Mortgage Receivables together with the Beneficiary Rights, the balances standing to the credit of the Transaction Accounts and amounts received by the Security Trustee as creditor under the Mortgage Receivables Purchase Agreement and the Parallel Debt Agreement. Payments to the Secured Parties will be made in accordance with the Priority of Payments upon Enforcement. See further *Risk Factors* and *Credit Structure*. For a more detailed description see *Description of Security*.

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

**Use of proceeds:**

The Issuer will use the proceeds from the issue of the Mortgage-Backed Notes to pay to the Seller the Initial Purchase Price for the Mortgage Receivables, pursuant to the provisions of an agreement to be entered into prior to the Closing Date and made between the Seller, the Issuer and the Security Trustee (the '**Mortgage Receivables Purchase Agreement**'). See further *Mortgage Receivables Purchase Agreement* below. However, an amount equal to the aggregate Construction Amounts will be withheld by the Issuer and be deposited on the Construction Account (see *Construction Amounts* below).

The Issuer will credit the proceeds from the issue of the Subordinated Class F Notes to the Reserve Account. See further *Reserve Account*.

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

The Seller shall, or procure that any entity designated by the Seller as allowed entity under paragraph 2 of article 122a of the Capital Requirement 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% of the nominal value of the securitised exposures in accordance with article 122a of the Capital Requirement Directive. At the date of this Prospectus such interest is retained in accordance with item (c) of article 122a paragraph 1 of the Capital Requirements Directive, by the Seller holding the Mezzanine Class B Notes, the Mezzanine Class C Notes, the Mezzanine Class D Notes and the Junior Class E Notes. In addition, the Seller shall (i) adhere to the requirements set out in paragraph 6 of article 122a of the Capital Requirements Directive and (ii) make appropriate disclosures to Noteholders about the retained net economic interest in the Notes 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 quarterly investor reports. In the Notes Purchase Agreement, the Seller shall undertake vis-à-vis the Arranger and Sole Bookrunner, the Issuer and the Security Trustee that it shall at all times comply with article 122a of the Capital Requirements Directive.

**THE MORTGAGE RECEIVABLES:**

**Mortgage Receivables:**

Under the Mortgage Receivables Purchase Agreement, the Issuer will purchase and on the Closing Date accept the assignment of any and all rights of the Seller against certain borrowers (the '**Borrowers**') under or in connection with certain selected Mortgage Loans including in respect of the Construction Amount (the '**Mortgage Receivables**') and on the Closing Date, to the extent legally possible and required, accept assignment of all claims which the Seller has or will have vis-à-vis an Insurance Company in respect of the relevant Insurance Policy under which the Seller has been appointed by the Borrower/insured as beneficiary ("*begunstigde*") in connection with the Mortgage Receivables as set out in the relevant Borrower Insurance Pledge (the '**Beneficiary Rights**') relating thereto. The Issuer will be entitled to the proceeds of the Mortgage Receivables from the close of business on 31 October 2011 (the '**Cut-off Date**').

**Mortgage Loans:**

The Mortgage Receivables to be sold by the Seller pursuant to the Mortgage Receivables Purchase Agreement will result from loans granted to Borrowers, which loans (i) have to be repaid ultimately in July 2041; (ii) are secured by a first ranking mortgage right over (a) a real property ("*onroerende zaak*"), (b) an apartment right ("*appartementsrecht*") or (c) a long lease ("*erfpacht*") and together with real property and apartment rights, the '**Mortgaged Assets**') situated in the Netherlands, (iii) are entered into by the Seller and the relevant Borrower(s); (iv) meet certain criteria set forth in the Mortgage Receivables Purchase Agreement and (v) will be selected prior to or on the Closing Date (the '**Mortgage Loans**'). See *Description of*

*Mortgage Loans* below.

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

- (i) interest-only mortgage loans ("*aflossingsvrije hypotheek*");
- (ii) linear mortgage loans ("*lineaire hypotheek*");
- (iii) annuity mortgage loans ("*annuïteitenhypotheek*");
- (iv) savings mortgage loans ("*spaarhypotheek*");
- (v) life mortgage loans ("*levenhypotheek*"); or
- (vi) bank savings mortgage loans ("*bankspaarhypotheek*").

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

The Mortgage Loans have the characteristics that demonstrate the capacity to produce funds to service payments under the Mortgaged-Backed Notes.

**NHG Guarantees:**

Some of the Mortgage Receivables will have the benefit of guarantees under the '*Nationale Hypotheek Garantie*' (**NHG Guarantees**).

**Repurchase of Mortgage Receivables:**

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

- (i) if at any time after the Closing Date any of the representations and warranties relating to the relevant Mortgage Loan or such Mortgage Receivable proves to have been untrue or incorrect in any material respect, and the Seller has not within fourteen (14) days of receipt of written notice thereof from the Issuer remedied the matter giving rise thereto or if such matter is not capable of being remedied within the said period of fourteen (14) days immediately succeeding such event; or
- (ii) if the Seller agrees with a Borrower to make a further advance or a new mortgage loan which is only secured by the Mortgage which also (partially) secures a Mortgage Loan on the Mortgage Payment Date immediately succeeding such event; or
- (iii) on the eighth day of each calendar month or if this is not a business day the next succeeding business day (the '**Mortgage Payment Date**') immediately following the date on which the Seller agrees with the Borrower to switch any type of Mortgage Loan into (part of) any other type of Mortgage Loan; or
- (iv) if any loan part of a Mortgage Loan which had the benefit from a NHG Guarantee on the Cut-Off Date no longer has the benefit of the NHG Guarantee as a result of action taken or omitted to be taken by the Seller or the Pool Servicer, the Seller shall also repurchase and accept re-assignment of the Mortgage Receivable resulting from such Mortgage Loan and the Beneficiary Rights relating thereto on the Mortgage

- Payment Date immediately following the date on which the Seller or the Pool Servicer has become aware or has been notified hereof; or
- (v) if the Seller agrees with a Borrower to amend the terms of the Mortgage Loan or any of the Mortgage Conditions of a Mortgage Loan in such a way that as a result thereof such Mortgage Loan would no longer comply with the Mortgage Loan Criteria or the representations and warranties in respect of the Mortgage Receivables would not be true and correct if given on the date of such amendment, provided that if such amendment is made as part of the enforcement procedures to be complied with upon a default by the Borrower under the relevant Mortgage Loan due to a deterioration of the credit quality of the Borrower of such Mortgage Loan, the Seller shall not repurchase the relevant Mortgage Receivable.

The purchase price in such event will be as set forth under *Sale of Mortgage Receivables* in *Credit Structure* below.

**Interest-only Mortgage Loans:**

A portion of the Mortgage Receivables (or parts thereof) will result from interest-only loans ("*aflossingsvrije leningen*", hereinafter **Interest-only Mortgage Loans**) entered into by the Seller with relevant Borrowers. Interest-only Mortgage Loans are Mortgage Loans on which only interest payments are due. All Interest-only Mortgage Loans have a fixed maturity date falling within a period of thirty (30) years) from closing.

**Linear Mortgage Loans:**

A portion of the Mortgage Receivables (or parts thereof) will result from linear mortgage loans ("*lineaire leningen*", hereinafter **Linear Mortgage Loans**) entered into by the Seller with relevant Borrowers. Linear Mortgage Loans are Mortgage Loans on which a periodical payment consists of a constant amount for redemption plus an amount of interest based on the remaining loan balance. The balance of the Mortgage Receivable is thus being repaid in a straight-line fashion i.e. linear, while the interest payment declines between payments.

**Annuity Mortgage Loans:**

A portion of the Mortgage Receivables (or parts thereof) will result from annuity mortgage loans ("*annuïteiten leningen*", hereinafter **Annuity Mortgage Loans**) entered into by the Seller with the relevant Borrower. Annuity Mortgage Loans are characterised by equal periodical payments by the Borrower. These payments contain both interest and principal redemption on the Mortgage Receivable. As with each payment part of the Mortgage Receivable is redeemed, the interest charge declines between each successive payment. The redemption part of the periodical payment rises in such a way that the total payment amount is fixed and the remaining balance of the Mortgage Receivable at maturity will be zero.

**Life Mortgage Loans:**

A portion of the Mortgage Receivables (or parts thereof) will result from life mortgage loans ("*levenhypotheek*" and hereinafter **Life Mortgage Loans**) which have the benefit of combined risk and capital insurance policies (**Life Insurance Policies**) taken out by Borrowers with any insurance company established in the Netherlands (each a **Life Insurance Company**). Life Mortgage Loans are Mortgage Loans on

which only interest is being paid until the maturity of the Mortgage Loan. At maturity the balance of the Mortgage Loan becomes due and payable. To facilitate full repayment of the Mortgage Loan, the Borrower has pledged a Life Insurance Policy to the Seller.

The Life Insurance Policy is a combined (life-) risk and capital endowment policy. This means that the policy will pay out either:

- the realised value of the policy at maturity or termination of the policy; or
- the insured value at death, if earlier.

The Life Insurance Policies may be entered into by Borrowers through intermediary Friesland Bank Assurantiën, independent intermediaries or directly with a Life Insurance Company. The Borrower has the choice between (i) a guaranteed amount to be received when the Life Insurance Policy pays out, (ii) the Unit-Linked Alternative or (iii) a combination of (i) and (ii). **'Unit-Linked Alternative'** means the alternative under which the amount to be received upon pay-out of the Life Insurance Policy depends on the performance of certain investment funds chosen by the Borrower.

#### **Savings Mortgage Loans:**

A portion of the Mortgage Receivables (or parts thereof) will result from savings mortgage loans ("*spaarhypotheken*", hereinafter **'Savings Mortgage Loan'** and the Mortgage Receivables resulting therefrom, the **'Savings Mortgage Receivables'**) entered into by the Seller and the Borrower, which have the benefit of a Savings Insurance Policy taken out by the Borrower with the Savings Insurance Participant. Savings Mortgage Loans are Mortgage Loans on which only interest is being paid until the maturity of the Mortgage Loan. At maturity the balance of the Savings Mortgage Loan becomes due and payable. To facilitate full repayment of the Savings Mortgage Loan, the Borrower has pledged the rights under its Savings Insurance Policy to the Seller. See also Risk Factor *Risk of set-off and defences by Borrowers in case of insolvency of Insurance Companies* above.

A savings insurance policy (a **'Savings Insurance Policy'**) is a combined risk and capital insurance policy taken out by the relevant Borrower with the Savings Insurance Participant in connection with the relevant Savings Mortgage Loan. The Borrower/insured pays a premium on a monthly basis, which consists of a risk element and a savings element (the **'Savings Premium'**). The Savings Premium is calculated in such a manner that, on an annuity basis, the proceeds of the Savings Insurance Policy due by the Savings Insurance Participant to the relevant Borrower is equal to the amount due by the Borrower on the date the Mortgage Receivable has to be repaid.

#### **Bank Savings Mortgage Loans:**

A portion of the Mortgage Receivables (or parts thereof) will result from bank savings mortgage loans ("*bankspaarhypotheken*" and hereinafter **'Bank Savings Mortgage Loans'** and the Mortgage Receivable resulting therefrom, the **'Bank Savings Mortgage Receivable'**), which are Mortgage Loans that are combined with a blocked tax-efficient savings account (the **'Bank Savings Account'**) held with Friesland Bank in its capacity as the Bank Savings

Participant. Under a Bank Savings Mortgage Loan, the Borrower is only required to pay interest until maturity and is not required to pay principal until maturity. The Borrower undertakes to pay a monthly deposit in the Bank Savings Account (the **'Monthly Bank Savings Deposit Instalment'**). The Monthly Bank Savings Deposit Instalment is calculated in such a manner that, on an annuity basis, the balance standing to the credit of the Bank Savings Account (the **'Bank Savings Deposit'**) is equal to the Outstanding Principal Amount of the relevant Bank Savings Mortgage Receivable. The rights of the relevant Borrower under the Bank Savings Deposit are pledged to the Seller (see also Risk Factor *Risk of set-off or defences in case of Mortgage Receivables resulting from Bank Savings Mortgage Loans*).

## **Sub-Participation Agreements:**

### *Savings Insurance Sub-Participation Agreement*

The Issuer will enter into a savings insurance sub-participation agreement (the **'Savings Insurance Sub-Participation Agreement'**) with the Savings Insurance Participant, under which the Savings Insurance Participant will acquire participations in the relevant Savings Mortgage Receivables equal to amounts of Savings Premium paid by the relevant Borrower to the Savings Insurance Participant with accrued interest in respect of a Savings Insurance Policy. In the Savings Insurance Sub-Participation Agreement the Savings Insurance Participant will undertake to pay to the Issuer amounts equal to all amounts received as Savings Premium (plus, on the Closing Date, accrued interest) on the Savings Insurance Policies. In return, the Savings Insurance Participant is entitled to receive the Savings Insurance Participation Redemption Available Amount from the Issuer. See further *Sub-Participation Agreements* below.

### *Bank Savings Sub-Participation Agreement*

Furthermore, the Issuer will enter into a bank savings sub-participation agreement (the **'Bank Savings Sub-Participation Agreement'**), and together with the Savings Insurance Sub-Participation Agreement, the **'Sub-Participation Agreements'** with the Bank Savings Participant with respect to the Bank Savings Mortgage Receivables.

Under the Bank Savings Sub-Participation Agreement, the Bank Savings Participant will acquire participations in the relevant Bank Savings Mortgage Receivables equal to amounts of Monthly Bank Savings Deposits paid by the relevant Borrower to the Bank Savings Participant in respect of a Bank Savings Mortgage Loan. In the Bank Savings Sub-Participation Agreement, the Bank Savings Participant will undertake to pay to the Issuer the Monthly Bank Savings Deposit Instalments. In return, the Bank Savings Participant is entitled to receive the Bank Savings Participation Redemption Available Amount from the Issuer. See further *Sub-Participation Agreements* below.

## **CASH-FLOW STRUCTURE**

**Liquidity Facility:**

On the Closing Date, the Issuer and the Security Trustee will enter into a liquidity facility agreement with a maximum term of 364 days which may be extended with a term ending on the Quarterly Payment Date falling immediately preceding the Final Maturity Date with the Liquidity Facility Provider under which the Issuer will be entitled to make drawings in order to meet certain shortfalls in the Notes Interest Available Amount to meet certain items of the Interest Priority of Payments in full (the **Liquidity Facility Agreement**). If, at any time, the Issuer will be required to make a Liquidity Facility Stand-by Drawing, the Issuer shall deposit such amount in the Issuer Collection Account with a credit to a ledger (the **Liquidity Facility Stand-by Ledger**). Such amounts will be available for payment to be made by the Issuer subject to and in accordance with the Liquidity Facility Agreement as if it would be making a drawing thereunder. See further *Credit Structure* below.

**Potential Set-Off Reserve Subordinated Loan Agreement:**

On the Closing Date, the Issuer will enter into a subordinated loan agreement (the **Potential Set-Off Reserve Subordinated Loan Agreement**) with the Seller. Pursuant to the Potential Set-Off Reserve Subordinated Loan Agreement, the Issuer will be entitled to make drawings under the Potential Set-Off Reserve Subordinated Loan Agreement on each Quarterly Payment Date in an amount equal to the positive difference between the Potential Set-Off Reserve Account Required Amount and the balance standing to the credit of the Potential Set-Off Reserve Account and to deposit such amount in the Potential Set-Off Reserve Account, until such time as the Mortgage-Backed Notes are to be redeemed in full. To the extent that the balance standing to the credit of the Potential Set-Off Reserve Account on any Quarterly Payment Date exceeds the Potential Set-Off Reserve Account Required Amount, such excess shall be drawn from the Potential Set-Off Reserve Account and shall form part of the Notes Interest Available Amount on that Quarterly Payment Date and, subject to the Interest Priority of Payments, be available to repay the Potential Set-Off Reserve Subordinated Loan.

**Seller Collection Accounts:**

The Seller maintains accounts (the **Seller Collection Accounts**) to which collections of all amounts of interest, prepayment penalties and principal received under the Mortgage Receivables will be paid. These accounts will also be used for the collection of moneys paid in respect of loans other than Mortgage Loans and in respect of other moneys belonging to the Seller.

**Issuer Collection Account:**

The Issuer shall maintain with the Floating Rate GIC Provider an account (the **Issuer Collection Account**) to which, *inter alia*, on a daily basis, all amounts from the Seller Collection Accounts due to the Issuer will be transferred by the Seller.

**Reserve Account:**

On the Closing Date, the Issuer will deposit the proceeds of the Subordinated Class F Notes into an account (the **Reserve Account**) held with the Floating Rate GIC Provider. The purpose of the Reserve Account will be to enable the Issuer to meet on each Quarterly Payment Date items (a) to (o) (inclusive) of the Interest Priority of Payments, in the event that the Notes Interest Available Amount is not sufficient to meet such payment obligations on a Quarterly Payment Date.

If and to the extent that the Notes Interest Available Amount on any Quarterly Payment Date exceeds the aggregate amounts payable under items (a) to (o) (inclusive) of the Interest Priority of Payments, such excess amount will be used to deposit in the Reserve Account by crediting such amount to the Reserve Account up to the Reserve Account Required Amount. The **'Reserve Account Required Amount'** shall on any Quarterly Payment Date be equal to (i) as long as (any part of) the Mortgage-Backed Notes are outstanding, EUR 12,400,000 or (ii) zero, on the Quarterly Payment Date whereon the Mortgage-Backed Notes have been or are to be redeemed in full, in accordance with the Conditions.

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

In addition thereto, on the Quarterly Payment Date on which the Mortgage-Backed Notes have been or will be redeemed in full subject to, in respect of all Mortgage-Backed Notes other than for the Senior Class A Notes, Condition 9(b), and on which all amounts of interest and principal due in respect of the Mortgage-Backed Notes have been or will be paid, any amount standing to the credit of the Reserve Account will thereafter form part of the Notes Interest Available Amount and will be applied by the Issuer in or towards satisfaction of all items in the Interest Priority of Payments in accordance with the priority set out therein, including for redemption of principal of the Subordinated Class F Notes.

**Potential Set-Off Reserve Account:**

On the Closing Date the Issuer will establish a potential set-off reserve fund by crediting the proceeds of the Potential Set-Off Reserve Subordinated Loan to an account (the **'Potential Set-Off Reserve Account'**), held with the Floating Rate GIC Provider. The Issuer shall, on any Quarterly Payment Date, have the right to make drawings from the Potential Set-Off Reserve Account if and to the extent the Issuer has, as a result of the fact that a Borrower has invoked a right of set-off for amounts due by the Seller to it on the relevant Quarterly Payment Date not received the full amount due but unpaid in respect of any Mortgage Receivable(s) and the Seller has not reimbursed the Issuer for such amount. Furthermore, the balance standing to the credit of the Potential Set-Off Reserve Account will be available to the Issuer on any Quarterly Payment Date if and to the extent the Issuer has not received an amount which is due and payable by the Seller as compensation in case of a breach by the Seller of its agreement in the Mortgage Receivables Purchase Agreement that, in case of foreclosure of a Mortgage Receivable, the share ("*aandeel*") in each jointly-held security interest of the Security Trustee and/or the Issuer will be equal to the Outstanding Principal Amount in respect of the Mortgage Receivables, increased with interest and costs, if any, and the share of the Seller will be equal to the Net Proceeds less the Outstanding Principal Amount in respect

of the Mortgage Receivables, increased with interest and costs, if any (see *Mortgage Receivables Purchase Agreement* below). The balance standing to the credit of the Potential Set-Off Reserve Account will, in such circumstances and subject to the relevant Priority of Payments, be available for payments in respect of the Notes.

**Construction Account:**

Pursuant to the Mortgage Conditions, part of the Mortgage Loan may be withheld and will be applied towards construction of, or improvements to, the mortgaged property (such amount including any interest accrued thereon to be referred to as the '**Construction Amounts**'). Such Construction Amount will only be paid to the Borrower in the event that certain conditions are met. The aggregate amount of the Construction Amounts as of the Cut-Off Date was EUR 6,565,741.29. The Issuer and the Seller will agree in the Mortgage Receivables Purchase Agreement that the Issuer will withhold from the Initial Purchase Price an amount equal to the aggregate Construction Amounts as of the Cut-Off Date and to deposit such amount to an account (the '**Construction Account**', and together with the Issuer Collection Account Potential Set-Off Reserve Account and the Reserve Account, the '**Transaction Accounts**'). Such amounts will be deposited in the Construction Account. On each Quarterly Payment Date the Issuer will release from the Construction Account such part of the Initial Purchase Price which equals the difference between the balance standing to the credit of the Construction Account and the aggregate Construction Amounts, and pay such amount to the Seller.

If any of the events set forth in items (d) and (e) of the definition of the Notification Events has occurred, the Issuer will no longer be under the obligation to pay such remaining part of the Initial Purchase Price. Such amount will be transferred to the Issuer Collection Account and form part of the Notes Redemption Available Amount. The interest accrued and received on the Construction Account shall be for the benefit of the Seller. See the section *Mortgage Receivables Purchase Agreement* below.

**Swap Cash Collateral Account:**

The Issuer shall maintain with the Floating Rate GIC Provider an account (the '**Swap Cash Collateral Account**') on which any collateral in the form of cash, which is provided by the Swap Counterparty to the Issuer, will be deposited and in accordance with the credit support annex.

**Floating Rate GIC:**

The Issuer and the Floating Rate GIC Provider will enter into a guaranteed investment contract (the '**Floating Rate GIC**') on the Closing Date, whereunder the Floating Rate GIC Provider will agree to pay a guaranteed rate of interest determined by reference to Euro OverNight Index Average ('**EONIA**') minus a margin on the balance standing from time to time to the credit of the Issuer Collection Account, the Potential Set-Off Reserve Account and the Swap Cash Collateral Account. In addition, the Floating Rate GIC Provider will agree to pay a guaranteed rate of interest determined by reference to the Euribor for three month deposit in euro minus a margin on the balance standing from time to time to the credit of the Construction Account and the Reserve Account.

**Swap Agreement:**

On the Closing Date, the Issuer will enter into an ISDA Master Agreement (which shall include the schedule and the credit support annex thereto) with the Swap Counterparty to mitigate (part of) the risk between (a) the rates of interest payable by the Issuer on the Mortgage-Backed Notes and (b) the interest received on the Mortgage Receivables and the interest received on the Issuer Collection Account (less, in respect of a Liquidity Facility Stand-by Drawing which has been deposited on the Issuer Collection Account, interest received with respect to the amount having a corresponding amount on the Liquidity Facility Stand-by Ledger) (as described in *Credit Structure* under *Interest Rate Hedging* below and see further *Risk of the Issuer in respect of Interest* in *Risk Factors* above).

**OTHER****Servicing and Administration Agreement:**

Under a servicing and administration agreement to be entered into on the Closing Date (the '**Servicing and Administration Agreement**') between the Issuer, the Pool Servicer, the Issuer Administrator and the Security Trustee, (a) the Pool Servicer will agree, *inter alia*, to provide (i) administration and management services to the Issuer on a day-to-day basis in relation to the Mortgage Receivables, including, without limitation, the collection and recording of payments of principal, interest and other amounts in respect of the Mortgage Receivables and the direction of amounts received by the Seller to the Issuer Collection Account, (ii) prepare and provide the Issuer Administrator with certain statistical information regarding the Issuer as required by law for submission to the relevant governmental authorities and (iii) the implementation of arrears procedures including the enforcement of the Security Interests (see further *Friesland Bank Residential Mortgage Business* below) and (b) the Issuer Administrator will agree, *inter alia* (i) to provide certain administration, calculation and cash management services to the Issuer, including without limitation, all calculations to be made in respect of the Notes pursuant to the Conditions and (ii) to submit certain statistical information regarding the Issuer as referred to above to certain governmental authorities if and when requested.

**Beneficiary Waiver Agreement:**

The Issuer and the Security Trustee will enter into a beneficiary waiver agreement (the '**Beneficiary Waiver Agreement**') with the Seller and the Savings Insurance Participant, under which the Seller, 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 a Notification Event waives its rights as beneficiary under the Insurance Policies with the Savings Insurance Participant and appoints as first beneficiary up to the Outstanding Principal Amount of the relevant Mortgage Receivable (a) the Issuer subject to the dissolving condition ('*ontbindende voorwaarde*') of a Trustee Notification Event and (b) the Security Trustee under the condition precedent ('*opschortende voorwaarde*') of the occurrence of a Trustee Notification Event. In addition, the Seller will undertake in the Beneficiary Waiver Agreement that it will use its best efforts, following a Notification Event, to terminate the appointment of the Seller as beneficiary under the Life Insurance Policies and to appoint as first beneficiary under the Life Insurance Policies up to the Outstanding Principal

Amount of the relevant Mortgage Receivable (i) the Issuer subject to the dissolving condition of a Trustee Notification Event and (ii) the Security Trustee under the condition precedent of the occurrence of a Trustee Notification Event.

**Management Agreements:**

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

**Settlement:**

Euroclear and Clearstream, Luxembourg.

**Governing law:**

The Notes and the Relevant Documents (other than the Swap Agreement) will be governed by and construed in accordance with the laws of the Netherlands. The Swap Agreement will be governed by English law.

**Listing:**

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

**Selling Restrictions:**

There are selling restrictions in relation to the European Economic Area, United Kingdom, United States, Italy, France, the Netherlands and such other restrictions as may be required in connection with the offering and sale of the Notes. See *Purchase and Sale*.

**Rating:**

It is a condition precedent to issuance of the Notes that the Senior Class A1 Notes, on issue, be assigned an 'Aaa (sf)' rating by Moody's and an 'AAAsf' rating by Fitch, the Senior Class A2 Notes, on issue, be assigned an 'Aaa (sf)' rating by Moody's and an 'AAAsf' rating by Fitch, the Mezzanine Class B Notes, on issue, be assigned an 'Aa1 (sf)' rating by Moody's and an 'AA+sf' rating by Fitch, the Mezzanine Class C Notes, on issue, be assigned an 'Aa3 (sf)' rating by Moody's and an 'A-sf' rating by Fitch, the Mezzanine Class D Notes, on issue, be assigned an 'A1 (sf)' rating by Moody's and the Junior Class E Notes, on issue, be assigned a 'Baa3 (sf)' rating by Moody's. The Subordinated Class F Notes will not be assigned a rating.

## IMPORTANT INFORMATION

The Issuer is responsible for the information contained in this Prospectus, except for the information for which the Seller is responsible, as referred to in the following paragraph. 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, except for the information for which the Seller is responsible as referred to in the following paragraph 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, except for the information for which the Seller is responsible, as referred to in the following paragraph, 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.

The Seller is responsible solely for the information contained in the following sections of this Prospectus: *Overview of the Dutch Housing and Residential Mortgage Market*, *Friesland Bank N.V., Friesland Bank Residential Mortgage Business*, *Description of Mortgage Loans*, *Summary of the Mortgage Portfolio* and the specific sections in this Prospectus which outline the Seller's obligations under article 122a of the Capital Requirements Directive. To the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case) the information contained and specified as such in these paragraphs 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 these paragraphs has been accurately reproduced and as far as the Seller 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 Seller accepts responsibility accordingly.

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

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

No one is authorised by the Seller or the Issuer to give any information or to make any representation concerning the issue of the Notes other than those contained in this Prospectus in accordance with applicable laws and regulations. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this 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 the Arranger and Sole Bookrunner or the Initial Noteholder 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 any other party has any obligation to update this Prospectus, except when required by the listing and issuing rules of Euronext Amsterdam and/or any applicable rules and regulations of Netherlands securities law.

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 or the Arranger and Sole Bookrunner or the Initial Noteholder.

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

The Notes have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the '**Securities Act**') and 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 persons as defined in Regulation S under the Securities Act except in certain transactions permitted by US tax regulations and Regulation S under the Securities Act (see *Purchase and Sale* below). The Notes have not been approved or disapproved by the US

Securities and Exchange Commission, any state securities commission or any other regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of this offering on accuracy or adequacy of this Prospectus. Any representation to the contrary is unlawful.

## CREDIT STRUCTURE

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

### **Mortgage Loan Interest Rates**

The interest rate of each Mortgage Loan is fixed, subject to a reset from time to time, or floating or bear slight variations to any of the foregoing. Interest rates vary between individual Mortgage Loans. The weighted average interest rate of the Mortgage Receivables in the Final Mortgage Pool is 4.69 per cent on the Cut-off Date. The range of interest rates is described further in *Description of the Mortgage Receivables*.

### **Cash Collection Arrangement**

Payments by the Borrowers of interest and scheduled principal under the Mortgage Receivables are due on any calendar day of each month, interest being payable in arrear.

Prior to notification to the Borrowers of the assignment of the Mortgage Receivables, the following applies. All payments made by Borrowers will be paid into the Seller Collection Accounts. These accounts will also be used for the collection of moneys paid in respect of mortgage loans other than Mortgage Loans and in respect of other moneys belonging to the Seller. Pursuant to the Mortgage Receivables Purchase Agreement on each day of the calendar month or if this is not a business day the next succeeding business day the Seller shall transfer all amounts of principal, interest, prepayment penalties and interest penalties received by the Seller on the day immediately preceding such day in respect of the Mortgage Receivables to the Issuer Collection Account in accordance with the Servicing and Administration Agreement.

In respect of the cash collection arrangements after notification to the Borrowers of the assignment of the Mortgage Receivables, reference is made to the section *Mortgage Receivables Purchase Agreement* under the sub header *Notification Events*.

### **Transaction Accounts**

#### *Issuer Collection Account*

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

The Issuer Administrator will identify all amounts paid into the Issuer Collection Account by crediting such amounts to ledgers established for such purpose. Payments received on any business day in respect of the Mortgage Receivables, as principal or revenue receipts will be credited to a principal ledger (the **Principal Ledger**) or a revenue ledger (the **Revenue Ledger**), as the case may be.

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

#### *Reserve Account*

The Issuer will also maintain with the Floating Rate GIC Provider the Reserve Account. The proceeds of the Subordinated Class F Notes will be credited to the Reserve Account.

Amounts credited to the Reserve Account will be available to meet on each Quarterly Payment Date, items (a) to (o) (inclusive) of the Interest Priority of Payments. If and to the extent that the Notes Interest Available Amount on any Quarterly Payment Date exceeds the amounts required to meet items ranking higher than items (a) to (o) (inclusive) of the Interest Priority of Payments, the excess amount will be deposited in the Reserve Account, until the balance standing to the credit of the Reserve Account equals the Reserve Account Required Amount. The Reserve Account Required Amount shall on any Quarterly Payment Date be at least equal to (i) as long as (any part of) the Mortgage-Backed Notes are outstanding, EUR 12,400,000 or (ii) zero, on the Quarterly Payment Date whereon the Mortgage-Backed Notes have been or are to be redeemed in full, in accordance with the Conditions.

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

On the Quarterly Payment Date on which the Mortgage-Backed Notes have been or will be redeemed in full subject to, in respect of the Mortgage-Backed Notes except for the Senior Class A Notes, Condition 9(b), and all amounts of interest and principal due in respect of the Mortgage-Backed Notes have been or will be paid, any amount standing to the credit of the Reserve Account will thereafter form part of the Notes Interest Available Amount and will be applied by the Issuer in or towards satisfaction of all items in the Interest Priority of Payments in accordance with the priority set out therein, including for redemption of principal of the Subordinated Class F Notes.

*Potential Set-Off Reserve Account*

The Issuer will also maintain with the Floating Rate GIC Provider the Potential Set-Off Reserve Account to which drawings from time to time under the Potential Set-Off Reserve Subordinated Loan Agreement will be credited.

The balance standing to the credit of the Potential Set-Off Reserve Account will be available to the Issuer on any Quarterly Payment Date if and to the extent the Issuer has, as a result of the fact that a Borrower has invoked a right of set-off for amounts due by the Seller to it during the immediately preceding Quarterly Calculation Period and the Seller has not reimbursed the Issuer for such amount, on the relevant Quarterly Payment Date not received the full amount due but unpaid in respect of any such Mortgage Receivable(s) (an amount equal to the full amount due but unpaid in respect of such Mortgage Receivable during the Quarterly Calculation Period immediately preceding such Quarterly Payment Date being the '**Set-Off Amount**'). The Set-Off Amount will be accounted for as Realised Losses.

Furthermore, the balance standing to the credit of the Potential Set-Off Reserve Account will be available to the Issuer on any Quarterly Payment Date if and to the extent the Issuer has not received the Other Claims Indemnity Amount.

The '**Potential Set-Off Reserve Account Required Amount**' shall on any Quarterly Payment Date be, as calculated on any Quarterly Calculation Date, equal to (a) as long as any Mortgage-Backed Notes are outstanding, an amount equal to the positive difference between (i) the sum of (a) the Potential Set-Off Amount and (b) the Potential Other Claims Indemnity Amount on the relevant Quarterly Payment Date and (ii) EUR 44,167,668.82 and (b) in case the Mortgage-Backed Notes are to be redeemed in full, zero.

The '**Potential Set-Off Amount**' shall, on any Quarterly Payment Date, be equal to the sum of all amounts in respect of the Mortgage Receivables, which amounts are, in respect of each Mortgage Receivable separately, the lower of:

- (a) the sum of (i) the aggregate amount standing to the credit of each current-account or deposit, except for any Bank Savings Deposits and any Construction Amounts, held by the Borrower of the relevant Mortgage Receivable(s) with the Seller on the last day of the immediately preceding Quarterly Calculation Period; and
- (b) the aggregate Outstanding Principal Amount of such Mortgage Receivable(s) on the last day of the immediately preceding Quarterly Calculation Period.

The '**Potential Other Claims Indemnity Amount**' shall, on any Quarterly Calculation Date, be equal to (a) prior to the vesting of the rights of pledge on the Other Claims by the Seller in accordance with the Mortgage Receivables Purchase Agreement, the aggregate outstanding principal amount of the Other Claims at close of business on the last day of the immediately preceding Quarterly Calculation Period and (b) after the vesting of the rights of pledge on the Other Claims by the Seller in accordance with the Mortgage Receivables Purchase Agreement, zero.

The Pool Servicer will calculate and the Issuer Administrator will include the Potential Set-Off Amount in the quarterly investor report on a quarterly basis.

To the extent that the balance standing to the credit of the Potential Set-Off Reserve Account on any Quarterly Payment Date exceeds the Potential Set-Off Reserve Account Required Amount, such excess shall be drawn

from the Potential Set-Off Reserve Account and shall form part of the Notes Interest Available Amount on that Quarterly Payment Date and, subject to the Interest Priority of Payments, be available to repay the Potential Set-Off Reserve Subordinated Loan.

#### *Construction Account*

The Issuer will maintain, with the Floating Rate GIC Provider, the Construction Account to which, on the Closing Date, an amount corresponding to the aggregate Construction Amounts of the Mortgage Loans will be credited. Payments may be made from the Construction Account on a Mortgage Payment Date only to satisfy payment by the Issuer to the Seller of (part of) the Purchase Price as a result of the distribution of (part of) the Construction Amount by the Seller to the Borrower. In addition, the Construction Account will be debited with the amount of the Construction Amount which has been set off against the relevant Mortgage Receivable as a result of which the Issuer has no further obligation to pay (such part) of the Initial Purchase Price. In addition, if any of the events set forth in items (d) and (e) of the definition of the Notification Events has occurred, the Issuer will no longer be under the obligation to pay such remaining part of the Initial Purchase Price. In such circumstances, such amount will be transferred to the Issuer Collection Account and form part of the Notes Redemption Available Amount. The interest accrued and received on the Construction Account shall be for the benefit of the Seller.

#### *Required Minimum Ratings Floating Rate GIC Provider*

If at any time the unsecured, unsubordinated and unguaranteed debt obligations of the Floating Rate GIC Provider are assigned a rating of less than (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, provided that for the purposes of the determination of the Required Minimum Rating in respect of any entity, if the ratings assigned to such entity by Fitch are designated by Fitch as being on ratings watch negative then the ratings of that entity will be deemed to be one notch lower than such published Fitch ratings (the **'Required Minimum Rating'**) or such rating is withdrawn by any of the Rating Agencies, the Issuer will be required, within thirty (30) days, to (i) transfer the balance of the Transaction Accounts to an alternative bank with the Required Minimum Rating or (ii) obtain a third party, having the Required Minimum Rating to guarantee the obligations of the Floating Rate GIC Provider in accordance with the guarantee criteria of the relevant Rating Agency at such time prevailing or (iii) implement any other actions to maintain the then current ratings assigned to the Mortgage-Backed Notes.

#### *Swap Collateral Account*

Any collateral in the form of cash which is provided by the Swap Counterparty to the Issuer will be deposited on the Swap Cash Collateral Account in which such cash will be held in accordance with the credit support annex. If any collateral in the form of securities is provided, the Issuer will be required to open a custody account in which such securities will be held in accordance with the credit support annex.

No withdrawals may be made in respect of such accounts 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 and which return, for the avoidance of doubt, shall be effected outside the Interest Priority of Payments); or
- (ii) following the termination of the Swap Agreement where an amount is owed by the Swap Counterparty to the Issuer, to satisfy the claim of the Issuer, which amount will form part of the Notes Interest Available Amount (for the avoidance of doubt, after any close out netting has taken place); or
- (iii) if an amount due to be paid by the Swap Counterparty to the Issuer remains unpaid on any Quarterly Payment Date (such amount, the **'Shortfall'**), an amount equal to the Shortfall to the Issuer Collection Account, which amount will form part of the Notes Interest Available Amount on that Quarterly Payment Date.

Such account will therefore not be subject to a security right in favour of the Security Trustee.

**'Excess Swap Collateral'** means an amount equal to the value of any collateral transferred to the Issuer by the Swap Counterparty and accrued under the Swap Agreement that is either (1) in excess of the Swap Counterparty's mark-to-market liability to the Issuer thereunder (i) as at the date the Swap Agreement is terminated or (ii) as at any other date of valuation in accordance with the terms of the Swap Agreement or (2)

constitutes a return amount of collateral under the terms of the Swap Agreement which the Swap Counterparty is otherwise entitled to have returned to it under the Swap Agreement.

Any tax credit, allowance, set-off or repayment from the tax authorities of any jurisdiction obtained by the Issuer relating to any deduction or withholding giving rise to a payment made by the Swap Counterparty in accordance with the Swap Agreement, the cash benefit in respect of which (**Tax Credit**) shall be paid by the Issuer to the Swap Counterparty prior to the distribution of any amounts due to the Noteholders or the other Secured Parties (outside of any Priority of Payments) pursuant to the terms of the Swap 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 Pool Servicer for each Quarterly Calculation Period.

In case the Issuer Administrator does not receive a Mortgage Report from the Pool Servicer with respect to a Quarterly Calculation Period, then the Issuer and the Issuer Administrator on its behalf may use the three most recent Mortgage Reports for the purposes of the calculation of the amounts available to the Issuer to make payments, as further set out in the Administration Agreement. When the Issuer Administrator receives the Mortgage Reports relating to the Quarterly Calculation Period for which such calculations have been made, it will make reconciliation calculations and reconciliation payments by drawing amounts from the Reconciliation Ledger as set out in the Servicing and Administration Agreement. Any (i) calculations properly done on the basis of such estimates in accordance with the Servicing and Administration Agreement, (ii) payments made and not made under any of the Notes and Relevant 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 Relevant Documents and will in itself not lead to an Event of Default or any other default under any of the Relevant Documents or breach of any triggers included therein (including but not limited to Assignment Notification Events or Trustee Notification Events).

The **'Reconciliation Ledger'** means the Interest Reconciliation Ledger or the Principal Reconciliation Ledger, as the case may be. The **'Interest Reconciliation Ledger'** means the reconciliation ledger in relation to interest and the **'Principal Reconciliation Ledger'** means the reconciliation ledger in relation to principal, as set out in the Servicing and Administration Agreement.

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

Prior to the delivery of an Enforcement Notice by the Security Trustee, the sum of the following amounts, calculated on the third Business Day prior to each Quarterly Payment Date (a **'Quarterly Calculation Date'**) and which have been received or deposited during the Quarterly Calculation Period (as defined in Condition 6(g)) immediately preceding such Quarterly Calculation Date or, with respect to interest received on the Reserve Account ultimately on the relevant Quarterly Payment Date (items (i) up to and including (xiv) being hereafter referred to as the **Notes Interest Available Amount**):

- (i) as interest, including interest penalties, on the Mortgage Receivables, less with respect to each Savings Mortgage Receivable and each Bank Savings Mortgage Receivable an amount equal to the amount received in respect of each Mortgage Calculation Period falling in such Quarterly Calculation Period, multiplied by the quotient of the relevant Participation on the first day of the relevant Mortgage Calculation Period divided by the Outstanding Principal Amount in respect of such Savings Mortgage Receivable and such Bank Savings Mortgage Receivable on the first day of the relevant Mortgage Calculation Period (the **Participation Fraction**);
- (ii) as prepayment penalties ("*boeterente*") to be paid by a Borrower under a Mortgage Receivable as a result of the Mortgage Receivable being repaid prior to the maturity date of such Mortgage Receivable other than (i) on a date whereon the interest rate is reset or (ii) as otherwise permitted and received by the Issuer during such Quarterly Calculation Period (**Prepayment Penalties**);
- (iii) as Net Proceeds on any Mortgage Receivables to the extent such proceeds do not relate to principal less, with respect to each Savings Mortgage Receivable and each Bank Savings Mortgage Receivable, an amount equal to the amount of interest received multiplied by the Participation Fraction in respect of such Savings Mortgage Receivable or Bank Savings Mortgage Receivable;

- (iv) as interest accrued on the Transaction Accounts, excluding the Construction Account;
- (v) as amounts to be drawn (i) from the Potential Set-Off Reserve Account, including any Set-Off Amount, and (ii) under the Liquidity Facility Agreement including from the Liquidity Facility Stand-by Ledger, as the case may be (other than Liquidity Facility Stand-by Drawings), on the immediately succeeding Quarterly Payment Date;
- (vi) as amounts to be drawn from the Reserve Account, other than in respect of principal, and the Interest Reconciliation Ledger on the immediately succeeding Quarterly Payment Date;
- (vii) as amounts to be received from the Swap Counterparty under the Swap Agreement on the immediately succeeding Quarterly Payment Date, if any, excluding, for the avoidance of doubt, (a) any collateral transferred pursuant to the Swap Agreement, if any, (b) any Tax Credit and (c) any amounts received upon early termination of the Swap Agreement, unless credited to the Swap Termination Payment Ledger;
- (viii) as amounts received in connection with a repurchase of Mortgage Receivables and the Beneficiary Rights relating thereto pursuant to the Mortgage Receivables Purchase Agreement, or any other amounts received pursuant to the Mortgage Receivables Purchase Agreement, to the extent (a) such amounts do not relate to principal less, with respect to each Savings Mortgage Receivable and each Bank Savings Mortgage Receivable, an amount equal to the amount of interest received multiplied by the Participation Fraction in respect of such Savings Mortgage Receivable and such Bank Savings Mortgage Receivable and (b) such amounts relate to principal, but only such part that is in excess of the relevant Outstanding Principal Amount of the relevant Mortgage Receivable;
- (ix) as amounts received in connection with a sale of Mortgage Receivables pursuant to the Trust Deed to the extent (a) such amounts do not relate to principal less with respect to each Savings Mortgage Receivable and each Bank Savings Mortgage Receivable, an amount equal to the amount of interest received multiplied by the relevant Participation Fraction, and (b) such amounts relate to principal, but only such part that is in excess of the relevant Outstanding Principal Amount of the relevant Mortgage Receivable;
- (x) as amounts received as post-foreclosure proceeds on the Mortgage Receivables;
- (xi) as amounts to be drawn from 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 (f), (h), (j), (l) and (n) of the Interest Priority of Payments and any remaining amounts standing to the Swap Termination Ledger on the Quarterly Payment Date on which (i) a new swap agreement entered into and the initial swap payment, if any, has been paid or (ii) the Mortgage-Backed Notes have been redeemed in full; and
- (xii) on the Quarterly Payment Date on which the Mortgage-Backed Notes will be or have been redeemed in full, any (remaining) amounts standing to the credit of the Issuer Collection Account which are not included in items (i) up to and including (xi) on such Quarterly Payment Date; **less**
- (xiii) on the first Quarterly Payment Date of each year, an amount equal to the highest of (i) an amount equal to 10 per cent. of the annual operational expenses in the immediately preceding calendar year in accordance with items (a)(i) of the Interest Priority of Payments, but only to the extent the amount of such expenses is not directly related to the Issuer's assets and/or liabilities and (ii) an amount of EUR 2,500; and less
- (xiv) any amount to be credited to the Interest Reconciliation Ledger on the immediately succeeding Quarterly Payment Date.

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

- (a) *first*, in or towards satisfaction, *pro rata and pari passu*, according to the respective amounts thereof, of
  - (i) any amounts due and payable to the Directors in connection with the Management Agreements and

- (ii) any costs, charges, liabilities and expenses incurred by the Security Trustee under or in connection with any of the Relevant Documents;
- (b) *second*, in or towards satisfaction, *pro rata and pari passu*, according to the respective amounts thereof, of any amounts due and payable to the Pool Servicer and the Issuer Administrator under the Servicing and Administration Agreement;
- (c) *third*, in or towards satisfaction, *pro rata and pari passu*, according to the respective amounts thereof, of (i) any amounts due and payable to third parties under obligations incurred in the Issuer's business (other than under the Relevant Documents), including, without limitation, in or towards satisfaction of sums due or provisions for any payment of the Issuer's liability, if any, to tax (to the extent such taxes cannot be paid out of item (xiii) of the Notes Interest Available Amount) and sums due to the Rating Agencies and fees and expenses of any legal advisor, auditor and/or accountant appointed by the Issuer and/or the Security Trustee, (ii) any amounts due to the Paying Agent and the Reference Agent under the Paying Agency Agreement, (iii) any fees and expenses due to the Floating Rate GIC Provider under the Floating Rate GIC and (iv) the Liquidity Facility Commitment Fee under the Liquidity Facility Agreement to the Liquidity Facility Provider;
- (d) *fourth*, (i) in or towards satisfaction of any amounts due and payable to the Liquidity Facility Provider under the Liquidity Facility, but excluding the Liquidity Facility Commitment Fee payable under (c) above and any gross-up amounts or additional fees or amounts due under the Liquidity Facility Agreement, which are payable under (q) below, or (ii) following a Liquidity Facility Stand-by Drawing, in or towards satisfaction of sums to be credited to the Liquidity Facility Stand-by Ledger, as the case may be;
- (e) *fifth*, in or towards satisfaction of amounts, if any, due but unpaid under the Swap Agreement, (except for any termination payment due or payable as a result of the occurrence of an Event of Default where the Swap Counterparty is the Defaulting Party or Affected Party or an Additional Termination Event (as such terms are defined in the Swap Agreement) relating to the credit rating of the Swap Counterparty, including any amount payable to the Swap Counterparty pursuant to Section 6(e) of the Swap Agreement (a **'Swap Counterparty Default Payment'**) payable under (t) below) and excluding, for the avoidance of doubt, the repayment to the Swap Counterparty of any Excess Swap Collateral and any Tax Credit;
- (f) *sixth*, in or towards satisfaction, *pro rata and pari passu*, according to the respective amounts thereof, of all amounts of interest due or interest accrued but unpaid in respect of the Senior Class A1 Notes and the Senior Class A2 Notes;
- (g) *seventh*, in or towards making good any shortfall reflected in the Class A Principal Deficiency Ledger until the debit balance, if any, on the Class A Principal Deficiency Ledger is reduced to zero;
- (h) *eighth*, in or towards satisfaction of interest due or interest accrued but unpaid on the Mezzanine Class B Notes;
- (i) *ninth*, in or towards making good any shortfall reflected in the Class B Principal Deficiency Ledger until the debit balance, if any, on the Class B Principal Deficiency Ledger is reduced to zero;
- (j) *tenth*, in or towards satisfaction of interest due or interest accrued but unpaid on the Mezzanine Class C Notes;
- (k) *eleventh*, in or towards making good any shortfall reflected in the Class C Principal Deficiency Ledger until the debit balance, if any, on the Class C Principal Deficiency Ledger is reduced to zero;
- (l) *twelfth*, in or towards satisfaction of interest due or interest accrued but unpaid on the Mezzanine Class D Notes;
- (m) *thirteenth*, in or towards making good any shortfall reflected in the Class D Principal Deficiency Ledger until the debit balance, if any, on the Class D Principal Deficiency Ledger is reduced to zero;

- (n) *fourteenth*, in or towards satisfaction of interest due or interest accrued but unpaid on the Junior Class E Notes;
- (o) *fifteenth*, in or towards making good any shortfall reflected in the Class E Principal Deficiency Ledger until the debit balance, if any, on the Class E Principal Deficiency Ledger is reduced to zero;
- (p) *sixteenth*, in or towards satisfaction of any sums required to be deposited to the Reserve Account up to the amount of the Reserve Account Required Amount;
- (q) *seventeenth*, in or towards satisfaction of gross up amounts or additional fees or amounts due, if any, to the Liquidity Facility Provider under the Liquidity Facility Agreement;
- (r) *eighteenth*, in or towards making good any interest accrued but unpaid in respect of the Subordinated Class F Notes;
- (s) *nineteenth*, in or towards satisfaction of principal amounts due under the Subordinated Class F Notes on the relevant Quarterly Payment Date, including the Final Maturity Date;
- (t) *twentieth*, in or towards satisfaction of the Swap Counterparty Default Payment payable to the Swap Counterparty under the terms of the Swap Agreement;
- (u) *twenty-first*, in or towards satisfaction of interest due under the Potential Set-Off Reserve Subordinated Loan;
- (v) *twenty-second*, in or towards satisfaction of any principal due under the Potential Set-Off Reserve Subordinated Loan; and
- (w) *twenty-third*, in or towards satisfaction of a Deferred Purchase Price Instalment to the Seller.

**'Mortgage Calculation Period'** is the period commencing on (and including) the first day of a calendar month and ending on (and including) the last day of such calendar month and the first Mortgage Calculation Period will commence on (and include) the Cut-Off Date and end on (and include) the last day of December 2011.

**Priority of Payments in respect of principal**

Prior to the delivery of an Enforcement Notice by the Security Trustee, the sum of the following amounts, calculated on any Quarterly Calculation Date, as being received or deposited during the immediately preceding Quarterly Calculation Period (items (i) up to and including (x) hereinafter referred to as the **'Notes Redemption Available Amount'**):

- (i) by means of (i) repayment in full and prepayment of principal under the Mortgage Receivables from any person, but, for the avoidance of doubt, excluding prepayment penalties, if any, less, with respect to each Savings Mortgage Receivable and each Bank Savings Mortgage Receivable, the Participation in respect of such Savings Mortgage Receivable and such Bank Savings Mortgage Receivable and (ii) repayment in part under the Mortgage Receivables from any person;
- (ii) as Net Proceeds on any Mortgage Receivable to the extent such proceeds relate to principal less, with respect to each Savings Mortgage Receivable and Bank Savings Mortgage Receivable, the Participation in respect of such Savings Mortgage Receivable and such Bank Savings Mortgage Receivable;
- (iii) as amounts received in connection with a repurchase of Mortgage Receivables, whether or not as a result of the exercise of the Regulatory Call Option or Clean-Up Call Option, pursuant to the Mortgage Receivables Purchase Agreement, or upon the exercise of the option to redeem the Notes upon the occurrence of a Tax Change and any other amounts received pursuant to the Mortgage Receivables Purchase Agreement to the extent such amounts relate to principal less (a), with respect to each Savings Mortgage Receivable and each Bank Savings Mortgage Receivable, the Participation in respect of such Savings Mortgage Receivable and such Bank Savings Mortgage Receivable and such amounts relate to principal, and (b) such part that is in excess of the relevant Outstanding Principal Amount of the relevant Mortgage Receivable;

- (iv) as amounts received in connection with a sale of Mortgage Receivables pursuant to the Trust Deed to the extent such amounts relate to principal up to the Outstanding Principal Amount of the relevant Mortgage Receivables from any person, whether by set-off or otherwise, but, for the avoidance of doubt, excluding prepayment penalties, if any, less (a), with respect to each Savings Mortgage Receivable and each Bank Savings Mortgage Receivable, the Participation in respect of such Savings Mortgage Receivable and such Bank Savings Mortgage Receivables and (b) such part that is in excess of the relevant Outstanding Principal Amount of the relevant Mortgage Receivable;
- (v) as amounts to be credited to the Principal Deficiency Ledger on the immediately succeeding Quarterly Payment Date in accordance with the Servicing and Administration Agreement;
- (vi) as the sum of the Participation Increases pursuant to the Sub-Participation Agreements;
- (vii) as amounts debited from the Construction Account;
- (viii) any part of the Notes Redemption Available Amount calculated on the immediately preceding Quarterly Calculation Date which has not been applied towards redemption of the Notes on the preceding Quarterly Payment Date; and
- (ix) any amount to be drawn from the Principal Reconciliation Ledger on the immediately succeeding Quarterly Payment Date to the extent relating to principal; **less**
- (x) any amount to be credited to the Principal Reconciliation Ledger on the immediately succeeding Quarterly Payment Date.

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

- (a) *first, pro rata and pari passu*, sequentially in or towards satisfaction of principal amounts due under the Senior Class A1 Notes until fully redeemed and then, the Senior Class A2 Notes, until fully redeemed; and
- (b) *second, pro rata and pari passu*, in or towards satisfaction of principal amounts due under the Mezzanine Class B Notes, until fully redeemed, and
- (c) *third, pro rata and pari passu*, in or towards satisfaction of principal amounts due under the Mezzanine Class C Notes, until fully redeemed; and
- (d) *fourth, pro rata and pari passu*, in or towards satisfaction of principal amounts due under the Mezzanine Class D Notes, until fully redeemed, and
- (e) *fifth, pro rata and pari passu*, in or towards satisfaction of principal amounts due under the Junior Class E Notes, until fully redeemed.

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

After the Enforcement Date, any amounts payable by the Security Trustee under the Trust Deed will be paid to the Secured Parties (including the Noteholders but excluding the Savings Insurance Participant and the Bank Savings Participant which shall be entitled to receive an amount equal to the Participation in each of the Savings Mortgage Receivables or, as the case may be, Bank Savings Mortgage Receivables or, if the amount recovered, which will not be part of the Enforcement Available Amount, is less than the Participation, then an amount equal to the actual amount recovered and which shall be paid before the other Secured Parties are paid) in the following order of priority (after deduction of any cost, charge, liability and expenses incurred by the Security Trustee under or in connection with any of the Relevant Documents, which will include, *inter alia*, the fees and expenses of any legal advisor, auditor and/or accountant appointed by the Security Trustee and the fees and expenses of the Rating Agencies) (and in each case only if and to the extent payments of a higher priority have been made in full) (the **Priority of Payments upon Enforcement**):

- (a) *first*, in or towards satisfaction, of the repayment of any Liquidity Facility Stand-by Drawing under the Liquidity Facility Agreement;
- (b) *second*, in or towards satisfaction, *pro rata and pari passu*, according to the respective amounts thereof, of (i) any amounts due to the Directors, (ii) any amounts due to the Paying Agent and the Reference Agent incurred under the provisions of the Paying Agency Agreement, (iii) any fees and expenses due

- to the Floating Rate GIC Provider under the Floating Rate GIC and (iv) any amounts due to the Pool Servicer and the Issuer Administrator under the Servicing and Administration Agreement;
- (c) *third*, in or towards satisfaction of any amounts due and payable but unpaid under the Liquidity Facility Agreement due to the Liquidity Facility Provider, including any gross-up amounts or additional fees or amounts but excluding any Liquidity Facility Stand-by Drawing payable under (a) above;
  - (d) *fourth*, in or towards satisfaction of amounts, if any, due but unpaid to the Swap Counterparty under the Swap Agreement including any Settlement Amounts (as defined therein) to be paid by the Issuer upon early termination of the Swap Agreement as determined in accordance with its terms but excluding (i) any Swap Counterparty Default Payment payable under subparagraph (q) below and (ii) the repayment to the Swap Counterparty of any Excess Swap Collateral and/or any Tax Credit;
  - (e) *fifth, pro rata and pari passu*, in or towards satisfaction of all amounts of interest due or interest accrued but unpaid in respect of the Senior Class A1 Notes and the Senior Class A2 Notes;
  - (f) *sixth, pro rata and pari passu*, according to the respective amounts thereof, in or towards satisfaction of all amounts of principal and any other amount due but unpaid in respect of the Senior Class A1 Notes and the Senior Class A2 Notes;
  - (g) *seventh*, in or towards satisfaction of all amounts of interest due or interest accrued but unpaid in respect of the Mezzanine Class B Notes;
  - (h) *eighth*, in or towards satisfaction of all amounts of principal and any other amount due but unpaid in respect of the Mezzanine Class B Notes;
  - (i) *ninth*, in or towards satisfaction of all amounts of interest due or interest accrued but unpaid in respect of the Mezzanine Class C Notes;
  - (j) *tenth*, in or towards satisfaction of all amounts of principal and any other amount due but unpaid in respect of the Mezzanine Class C Notes;
  - (k) *eleventh*, in or towards satisfaction of all amounts of interest due or interest accrued but unpaid in respect of the Mezzanine Class D Notes;
  - (l) *twelfth*, in or towards satisfaction of all amounts of principal and any other amount due but unpaid in respect of the Mezzanine Class D Notes;
  - (m) *thirteenth*, in or towards satisfaction of all amounts of interest due or interest accrued but unpaid in respect of the Junior Class E Notes;
  - (n) *fourteenth*, in or towards satisfaction of all amounts of principal and any other amount due but unpaid in respect of the Junior Class E Notes;
  - (o) *fifteenth*, in or towards satisfaction of all amounts of interest due or interest accrued but unpaid in respect of the Subordinated Class F Notes;
  - (p) *sixteenth*, in or towards satisfaction of all amounts of principal and any other amount due but unpaid in respect of the Subordinated Class F Notes;
  - (q) *seventeenth*, in or towards satisfaction of the Swap Counterparty Default Payment payable to the Swap Counterparty under the terms of the Swap Agreement;
  - (r) *eighteenth*, in or towards satisfaction of all amounts of interest due or interest accrued but unpaid in respect of the Potential Set-Off Reserve Subordinated Loan;
  - (s) *nineteenth*, in or towards satisfaction of all amounts of principal and any other amount due but unpaid in respect of the Potential Set-Off Reserve Subordinated Loan; and
  - (t) *twentieth*, in and towards satisfaction of any Deferred Purchase Price Instalment to the Seller.

### **Liquidity Facility Agreement**

On the Closing Date, the Issuer will enter into the Liquidity Facility Agreement with the Liquidity Facility Provider and the Security Trustee. The Issuer will be entitled on any Quarterly Payment Date (other than on (i) a Quarterly Payment Date if and to the extent the Mortgaged-Backed Notes are redeemed in full subject to Condition 9(b) on such Quarterly Payment Date or (ii) the Final Maturity Date) to make drawings under the Liquidity Facility Agreement up to the Liquidity Facility Maximum Amount. The Liquidity Facility Agreement is for a term of (up to) 364 days. The commitment of the Liquidity Facility Provider is extendable at its option for subsequent periods of 364 days only. Any drawing under the Liquidity Facility Agreement by the Issuer shall only be made on a Quarterly Payment Date if and to the extent that, after the application of amounts available on the Reserve Account and without taking into account any drawing under the Liquidity Facility Agreement, there is a shortfall in the Notes Interest Available Amount to meet items (a) to (n) (inclusive) (but not items (g), (i), (k) and (m)) of the Interest Priority of Payments in full on that Quarterly Payment Date, provided that no drawing may be made to meet item (h) if there is a debit balance on the Class B Principal Deficiency Ledger after application of the Notes Interest Available Amount in full on such date and no drawing may be made to meet item (j) if there is a debit balance on the Class C Principal Deficiency Ledger after application of the Notes Interest Available Amount in full on such date and no drawing may be made to meet item (l) if there is a debit balance on the Class D Principal Deficiency Ledger after application of the Notes Interest Available Amount in full on such date and no drawing may be made to meet item (n) if there is a debit balance on the Class E Principal Deficiency Ledger after application of the Notes Interest Available Amount in full on such date. Certain payments to the Liquidity Facility Provider will rank in priority in respect of payments and security to *inter alia* the Notes. If a Liquidity Facility Stand-by Drawing is to be repaid from the Issuer Collection Account, such repayment is made directly by the Issuer to the Liquidity Facility Provider outside the Interest Priority of Payments.

If, (a) (i) at any time, the unsecured, unsubordinated and unguaranteed debt obligations of the Liquidity Facility Provider are assigned a rating of less than the Required Minimum Rating or any such rating is withdrawn by any of the Rating Agencies and (ii) within thirty (30) days (in respect of the ratings assigned to the Mortgage-Backed Notes by Moody's) or fourteen (14) calendar days (in respect of the ratings assigned to the Mortgage-Backed Notes by Fitch), the Liquidity Facility Provider is not replaced with an alternative Liquidity Facility Provider whose unsecured, unsubordinated and unguaranteed debt obligations are assigned at least a rating of the Required Minimum Rating or alternatively a guarantee for the Liquidity Facility Provider obligations in favour of the Issuer has been issued in accordance with the guarantee criteria of the relevant Rating Agency at such time prevailing by a guarantor having at least the Required Minimum Rating, the Issuer will be required forthwith to draw down the entirety of the undrawn portion of the Liquidity Facility Agreement (a **Liquidity Facility Stand-by Drawing**) and deposit such amount to the Issuer Collection Account with a corresponding credit entry to the Liquidity Facility Stand-by Ledger. A Liquidity Facility Stand-by Drawing shall also be made if the Liquidity Facility Provider does not renew the Liquidity Facility Agreement at its commitment termination date, in which case the Liquidity Facility Stand-by Drawing shall be deposited to the Issuer Collection Account with a corresponding credit entry to the Liquidity Facility Stand-by Ledger. Amounts so deposited as a result of a Liquidity Facility Stand-by Drawing may be drawn by the Issuer for the same purpose as a drawing under the Liquidity Facility Agreement.

For these purposes, **'Liquidity Facility Maximum Amount'** means on each Quarterly Payment Date, an amount equal to (a) the higher of (i) 1.50 per cent. of the aggregate Principal Amount Outstanding of the Mortgage-Backed Notes on such date and (ii) 1.00 per cent. of the aggregate Principal Amount Outstanding of the Mortgage-Backed Notes on the Closing Date or (b) zero, on the Quarterly Payment Date whereon the Mortgage-Backed Notes have been or are to be redeemed in full, in accordance with the Conditions.

### **Principal Deficiency Ledger**

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

An amount equal to any Principal Deficiency will be debited to the Class E Principal Deficiency Ledger (such debit items being credited at item (o) of the Interest Priority of Payments, to the extent any part of the Notes Interest Available Amount is available for such purpose) so long as the debit balance on such sub-ledger is less

than Principal Amount Outstanding of the Junior Class E Notes and thereafter such amount will be debited, to the Class D Principal Deficiency Ledger (such debit items being credited at item (m) of the Interest Priority of Payments, to the extent any part of the Notes Interest Available Amount is available for such purpose) so long as the debit balance on such ledger is less than Principal Amount Outstanding of the Mezzanine Class D Notes and thereafter such amount will be debited, to the Class C Principal Deficiency Ledger (such debit items being credited at item (k) of the Interest Priority of Payments, to the extent any part of the Notes Interest Available Amount is available for such purpose) so long as the debit balance on such ledger is less than Principal Amount Outstanding of the Mezzanine Class C Notes and thereafter such amount will be debited to the Class B Principal Deficiency Ledger (such debit items being credited at item (i) of the Interest Priority of Payments, to the extent any part of the Notes Interest Available Amount is available for such purpose) so long as the debit balance on such ledger is less than the Principal Amount Outstanding of the Mezzanine Class B Notes and thereafter such amount will be debited, according to the Principal Amount Outstanding of the Senior Class A Notes on the Closing Date, to the Class A Principal Deficiency Ledger (such debit items being reccredited at item (g) of the Interest Priority of Payments, to the extent any part of the Notes Interest Available Amount is available for such purpose).

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

**'Realised Losses'** means, on any relevant Quarterly Payment Date, the sum of (a) with respect to the Mortgage Receivables in respect of which the Seller or the Pool Servicer on behalf of the Issuer or the Security Trustee has foreclosed during the immediately preceding Quarterly Calculation Period the amount of the difference between (i) the aggregate Outstanding Principal Amount of all Mortgage Receivables less with respect to the Savings Mortgage Receivables and the Savings Bank Mortgage Receivables, the relevant Participations and (ii) the amount of the Net Proceeds applied to reduce the Outstanding Principal Amount of the Mortgage Receivables during such Quarterly Calculation Period less with respect to the Savings Mortgage Receivables and the Bank Savings Mortgage Receivables, the relevant Participations, and (b) with respect to Mortgage Receivables sold by the Issuer during such Quarterly Calculation Period, the amount of the difference, if any, between (i) the aggregate Outstanding Principal Amount of such Mortgage Receivables less with respect to the Savings Mortgage Receivables and the Bank Savings Mortgage Receivables, the relevant Participations and (ii) the purchase price received in respect of the Mortgage Receivables sold to the extent relating to the principal during such Quarterly Calculation Period less with respect to the Savings Mortgage Receivables and the Bank Savings Mortgage Receivables, the relevant Participations, and (c) with respect to the Mortgage Receivables in respect of which the Borrower (x) has successfully asserted set-off or defence to payments, including a Set-Off Amount or (y) (p)repaid any amounts, the amount by which the Mortgage Receivables have been extinguished ("*teniet gegaan*") as a result thereof during such Quarterly Calculation Period, unless and to the extent such amount is received from the Seller or otherwise pursuant to item (i) and/or (iii) and/or (iv) of the Notes Redemption Available Amount, including as Set-Off Amount or Other Claims Indemnity Amount, without in each case double counting.

### **Interest Rate Hedging**

The Mortgage Loan Criteria require that all Mortgage Receivables sold and assigned to the Issuer at Closing either bear a fixed rate of interest or a floating rate of interest or slight variations to any of the above (as further described in *Description of the Mortgage Receivables* below). The interest rate payable by the Issuer with respect to the Senior Class A Notes and the Mezzanine Class B Notes is calculated as a margin over Euribor and the interest over the Mezzanine Class C Notes, the Mezzanine Class D Notes, the Junior Class E Notes and the Subordinated Class F Notes is calculated as a fixed rate. The Issuer will mitigate this interest rate exposure over the Mortgage-Backed Notes in part by entering into the Swap Agreement with the Swap Counterparty (see also *Risk of the Issuer in respect of Interest* in *Risk Factors* above).

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

- (i) the aggregate amount of the interest, including any penalty interest, on the Mortgage Receivables, excluding any Mortgage Receivables that are Defaulted Mortgage Receivables on the first day of the immediately preceding Quarterly Calculation Period ('**Swap Defaulted Mortgage Receivables**'), scheduled to be paid during the immediately preceding Quarterly Calculation Period (which excludes, for the avoidance of doubt, any interest in arrears) less, with respect to each Mortgage Calculation Period falling in such Quarterly Calculation Period and each Savings Mortgage Receivable and Bank Savings Mortgage Receivable, an amount equal to such scheduled interest for each month on such receivables multiplied by the relevant Participation Fraction; plus
- (ii) any Prepayment Penalties; plus
- (iii) the sum of the amount of interest accrued during the Quarterly Calculation Period immediately preceding such Quarterly Payment Date received by the Issuer on the Issuer Collection Account excluding, in respect of a Liquidity Facility Stand-by Drawing which has been deposited on the Issuer Collection Account, interest received with respect to the amount having a corresponding amount on the Liquidity Facility Stand-by Ledger; **less**
- (iv) an excess margin (the '**Excess Margin**') of 0.50 per cent. per annum applied to the aggregate Principal Amount Outstanding of the Mortgage-Backed Notes, less an amount equal to any balance standing to the debit of the Principal Deficiency Ledger on the first day of the immediately preceding Quarterly Calculation Period; less
- (v) the lower of (a) the sum of the expenses as described under (a), (b) and (c) of the Interest Priority of Payments and the Issuer Expenses Unpaid Amount and (ii) an amount equal to 0.25 per cent. per annum of the aggregate Principal Amount Outstanding of the Mortgage-Backed Notes less an amount standing to the debit of the Principal Deficiency Ledger on such date.

The '**Issuer Expenses Unpaid Amount**' means, on any Quarterly Payment Date, the balance standing to the credit of the Issuer Expenses Unpaid Amount Ledger. Issuer Administrator shall record on any Quarterly Payment Date the following amounts in the Issuer Expenses Unpaid Amount Ledger by (I) crediting to the Issuer Expenses Unpaid Amount Ledger an amount equal to the positive difference, if any, between (i) 0.25 per cent. per annum of the aggregate Principal Amount Outstanding of the Mortgage-Backed Notes less an amount standing to the debit of the Principal Deficiency Ledger on the first day of business of the immediately preceding Floating Rate Interest Period and (ii) the Issuer Expenses on such Quarterly Payment Date; and (II) by debiting to the Issuer Expenses Unpaid Amount Ledger an amount equal to the difference of (x) the amount of the Issuer Expenses Unpaid Amount at opening of business on the relevant Quarterly Payment Date and (y) the positive difference, if any, between (i) the Issuer Expenses on such Quarterly Payment Date and (ii) 0.25 per cent. per annum of the aggregate Principal Amount Outstanding of the Mortgage-Backed Notes less an amount standing to the debit of the Principal Deficiency Ledger on the first day of business of the immediately preceding Floating Rate Interest Period.

The Swap Counterparty will agree to pay on each Quarterly Payment Date an amount equal to the sum of (i) the product of (a) the aggregate Outstanding Principal Amount of the Mortgage Receivables excluding any Swap Defaulted Mortgage Receivables multiplied by the Swap Fraction and (b) the sum of Euribor and the weighted average spread on the Senior Class A Notes and the Mezzanine Class B Notes and (ii) the product of (a) the aggregate Principal Amount Outstanding of the Mezzanine Class C Notes, the Mezzanine Class D Notes and the Junior Class E Notes, less an amount equal to any balance standing to the debit of the relevant sub-ledgers of the Principal Deficiency Ledger and (b) 0.01 per cent. per annum. This may be less than the amount of the interest due on the Mortgage-Backed Notes.

The '**Swap Fraction**' means the quotient of (a) the aggregate Principal Amount Outstanding of the Senior Class A Notes and the Mezzanine Class B Notes less an amount equal to any balance standing to the debit of the relevant sub-ledgers of the Principal Deficiency Ledger on the close of business of the first day of the relevant Floating Rate Interest Period and (b) the Principal Amount Outstanding of all Mortgage-Backed Notes less an amount equal to any balance standing to the debit of the Principal Deficiency Ledger on the close of business of the first day of the relevant Floating Rate Interest Period.

Payments under the Swap Agreement to be made by the Issuer and the Swap Counterparty, respectively, on a Quarterly Payment Date will be made on a net basis.

If on any Quarterly Payment Date, the sum of interest actually received on the Mortgage Receivables (including

Swap Defaulted Mortgage Receivables), less with respect to each Savings Mortgage Receivable and each Bank Savings Mortgage Receivable, the amount received multiplied by the relevant Participation Fraction, falls short of interest scheduled to be received on the Mortgage Receivables (excluding Swap Defaulted Mortgage Receivables), less with respect of each Savings Mortgage Receivable and each Bank Savings Mortgage Receivable, the relevant Participation, during the immediately preceding Quarterly Calculation Period, the payment obligation of the Issuer will be reduced by an amount equal to such shortfall. In such event the payment of the Swap Counterparty on such Quarterly Payment Date will be adjusted accordingly on a euro for euro basis. Such reduction could result in the Issuer not having sufficient funds available to meet its payment obligations in accordance with the Interest Priority of Payments described above on such Quarterly Payment Date.

The Swap Agreement will be documented under an ISDA Master Agreement. The Swap Agreement may be terminated in accordance with Events of Default and Termination Events (each as defined in the relevant ISDA Master Agreement) commonly found in standard ISDA documentation. The Swap Agreement will be terminable by one party for a number of reasons, as more fully set out in the Swap Agreement, including if (i) an applicable Event of Default or Termination Event (as defined therein) occurs in relation to the other party, (ii) it becomes unlawful for either party to perform its obligations under the Swap Agreement, (iii) an Enforcement Notice is served, (iv) the Issuer has transferred all or some of the Mortgage Receivables to a third party, which may be the Seller, other than where such sale, assignment and/or disposal is in accordance with any provision(s) of the Relevant Documents, not taking into account any amendments to the Relevant Documents after the Closing Date, unless with the Swap Counterparty's prior written consent (v) the Issuer amends, without the Swap Counterparty's prior written consent, any of the Relevant Documents which causes the Swap Counterparty, in the sole opinion of the Swap Counterparty, to make a materially higher payment to the Issuer or receive a materially lower payment from the Issuer under the Swap Agreement than would have been the case had no such amendment been made, unless (a) the Swap Counterparty has provided its prior written consent (such consent not to be unreasonably withheld or delayed) or (b) in the Security Trustee's reasonable opinion, not amending such Relevant Document or granting its consent thereto would be materially prejudicial to the interests of the Noteholders and the Swap Counterparty or (vi) the Issuer has amended, or has procured the amendment of, any of the Mortgage Conditions of a Mortgage Loan or any other provision or condition of the Mortgage Loans without the Swap Counterparty's prior written consent, other than where such amendment (a) had to be agreed to by the Issuer or, as the case may be, the Seller pursuant to the Mortgage Conditions or any applicable law or regulation, including the principles of reasonableness and fairness or (b) does not have a material adverse affect on the position of the Swap Counterparty under the Swap Agreement. With respect to the foregoing termination events mentioned in items (iv) and (vi), solely the part of the swap transaction relating to the relevant Mortgage Receivables which are subject to such transfer or amendment, as the case may be, is terminable. Events of Default in relation to the Issuer in the Swap Agreement 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 a good faith determination of total losses and costs (or gains) if an insufficient number of quotations can be obtained or if basing the valuation on quotations would not produce a commercially reasonable result) and will include any unpaid amounts that became due and payable prior to the date of termination. Any such termination payment could be substantial.

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, if it is unable to transfer at its own cost 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.

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

Any amounts received by the Issuer from the Swap Counterparty upon early termination of the Swap Agreement will be held on the Issuer Collection Account with a corresponding credit to a ledger known as the '**Swap Termination Payment Ledger**'. Amounts standing to the credit of the Swap Termination Payment Ledger will be available (i) to make an initial swap payment to a replacement swap counterparty on any date or (ii) as part of the Notes Interest Available Amount (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 (f), (h), (j), (l) and (n) of the Interest 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 Notes Interest Available Amount on the Quarterly Payment Date on which (i) a new swap agreement has been entered into and the initial swap payment, if any, has been paid or (ii) the Mortgage-Backed Notes have been redeemed in full.

If the Swap Counterparty ceases to have certain required ratings by the Rating Agencies, the Swap Counterparty will be required to take certain remedial measures which may include 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 required rating, procuring another entity with at least the swap required ratings to become joint-obligor or guarantor, as applicable, in respect of its obligations under the Swap Agreement, or the taking of such other action as will result in the ratings of the Mortgage-Backed Notes then outstanding being restored to or maintained at the level they were at immediately prior to such downgrade. A failure to take such steps, subject to certain conditions, will give the Issuer the right to terminate the Swap Agreement. Upon such termination the Issuer or the Swap Counterparty may be obliged to make a termination payment to the other party.

The Issuer and the Swap Counterparty have entered into a Credit Support Annex to 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 required rating. Any Excess Swap Collateral will be promptly be returned to the Swap Counterparty outside the Interest Priority of Payments and the Priority of Payments upon Enforcement.

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

The Issuer may not dispose of the Mortgage Receivables, except to comply with its obligations under the Notes in certain circumstances as further provided in the Trust Deed and the Mortgage Receivables Purchase Agreement, in connection with a repurchase obligation of the Seller. If the Issuer decides to offer for sale (part of) the Mortgage Receivables it will first offer such Mortgage Receivables to the Seller. The Seller shall within a period of 14 business days inform the Issuer whether it wishes to repurchase the Mortgage Receivables. After such 14 business day period, the Issuer may offer such Mortgage Receivables for sale to any third party.

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

Under the terms of the Trust Deed, the Issuer will have the right to sell and assign all but not some of the Mortgage Receivables on each Optional Redemption Date to the Seller or a third party, provided in any case that the Issuer shall apply the proceeds of such sale to redeem the Mortgage-Backed Notes in accordance with Condition 6(d) and subject to, in respect of the Notes, except for the Senior Class A Notes, Condition 9(b). In accordance with Condition 6(d), such option can only be exercised if the Senior Class A Notes are redeemed in full. The purchase price of the Mortgage Receivables shall be equal to at least the Outstanding Principal Amount of the relevant Mortgage Receivables, together with accrued interest due but unpaid and any costs incurred by the Issuer in effecting and completing such sale and assignment, if any, except that, with respect to Mortgage Loans which are in arrears for a period exceeding 90 days or in respect of which an instruction has been given to the civil-law notary to start foreclosure proceedings (the '**Defaulted Mortgage Loans**'), the purchase price for the Mortgage Receivables resulting from the Defaulted Mortgage Loans (the '**Defaulted Mortgage Receivables**'), shall be at least the lesser of (a) the sum of the relevant Outstanding Principal Amount in respect of the relevant Defaulted Mortgage Receivables, together with accrued interest due but unpaid, if any, and any other amount due under the Mortgage Conditions up to the relevant date of sale or repurchase and (b) an amount equal to the foreclosure value of the Mortgaged Assets or, if no valuation report of less than 12 months old is available the original foreclosure value of the Mortgaged Asset as increased or decreased in accordance with the index of increases of house prices issued by the Dutch land registry (*kadaster*) in relation to residential properties in the Netherlands (the '**Indexed Foreclosure Value**') provided that the purchase price shall at least be equal to

an amount that is sufficient to redeem the Mortgage-Backed Notes at their Principal Amount Outstanding subject to, in respect of the Mezzanine Class B Notes, the Mezzanine Class C Notes, the Mezzanine Class D Notes and the Junior Class E Notes, Condition 9(b) together with accrued interest due but unpaid up to the date of sale and any costs incurred by the Issuer in effecting and completing such sale and re-assignment.

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

On each Quarterly Payment Date, the Seller has the option to exercise the Clean-Up Call Option, provided that the Class A Principal Deficiency Ledger has no balance on such Quarterly Payment Date. The Issuer will undertake in the Mortgage Receivables Purchase Agreement to sell and assign the Mortgage Receivables to the Seller or any third party appointed by the Seller in its sole discretion if the Clean-Up Call Option is exercised. The same as set out above under *Sale of Mortgage Receivables on an Optional Redemption Date* applies to the sale of Mortgage Receivables if the Seller exercises the Clean-Up Call Option, as a result of which the proceeds of such sale will be sufficient to redeem the Senior Class A Notes in full. The proceeds of such sale shall be applied by the Issuer towards redemption of the Mortgage-Backed Notes in accordance with Condition 6(b) and subject to, in respect of the Notes, except for the Senior Class A Notes, Condition 9(b).

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

On each Quarterly Payment Date, the Seller has the option to exercise the Regulatory Call Option, provided that the Class A Principal Deficiency Ledger has no balance on such Quarterly Payment Date. The Issuer will undertake in the Mortgage Receivables Purchase Agreement to sell and assign the Mortgage Receivables to the Seller or any third party appointed by the Seller in its sole discretion if the Regulatory Call Option is exercised. The purchase price of the Mortgage Receivables will be at least equal to the Outstanding Principal Amount in respect of the relevant Mortgage Receivables together with any accrued interest up to but excluding the date of repurchase and re-assignment of the Mortgage Receivables and any costs incurred by the Issuer in effecting and completing such sale and re-assignment, as a result of which the proceeds of such sale will be sufficient to redeem the Mortgage-Backed Notes in full. The proceeds of such sale shall be applied by the Issuer towards redemption of the Mortgage-Backed Notes in accordance with Condition 6(b) and subject to, in respect of the Notes, except for the Senior Class A Notes, Condition 9(b).

*Redemption for tax reasons*

On each Quarterly Payment Date, the Issuer has the option to redeem the Notes for tax reasons. The purchase price of such Mortgage Receivables will be calculated in the same manner as described under *Sale of Mortgage Receivables on an Optional Redemption Date*. The proceeds of such sale shall be applied by the Issuer towards redemption of the Mortgage-Backed Notes in accordance with Condition 6(e) and subject to, in respect of the Notes, except for the Senior Class A Notes, Condition 9(b). In accordance with Condition 6(e), such option can only be exercised if the Mortgage-Backed Notes are redeemed in full.

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

If the Seller is obliged to repurchase any Mortgage Receivable(s) pursuant to the Mortgage Receivables Purchase Agreement, the purchase price of the Mortgage Receivables will be equal to the Outstanding Principal Amount in respect of the relevant Mortgage Receivables together with any accrued interest up to but excluding the date of repurchase and re-assignment of the Mortgage Receivables and any costs incurred by the Issuer in effecting and completing such sale and re-assignment. The proceeds of such sale shall be applied by the Issuer towards redemption of the Mortgage-Backed Notes in accordance with Condition 6(b) and subject to, in respect of the Notes, except for the Senior Class A Notes, Condition 9(b).

## OVERVIEW OF THE DUTCH RESIDENTIAL MORTGAGE MARKET

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

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

Over the recent years, outstanding mortgage loans have continued to increase, even though housing prices declined by a few per cent. The market is still supported by a gradual increase in the levels of owner-occupation and an environment of low mortgage interest rates. Chart 1 below shows that the level of outstanding residential mortgage debt in the Netherlands reached euro 630 billion in the last quarter of 2010 (excluding mortgage loans on commercial property).

On 1 November 2010, the Netherlands Competition Authority (NMa) published the "Mortgage Rate Quick Scan", concluding that the margins on Dutch mortgage loans have been relatively high since mid-2009, both by historical standards and in comparison with neighbouring countries. This preliminary inquiry is part of a broader sector study of the level of competition on the mortgage market. In May 2011, the NMa published the results of the more extensive follow-up sector study. According to the NMa, the margins on Dutch mortgage loans have declined since the introduction of the Mortgage Rate Quick Scan and at the beginning of this year they were at levels comparable to prior to the credit crisis. This decline in margins resulted in an increase in competition in the mortgage market. Targeted research as to possible mutual harmonisation has not led to the conclusion that there have been price-fixing agreements among mortgage lenders or other violations of the Dutch Competitive Trading Act (*Mededingingswet*).

Recently, Dutch mortgage lenders have published certain new lending criteria urging mortgage lenders to be more cautious when it comes to issuing mortgage loans with a high loan-to-foreclosure ratio. These criteria will form part of the Code of Conduct on Mortgage Loans (*Gedragscode Hypothecaire Financieringen*) from 1 August 2011. The revised criteria, *inter alia*, limit the possibility of issuing mortgage loans with a high loan-to-foreclosure ratio which are higher than the value of the relevant property. Under the new criteria, the mortgage loan amount will be limited to 110% of the market value of the property. Furthermore, a new element of the criteria is a limitation of interest-only mortgage loans (*aflossingsvrije hypotheek*) of up to 50% of the value of the relevant property.

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

Increased competition and the deregulation of the Dutch financial market have resulted in the development of tailor-made mortgage loans consisting of various parts and features. As a result of the credit crisis, the more risk seeking mortgage products were taken from the market. Until 2009, the mortgage products offered by lenders reflect the full tax deductibility of mortgage loan interest and have encouraged borrowers to defer repayment of principal for as long as possible. This is evidenced by relatively high loan to value ratios and the extensive use of non-amortising mortgage products, which give full tax benefits for the whole maturity of the mortgage loan without the need to redeem the mortgage loan. Borrowers often have considerable investments and savings available, but choose not to use such funds to acquire a house or to repay their mortgage loan, but instead to minimise their tax liabilities.

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

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

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

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

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

The relatively prolonged economic downturn of 2001 to 2005 led to a significant rise in the amount of mortgage payment arrears and correspondingly foreclosures. The number of forced sales in the Netherlands reported by the Land Registry (*Kadaster*) rose from 695 in 2002 to about 2000 foreclosures from 2005 onwards. This increase was mainly due to a structural change in the Dutch mortgage market during the 1990s. Instead of selling only single income mortgage loans, lenders were allowed to issue double income mortgage loans as well. Of course, whenever a relationship is less permanent than expected, a forced sale is more likely to occur than it used to be. Forced sales, grew by 28.8% or 552 in the year to April 2011 compared with the average of 12 month rolling periods through 2006 and 2007 (1,916), pre-crisis (see Chart 5 below).

Even though in a relative sense the increase in foreclosures in the Netherlands over the last years is substantial, the absolute number is still very low compared to the total number of residential mortgage loans outstanding. There are no precise data of the number of residential mortgage loans outstanding in the Netherlands. However, based on the published total amount of residential mortgage debt outstanding and the current average mortgage loan amount it is estimated that the total number of residential mortgage loans outstanding in the Netherlands exceeds 3 million. A total of around 2,382 foreclosures per year therefore corresponds with approximately 0.08% of the total number of residential mortgage loans outstanding.

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, because the foreclosure proceeds would be decreasing as well.

However, the number of foreclosures (Chart 5 below) as a percentage of total house sales (Chart 2 below) still only amounts to 2.9% (as per the end of March 2011). Although this was the highest the level ever reached, it is too small a proportion to be of any real impact on the development of house prices. Furthermore, the Dutch housing market is characterised by a large discrepancy between demand and supply, which has mitigated the negative effect of the economic recession on house prices. A lack of confidence among house buyers has, however, sapped momentum from the market. As a result, Dutch housing prices have declined a few per cent. From its highest point to its lowest point, the price decline has amounted 6%. However, the decline in the number of sales has been halted: during the second half of 2010, over 65,000 sales took place – over 3,500 more than in the same period in the year before. Sales figures are currently stabilising around 130,000 year-on-year. Although this is historically low, at least the downward trend has come to an end.

Chart 1: Total mortgage debt  
Source: CBS

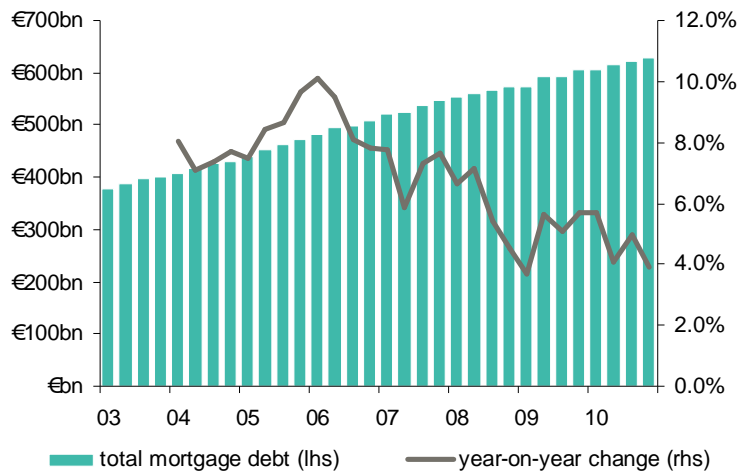


Chart 2: Number of residential real estate transactions  
Source: CBS

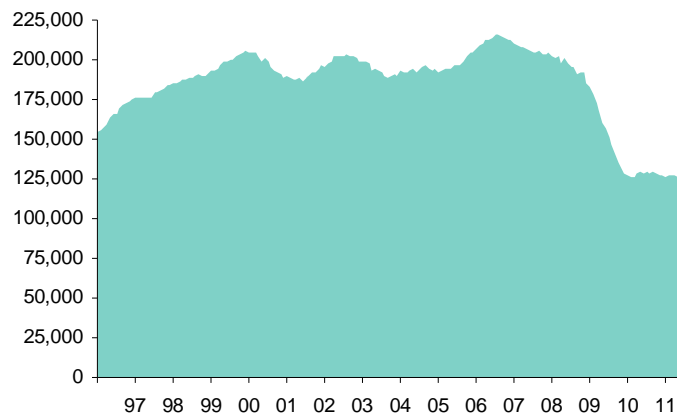


Chart 3: Change in house price index as per Kadaster  
Source: Kadaster

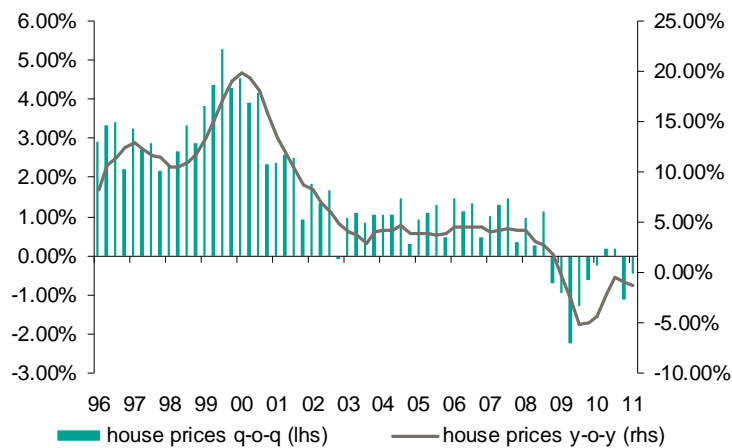


Chart 4: Development Dutch house prices as per NVM  
Source: NVM

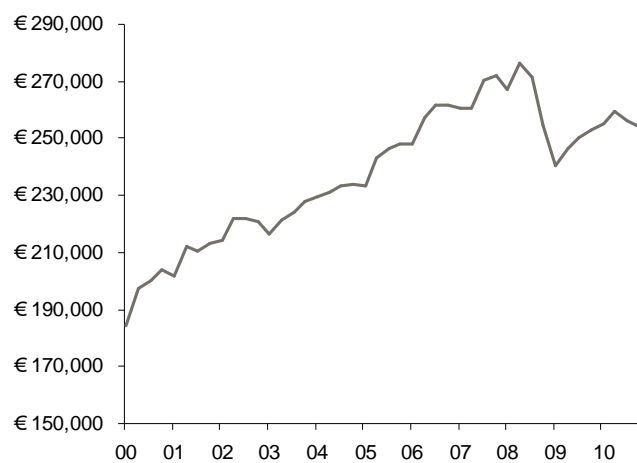
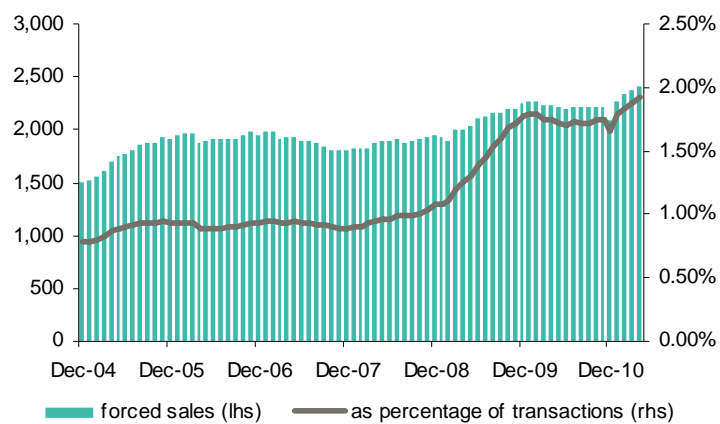


Chart 5: Number of foreclosures  
Source: CBS



## FRIESLAND BANK N.V.

### History and Incorporation

Friesland Bank N.V. is a public limited liability company (*naamloze vennootschap*) incorporated under the laws of the Netherlands, having its corporate seat in Leeuwarden. Friesland Bank N.V. is authorised by *De Nederlandsche Bank N.V.* (the "**Dutch Central Bank**") to pursue the business of a credit institution in the Netherlands in accordance with the Dutch Financial Markets Supervision Act (*Wet op het financieel toezicht*). Friesland Bank N.V. has its registered office at Beursplein 1, 8911 BE Leeuwarden, the Netherlands and its phone number is +31 58 299 4499 and is registered with the Chamber of Commerce for Friesland under number 01002411.

Friesland Bank N.V. was incorporated in 1913 in Leeuwarden as Coöperatieve Zuivelbank by a number of Frisian co-operative dairy industries to regulate their cash positions and to provide them with short-term credits. Soon Friesland Bank extended its operations to all agrisector business in Friesland organised on a co-operative basis, and to local authorities and water boards. Friesland Bank undertook virtually no retail activities. In its first fifty years, Friesland Bank operated exclusively from its offices at Leeuwarden. From 1963 onwards, Friesland Bank's strategy was fundamentally changed: services were offered also to non-co-operative businesses in Friesland a retail banking operation was set up. As a result, a network of branches was established throughout Friesland. In 1970, Friesland Bank changed its name to Coöperatieve Vereniging Friesland Bank b.a. to reflect both its regional identity and its character as a general bank.

In 1992, Friesland Bank decided, in view of the ongoing concentration in the Dutch banking industry, to expand its activities to the whole northern part of the Netherlands, to enter into alliances with other financial institutions and to modernise its legal structure. In 1993, a branch was opened in Groningen, followed by branches in Alkmaar (1995) and Assen (1997). In the course of 1999, a branch was opened in Zwolle. To improve efficiency, 20 smaller branches in the province of Friesland were closed in 1999 and in 2000/2001 three further branches were closed. In 2002, a branch was opened in Enschede. At the end of 1994, Friesland Bank entered into an alliance with F. van Lanschot Bankiers N.V. and took a 24.2 per cent. shareholding in the common shares of F. van Lanschot Bankiers N.V. At the end of 2010, this stake amounted to 23 per cent. In 1996, Friesland Bank took a 7.5 per cent. participation in Triodos Bank N.V., a 'green' bank which finances environmentally-friendly projects and initiatives. In 2000 Spaar- en Voorschotbank N.V., already a 100 per cent. subsidiary for years, became a legal part of Friesland Bank. Through these acquisitions and participating interests, Friesland Bank intends to keep closely in touch with the developments in various market niches of the Dutch banking sector. Friesland Bank consolidated its position in its regional market at the end of 2004, when it formed a close strategic partnership with the Bercoop Groep in Oldeberkoop, in the south of the province of Friesland. The Bercoop Groep owned Bank Bercoop. Friesland Bank's acquisition of a 45 per cent. interest in Bercoop Groep formalised the relationship which had existed between the two institutions for decades. In December 2006 the stake in Bercoop Group was increased to 100 per cent. In September 2006 and again in May 2009 Friesland Bank announced a further implementation of its strategy and the positioning of the bank. Several smaller branches in the province of Friesland were closed. In other parts of the Netherlands new branches have been set up. The first steps have already been taken in opening offices in Amsterdam (2006), Utrecht (2007) and Rotterdam (2010). Friesland Bank offers a wide range of financial services and products in banking and insurance, with a focus on business banking and personal/private banking.

On 10 January 2007, Friesland bank acquired 10.06 per cent. of the shares in the share capital of BinckBank N.V. In November 2007, Friesland Bank announced a Business Process Outsourcing agreement with BinckBank N.V. for brokerage and back-office services. Friesland Bank obtained a 45 per cent. stake in Optimix Vermogensbeheer N.V. in 2008, with a view of expanding and improving its investment services and asset management activities. In 2010 the participation was increased to 70 per cent.

In 1995, the legal structure of Friesland Bank was changed from a co-operative to a public company with limited liability, with the share capital held by Vereniging Friesland Bank, a body which comprises the former members of the co-operative. The new structure enabled Friesland Bank to attract new capital. In 1997, the legal structure of Friesland Bank was further amended by the introduction of Friesland Bank Holding N.V. On 1 April 2011, the association Vereniging Friesland Bank has been converted into a foundation, Stichting Friesland Bank.

Friesland Bank Holding N.V. holds all of the shares of Friesland Bank N.V. Vereniging Friesland Bank holds all shares in the share capital of Friesland Bank Holding N.V. (300,000 ordinary shares).

## Activities and Results

Friesland Bank is a general bank engaged in both retail and wholesale banking. The bank's activities are focused on mortgages, savings, and services to small and medium sized enterprises primarily in the northern part of the Netherlands. The bank offers a full range of banking and insurance products and services to its clients. One of the key points of the bank is its focus on customer intimacy. Although Friesland Bank has its origins in the agricultural sector, its current business loan book is well diversified across a number of sectors. In terms of volume, residential mortgages form the major part of Friesland Bank's assets. The bank has been successful in developing and selling innovative mortgage products. The bank's strong presence in the northern part of the Netherlands and its unique history and independent status make it a credible alternative to larger competitors.

## Key figures:

The following table shows the development of the business of Friesland Bank and its subsidiaries for 2008, 2009, 2010 and 2011 (HY unaudited).

In thousands of euro:

	HY 2011	FY 2010	FY 2009	FY 2008
Loans and advances.....	8,749,767	8,545.832	8,450.974	8,227.278
Funds entrusted.....	5,807,322	5,276.714	5,448.282	5,696.504
Group equity <sup>(1)</sup> .....	837,435	841.633	883.034	824.692
Group funds.....	1,193,125	1,202.134	1,301.800	1,234.236
Total assets.....	11,693,330	11,055.374	11,009.536	10,934.106
 Total income.....	 323,613	 412.503	 536.776	 476.224
 Operating expenses.....	 292,480	 345.265	 467.229	 448.693
Value adjustments to receivables.....	22,280	36.705	33.348	14.546
 Value adjustments to financial assets.....	 2,848	 79.201	 8.404	 100.461
Net profit <sup>(2)</sup> .....	5,185	-43.282	26.988	-75.098
 Total income / Operating expenses.....	 1,106	 1.195	 1,149	 1,061
 Capital ratio in per cent.....	 	 	 	 
BIS tier 1 capital ratio in per cent.....	8,9	9	10	10,1
BIS tier 2 capital ratio in per cent.....	11,7	12,1	13,1	12,6

<sup>(1)</sup> Including third party interest

<sup>(2)</sup> Excluding minority interest

## Managing Board

C.J. Beuving, *Chairman*

A. Vlaskamp

G.T. van Wakeren

## Supervisory Board

R.J. Meuter, *Chairman*

*Former Director General ABN AMRO Bank N.V.*

G. Benedictus

*Managing Director and owner of a management consultancy company*

J. Keijzer

*Managing Director of Bosplaat Advies*

L. Lindner

*Former Director Corporate Affairs Friesland Foods*

M.B.G.M. Oostendorp  
*CFO UVIT*

A. Oosterhof  
*Farmer*

B.R.I.M. Gerner  
*CFO Imtech N.V.*

*The activities mentioned above are the principal activities of the members of the Supervisory Board outside Friesland Bank.*

### **Credit Ratings**

Ratings	Fitch	Moody's
Long Term	BBB	A3
Assigned	June 2011	August 2010
Short Term	F3	P-2
Assigned	June 2011	August 2010
Outlook	Stable	Negative

## FRIESLAND BANK RESIDENTIAL MORTGAGE BUSINESS

### Positioning of Friesland Bank in the residential mortgage market

The development of the mortgage loan portfolio of the bank over the last five years is reflected in the Table 1.1 below:

**Table 1.1: Mortgage loans portfolio of Friesland Bank**

Variables	2004	2005	2006	2007	2008	2009	2010
<i>(amounts in thousand euro)</i>							
Residential loans and advances	3,777,048	4,207,576	4,529,387	4,544,234	4,470,355	4,534,089	4,635,258

Source: Friesland Bank

In the years 2002-2004, Friesland Bank's growth in newly registered mortgages exceeded the growth in the Province of Friesland. The temporary market downturn in 2004 did not stop the growth of Friesland Bank's franchise, as the bank benefited from the success of the popular and innovative '*Marge Plus Hypotheek*'. Friesland Bank's marketing efforts were also successful and as a consequence its regional market share at that time has risen to 13.9 per cent.

However, in the following years the annual volume growth experienced a backdrop: competition in the mortgage market increased, putting further pressure on mortgage rates and margins. Friesland Bank experienced lower growth in the personal lending portfolio as it did not want to join the price war nor the war on underwriting criteria. In 2008 there was strong growth in volume, due to a less restrictive pricing policy and a more favourable market as several low-price competitors withdrew from the Dutch market. However in 2009 and 2010 the mortgage market showed a downturn which was caused by decreasing house prices in the Netherlands.

**Table 1.2: Friesland Bank's market share in the Frisian mortgage market**

Year	Newly registered mortgages		Newly registered mortgages		Market share newly registered mortgages
	Friesland	Annual growth	Friesland Bank	Annual growth	
2002	2,779,9	16.0 per cent.	301,8	17.4 per cent.	10.9 per cent.
2003	3,446,7	24.0 per cent.	390,8	29.5 per cent.	11.3 per cent.
2004	3,615,1	4.9 per cent.	503,7	28.9 per cent.	13.9 per cent.
2005	4,275,7	18.3 per cent.	468,5	-7.0 per cent.	11.0 per cent.
2006	4,439,6	3.8 per cent.	391,3	-16.5 per cent.	8.8 per cent.
2007	3,084,1	-10.3 per cent.	217,0	-44.5 per cent.	5.45 per cent.
Year	Market average	Annual Growth	Average Friesland Bank	Annual Growth	r cent. r cent. r cent.
<i>(amounts in euro)</i>					
2002	136,225	10.8 per cent.	141,671	12.6 per cent.	
2003	151,643	11.3 per cent.	157,836	11.4 per cent.	
2004	164,516	8.5 per cent.	164,391	4.2 per cent.	
2005	180,008	9.4 per cent.	170,372	3.9 per cent.	
2006	198,683	10.4 per cent.	178,695	4.7 per cent.	
2007	211,552	- 4.31 per cent.	186,736	- 5.31 per cent.	
2008	216,236	2.2 per cent.	210,171	12.5 per cent.	
2009	221,698	2.52 per cent.	213,058	1.37 per cent.	
2010	239,068	7.83 per cent.	214,372	0.62 per cent.	

Source: Kadaster, Friesland Bank

### Origination and acceptance procedures

#### *Application procedure and underwriting criteria*

Mortgage origination at Friesland Bank takes place through the branch network of Friesland Bank and through the channel of intermediaries (i.e. independent agents). The process is more or less identical for both the direct and the intermediary channel.

New mortgage loans are granted to Friesland Bank's clients subject to a strict underwriting protocol. During a

face to face meeting, the sales person collects quantitative and qualitative information about the borrower and puts all the details in Efdece Hypotheken AdviesSoftware ("EHAS"). Friesland Bank provides a summary of the client's wishes and most appropriate mortgage advice. Relevant data of the advice in EHAS is then put through to a mid-office application via an automatic interface. The funding request is assessed by businessrules (e.g. loan to income and loan to value) which are in line with the Gedragcode Hypothecaire Financieringen:

(i) Can the mortgage loan be serviced?

The Stichting Waarborgfonds Eigen Woning uses a strict set of requirements for the granting of a guarantee to the borrower. Friesland Bank uses this same set of requirements as the basis to estimate whether a borrower will be able to fulfil its obligations under the mortgage loan. The specific terms and conditions of NHG, such as eligible income, building deposits etc. are described in publicly available documents. Besides the above, Friesland Bank complies with the code of conduct for mortgage lending, enforced on 1 August 2011 (the '**Code of Conduct**').

(ii) Will the mortgage loan be serviced?

Friesland Bank's relationship approach towards its borrowers provides it with in-depth knowledge of the borrower and its background. This information can be very useful in the process of evaluating the credit worthiness of a borrower.

In addition, the payment history of each individual borrower is checked with the Bureau Krediet Registratie (**BKR**), a registration office that administrates credits of financial institutions to individuals in the Netherlands. Friesland Bank has a general policy of excluding individuals with defaulting payment records to their borrower database. Furthermore, individual borrowers are run through an identification system (VIS) and a fraud system (EVA and SFH).

(iii) Has sufficient collateral been deposited?

A conservative policy of collateral requirements is in place for the granting of mortgage loans to individuals. Generally, each loan is limited to a maximum of 104% of the market value for existing properties plus transfer tax and 104% of the total building costs for new constructions, each of which is conform the Code of Conduct. The above information, including income to loan ratio, loan to value ratio, evaluation of the total debt position of the borrower and his/her chosen standard of living, is recorded in the appropriate systems. This system automatically approves applications of loans up to EUR 1,500,000. If automatic system approval is not possible, a credit analyst from the centralised mortgage mid-office will approve or decline such loan. Loans above EUR 1,500,000 will be handled for approval by the credit committee of Friesland Bank. Subsequently, the quality department checks the mortgage advice before the mortgage loan proposal is sent to the borrower or the relevant account manager, who then discusses it with the prospective borrower. Note that the account manager is not able to amend the approved proposal anymore at this stage. If the borrower accepts the mortgage loan proposal of Friesland Bank, he countersigns it and returns it together with all necessary documents (proof of income, proof of employment, taxation report, etc.) to Friesland Bank.

#### *Documentation process and final checks*

The proposal and document are scanned into the document management system and then become available in the appropriate systems. The operation department's checks whether the proposal is complete and has been duly signed and whether all documents are complete and correct. If the file is complete and correct, the applications are subsequently approved, the contracts regarding the mortgage loan are drafted and sent to the notary. The notary prepares the final notary deed for the mortgage loan, while the operations administration department drafts the debt declaration and any other relevant document, such as pledge agreements where applicable. The loan administration system prepares a checklist of all the pledge documents that need to be registered. With respect to the correctness of the mortgage deed/security in the respective public files, the notary performs an additional check. He will, for example, verify the ranking of the mortgage loan and make proper adjustments if so required.

Note that in the Netherlands, details of all land and properties are recorded in public registers (*Kadaster*). The mortgage right is acquired by a notary deed and registration of the mortgage loan in the public registers (*Kadaster*).

Finally, the file is transferred to the File Management Department who archives the documents in the safe at the

head-office of Friesland Bank.

For the avoidance of doubt, a strict separation of authorisation and control of the loan application is maintained. Once an offer for a mortgage loan has been accepted, the borrower is required to open an account with Friesland Bank, if he is not already holding one, and to provide direct debit instructions. Direct debit ensures automatic debit of the borrower's current account for instalments on the mortgage loan. Arrears on instalments will appear as an overdue on the current account of the borrower.

### **Mortgage administration**

#### *Loan Administration System*

The loan administration system automatically calculates the instalments for the mortgage loan for each individual borrower. Mistakes and errors, if any, will be manually corrected, after being verified by experienced back office employees.

The loan administration system records all kind of (historical) data of the mortgage loans. Both the risk control department and the internal audit department perform frequent checks with respect to the administration of the mortgage loans (i.e. proper authorisation, monitoring of the procedures and standards). In addition, the loan administration system can automatically generate reports for management purposes and for Dutch Central Bank reporting requirements.

A contingency plan is available with respect to the loan administration system, including back-up and recovery procedures. In order to guarantee the continuity of the loan administration system, the back-up system is installed outside the headquarters of Friesland Bank.

#### *Arrears management*

Arrears management is an integrated process based on both an automated system and a personal approach. The automated system causes all arrears to be reported from day-one on a so-called to-do list. Each account manager receives daily in his to-do box a list of his clients which are in arrears, irrespective of the product or service on which the arrears is based.

The account manager has to take action, triggered by his to-do list. In general, he will contact his client and discuss the reason for the arrears. This assessment constitutes the basis for further action. Apart from actions by the account manager, the system automatically sends out letters to the client after 14, 45, 60 and 75 days, if the arrears are not resolved.

On a monthly basis, the risk control department prepares a 'Credit Risk Rayon Rapportage'. This report is sent to the management team of each regional office, and contains a detailed past due list on client level. Apart from this, a monthly 'Credit Risk Management Rapportage' is sent to the senior management of the bank including the board of management. These reports make sure that all arrears are known at all levels within the bank.

#### *Delinquencies management*

If arrears are not resolved after 90 days, the relevant file will be transferred to the Credit Management Group (*Bijzonder Beheer* or **CMG**). Transfer to the CMG is also possible in an earlier stage of the arrears process, in case default indicators and regional management indicate that additional time until 90 days will not resolve the arrears situation.

The CMG will approach the borrower on the matter. Depending on the borrower's situation, the central risk management group will try to reach an agreement with the borrower. If all negotiations fail, the central risk management group will initiate a forced sale.

With regard to disallowed overdue amounts on current accounts, Friesland Bank calculates a special interest fee. This fee will automatically be deducted from the borrower's current account.

#### *Foreclosure Process*

When a voluntary sale of the mortgaged assets is not possible within a given time frame, the Central Risk Management Group will either reconsider the conditions or will decide to sell the property through a public sale (as defined by Dutch Civil law).

#### *Debt after sale*

If the proceeds of the mortgaged assets are not sufficient to pay the liabilities under the mortgage loan, Friesland Bank will become ordinary creditor for the remaining amount. This means that Friesland Bank will have a claim on the borrower for the coming years until the debt has been satisfied.

## DESCRIPTION OF MORTGAGE LOANS

### 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 issue land without giving away the ownership to 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.

### Mortgage Types

Friesland Bank offers a selection of mortgage products. The Final Mortgage Pool contains six distinguishable repayment types: annuity, linear, life, interest only mortgages, savings mortgage loans and bank savings mortgage loans.

### Repayment Types

#### *Interest-only Mortgage Loans*

Interest-only Mortgage Loans are Mortgage Loans on which only interest is due. The vast majority of these Mortgage Loans have no fixed maturity date but become due and payable in certain events, e.g. upon death of the Borrower, a sale or transfer (*vervreemding*) of the Mortgaged Asset or upon the Borrower leaving the Mortgaged Asset to take up his residence elsewhere, although retaining ownership of the Mortgaged Asset.

#### *Linear Mortgage Loans*

Linear Mortgage Loans are Mortgage Loans on which a periodical payment consists of a constant amount for redemption plus an amount of interest based on the remaining loan balance. The balance of the Mortgage Loan is thus being repaid in a straight-line fashion i.e. linear, while the interest payment declines between payments.

#### *Annuity Mortgage Loans*

Annuity Mortgage Loans are characterised by equal periodical payments\* by the Borrower. These payments contain both interest and principal redemption on the Mortgage Loan. As with each payment part of the Mortgage Loan is redeemed, the interest charge declines between each successive payment. The redemption part of the periodical payment rises in such a way that the total payment amount is fixed and the remaining balance of the Mortgage Loan at maturity will be zero.

#### *Savings Mortgage Loans*

This type of mortgage combines a loan with a capital/life insurance policy. The payout at the end of the contract or at the time when the build up value under the insurance policy is equal to the outstanding amount of the mortgage loan (or earlier at the death of the borrower) always corresponds exactly to the amount of the mortgage loan. The constant monthly payments consist of interest on the principal and a savings/risk premium for the capital/life insurance (*spaar/risico-premie*). If the rates have gone up at the end of the chosen fixed-rate period, the interest charge on the loan will increase but the savings premium on the insurance will decrease and vice versa. The reinvestment rate on accumulated mortgage principal is guaranteed at the mortgage rate. The loans can have a maximum maturity of 30 years.

#### *Life Mortgage Loans*

Life Mortgage Loans are Mortgage Loans on which only interest is being paid until the maturity of the Mortgage Loan. At maturity the balance of the Mortgage Loan becomes due and payable. To facilitate full repayment of the Mortgage Loan, the Borrower has pledged a Life Insurance Policy to the Seller.

The Life Insurance Policy is a combined (life-) risk and capital endowment policy. This means that the policy will pay out either:

- (a) the realised value of the policy at maturity of the policy; or
- (b) the insured value at death, if earlier.

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\* This assumes the interest rate charged on the loan to be constant over the entire life of the Mortgage Loan. Upon the occurrence of an "Interest Rate Reset" (see below) the payment amount may be changed.

The Life Insurance Policies may be taken by the Borrowers through intermediary Friesland Bank Assurantiën, independent intermediaries or directly with a Life Insurance Company.

#### *Bank Savings Mortgage Loans*

Bank Savings Mortgage Loans are Mortgage Loans which are combined with a blocked tax-efficient Bank Savings Account held with Friesland Bank in its capacity as the Bank Savings Participant. Under a Bank Savings Mortgage Loan, the Borrower is only required to pay interest until maturity and is not required to pay principal until maturity. The Borrower undertakes to pay a monthly deposit in the Bank Savings Account. The Monthly Bank Savings Deposit Instalment is calculated in such a manner that, on an annuity basis, the balance standing to the credit of the Bank Savings Account (the '**Bank Savings Deposit**') is equal to the amount due by upon maturity of the Bank Savings Mortgage Loan. The rights of the relevant Borrower under the Bank Savings Deposit are pledged to the Seller.

#### **Prepayments**

A Borrower may prepay on his Mortgage Loan either partially or in full. Prepayments are free of penalty:

- up to 10 per cent. of the original balance is prepaid per calendar year;
- full outstanding balance if and when the property is sold;
- full outstanding balance if and when the Borrower dies; and
- full outstanding balance if and when a life policy connected to the loan pays out.

In all other cases a penalty will be due on the amounts prepaid that do not conform to the conditions above. For almost all types of Mortgage Loans the penalty forms a compensation for the differences between the coupon rate of a Mortgage Loan and the applicable current market rate, both taken over the size and the remaining tenor of the Mortgage Loan.

#### **Interest Rate Characteristics**

At origination Friesland Bank allows the Borrowers to choose from a range of interest rate periods (**Interest Rate Periods**). The interest on the Mortgage Loan will be fixed depending on the tenor of the interest period and the conditions as set out in the mortgage contract. The interest will be renegotiated at the end of that period (**Interest Rate Reset Date**), enabling the Borrower to choose a new interest fixed period.

A wide range of Interest Rate Periods are available to the Borrower. Friesland Bank offers standard 1, 3, 5, 7, 10, 12, 15 and 20 years fixed interest periods, but other periods are also possible (tailor made).

Borrowers may also choose a floating rate interest on their Mortgage Loan at an Interest Rate Reset Date or at the origination date of their Mortgage Loan. At any payment date the Borrower of a floating rate Mortgage Loan is allowed to switch to a fixed rate interest, again for a selected period.

Finally, Friesland Bank also offers a margin (**Marge Plus**) interest rate feature on most of their mortgage products. The basis for the interest rate payable is a short term interest rate, which may be reset quarterly by Friesland Bank. The Borrower is protected against changes in this short term interest rate to the extent that changes within a certain bandwidth will not affect the interest rate on the relevant Mortgage Loan. Only if the change in the short term interest rate exceeds the bandwidth will the interest rate payable by the Borrower change by the excess in interest rate movement over the bandwidth. The base rate and bandwidth are subject to reset from time to time, comparable to normal rate resets.

## NHG GUARANTEE PROGRAMME

### NHG Guarantee

In 1960, the Dutch 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 a central privatised entity, '*Stichting Waarborgfonds Eigen Woningen*' (the "**WEW**"), a central privatized entity, is responsible for the administration and granting of the '*Nationale Hypotheek Garantie*' (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 (30) 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 premium under savings insurance policies or life insurance policies are deducted from the amount outstanding on such mortgage loans for purposes of the calculation of the amount guaranteed under the NHG Guarantee (See *Risk Factors*).

### Financing of the WEW

The WEW finances itself, inter alia, by a one-off charge to the borrower of 0.55 per cent. of the principal amount of the mortgage loan (as of 1 January 2008). Besides this, the scheme provides for liquidity support to the WEW from the State of the Netherlands and the participating municipalities. Should the WEW not be able to meet its obligations under guarantees issued, the State of the Netherlands will provide subordinated interest free loans to the WEW of up to 50 per cent. of the difference between the WEW's own funds and a pre-determined average loss level. Municipalities participating in the NHG scheme will provide subordinated interest free loans to the WEW of the other 50 per cent. of the difference. Both such 'keep well' agreements between the State of the Netherlands and the WEW and the 'keep well' agreements between the municipalities and the WEW contain general 'keep well' undertakings of the State of the Netherlands and the municipalities to enable the WEW at all times (including in the event of bankruptcy (*faillissement*), suspension of payments (*surseance van betaling*) or liquidation (*ontbinding*) of the WEW) to meet its obligations under guarantees issued.

As described above, WEW receives fees for the issue of NHG Guarantees. WEW uses such fees, inter alia, to pay claims made under NHG Guarantees. If the fees received are insufficient to pay the claims made under NHG Guarantees, the State of the Netherlands and the participating municipalities provide liquidity support to WEW.

Should WEW not have sufficient funds to be able to meet its obligations under guarantees issued, than:

- for all loans issued before 1 January 2011 the State of the Netherlands will provide subordinated interest free loans to WEW of up to 50 per cent. of the difference between WEW's own funds and a pre-determined average loss level. Municipalities participating in the NHG scheme will provide subordinated interest free loans to WEW of the other 50 per cent. of the difference.
- for all loans issued on or after 1 January 2011 the State of the Netherlands will provide subordinated interest free loans to WEW of up to 100 per cent. of the difference between WEW's own funds and a pre-determined average loss level.

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

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

#### **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 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 WEW may approach the lender and/or the borrower to attempt to solve the problem and make the borrower aware of the consequences. If an agreement cannot be reached, the WEW reviews the situation with the lender to endeavour to generate the highest possible proceeds from the property.

The situation is reviewed to see whether a private sale of the property, rather than a public auction, would generate proceeds sufficient to cover the outstanding mortgage loan. Permission of the WEW is required in case of a private sale 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 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 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 WEW because of the lender's culpable negligence, the lender must act vis-à-vis the borrower as if the WEW were still guaranteeing the repayment of the Mortgage Loan during the remainder of the term of the Mortgage Loan. In addition, the lender is not entitled to recover any amounts due under the mortgage loan from the borrower in such case. This is only different if the borrower did not act in good faith with respect to his inability to repay the mortgage loan and has failed to render his full cooperation in trying to have the mortgage loan repaid to the lender to the extent possible.

#### **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 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 2011**

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

- The lender has to perform a BKR check. 'A' and 'A1' registrations are allowed in certain circumstances pursuant to the NHG underwriting criteria.
- 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.
- 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 State of the Netherlands with a remaining life of ten (10) years, plus such margin as may be determined by the CHF. This margin is fixed for the time being at one (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 ten (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 loan, the underwriting criteria include but are not limited to:

- As of July 2009 the absolute maximum loan amount is EUR 350,000. 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 property, 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) eight (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 ninety-seven (97) per cent.
  - (b) For the purchase of a properties 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) eight (8) per cent. of the amount under (i).
  - (c) The maximum loan amount that is interest only is fifty (50) per cent. of the original value of the property.
  - (d) The Risk Insurance Policy should at a minimum cover the loan amount in excess of eighty (80) per cent. of the market value.

## SUMMARY OF THE MORTGAGE PORTFOLIO

The numerical information set out below relates to the final pool of Mortgage Loans (the '**Mortgage Pool**') which was selected as of the close of business on 31 October 2011 (the '**Cut-Off Date**'). All amounts are in euro. All of the Mortgage Receivables were originated by the Seller between 1990 (and a small portion before) and 2011.

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

The information set out below relates to the Mortgage Pool. After the Closing Date the portfolio will change from time to time as a result of repayment, prepayment, amendment and repurchase of Mortgage Receivables. All amounts below are in euro. For a description of the representations and warranties given by the Seller reference is made to the section *Mortgage Receivables Purchase Agreement* below.

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

A summary of general characteristics of the Mortgage Receivables is set out in the table first below.

### ELEVEN CITIES NO. 8 POOL STRATIFICATIONS Pool Cut-off Date: 31 October 2011

#### FRIESLAND BANK EC8 POOL - PORTFOLIO STRATIFICATIONS

Cut-off Date	31-10-2011	
	Eleven Cities 8	
Outstanding Principal Balance	€ 839,698,967,69	
Outstanding construction deposits	€ 6,565,741,29	
Outstanding Savings Balance	€ 14,176,091,10	
Net Outstanding Principal Balance (Net Loan)	€ 825,522,876,59	
Number of Mortgages	4,062	
Number of Mortgage Loan Parts	9,372	
Average Loan Balance	€ 206,720,57	
Average Net Loan	€ 203,230,64	
W.A. Curr LTmValue (%) (Gross of Savings)	84,76%	
W.A. Curr LTFValue (%) (Gross of Savings)	105,02%	
W.A. Curr LTFValue (%) (Net of Savings)	103,62%	
W.A. Curr LTmValue (%) (Net of Savings)	83,64%	
W.A. Orig LTmValue (%) (No Savings at Origination)	83,47%	
W.A. Seasoning (months)	46,96	3,91 years
W.A. Remaining Maturity (months)	296,20	24,68 years
W.A. Coupon	4,69%	
W.A. Remaining Period until Reset (months)	64,55	
W.A. Gross LTI	4,23	
W.A. Net LTI	4,18	
W.A. DSCR	20,09%	

*Distribution of the Pool of Portfolio Mortgage Loans by Original Loan-to-Market Value*

	Number of loans	Net outstanding	% of pool	WAC	WA LtFV
ltmv <= 25%	170	€ 9.267.160,79	1,12%	4,58	26,0%
25% < ltmv <= 50%	593	€ 63.632.969,03	7,71%	4,56	53,1%
50% < ltmv <= 60%	436	€ 69.798.019,74	8,46%	4,53	74,8%
60% < ltmv <= 70%	549	€ 101.381.261,54	12,28%	4,50	86,7%
70% < ltmv <= 80%	426	€ 85.827.754,30	10,40%	4,59	94,4%
80% < ltmv <= 90%	423	€ 96.095.424,41	11,64%	4,65	104,2%
90% < ltmv <= 100%	582	€ 150.644.113,93	18,25%	4,69	116,6%
100% < ltmv <= 105%	231	€ 58.452.752,07	7,08%	4,84	123,0%
105% < ltmv <= 110%	476	€ 137.087.978,88	16,61%	4,93	130,7%
110% < ltmv <= 112.5%	176	€ 53.335.441,90	6,46%	4,87	133,8%
115% < ltmv <= 120%	-	€ -	0,00%		
120% < ltmv <= 125%	-	€ -	0,00%		
125% < ltmv <= 130%	-	€ -	0,00%		
130% < ltmv <= 135%	-	€ -	0,00%		
135% < ltmv <= 140%	-	€ -	0,00%		
140% < ltmv <= 145%	-	€ -	0,00%		
145% < ltmv <= 150%	-	€ -	0,00%		
150% < ltmv <= 300%	-	€ -	0,00%		
Unknown	-	€ -	0,00%		
Grand Total	4.062	€ 825.522.877	100,00%	4,69	103,6%

*Distribution of the Pool of Portfolio Mortgage Loans by Current Net Loan-to-Market Value (excluding non-mortgage related limits)*

	Number of loans	Net outstanding	% of pool	WAC	WA LtFV
ltmv <= 25%	320	€ 16.846.025,17	2,04%	4,65	23,1%
25% < ltmv <= 50%	795	€ 89.231.929,95	10,81%	4,60	50,3%
50% < ltmv <= 60%	367	€ 56.576.246,27	6,85%	4,59	70,1%
60% < ltmv <= 70%	450	€ 88.043.393,03	10,67%	4,58	82,7%
70% < ltmv <= 80%	393	€ 85.058.037,96	10,30%	4,57	94,5%
80% < ltmv <= 90%	383	€ 93.948.464,51	11,38%	4,62	105,7%
90% < ltmv <= 100%	435	€ 113.870.705,61	13,79%	4,70	117,7%
100% < ltmv <= 105%	249	€ 66.869.139,07	8,10%	4,74	126,4%
105% < ltmv <= 110%	308	€ 93.722.186,23	11,35%	4,75	131,1%
110% < ltmv <= 115%	184	€ 58.659.346,39	7,11%	4,92	137,6%
115% < ltmv <= 120%	101	€ 34.960.738,66	4,23%	5,00	144,3%
120% < ltmv <= 125%	55	€ 19.624.488,14	2,38%	5,02	150,2%
125% < ltmv <= 130%	19	€ 6.360.858,56	0,77%	4,73	152,8%
130% < ltmv <= 135%	3	€ 1.751.317,04	0,21%	4,67	158,6%
135% < ltmv <= 140%	-	€ -	0,00%		
140% < ltmv <= 145%	-	€ -	0,00%		
145% < ltmv <= 150%	-	€ -	0,00%		
150% < ltmv <= 300%	-	€ -	0,00%		
Unknown	-	€ -	0,00%		
Grand Total	4.062	€ 825.522.877	100,00%	4,69	103,6%

*Distribution of the Pool of Portfolio Mortgage Loans by Current Gross Loan-to-Market Value (excluding non-mortgage related limits)*

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	Number of loans	Net outstanding	% of pool	WAC	WA LtFV
ltmv <= 25%	290	€ 15.222.587,74	1,84%	4,63	22,7%
25% < ltmv <= 50%	777	€ 85.425.606,29	10,35%	4,58	49,4%
50% < ltmv <= 60%	360	€ 54.106.860,20	6,55%	4,58	68,6%
60% < ltmv <= 70%	446	€ 86.039.223,29	10,42%	4,57	81,8%
70% < ltmv <= 80%	385	€ 81.505.862,79	9,87%	4,54	92,7%
80% < ltmv <= 90%	391	€ 93.999.331,21	11,39%	4,63	104,1%
90% < ltmv <= 100%	440	€ 114.404.587,28	13,86%	4,70	116,3%
100% < ltmv <= 105%	234	€ 60.778.193,17	7,36%	4,69	125,3%
105% < ltmv <= 110%	305	€ 90.237.506,27	10,93%	4,74	129,8%
110% < ltmv <= 115%	218	€ 69.461.354,65	8,41%	4,90	135,2%
115% < ltmv <= 120%	109	€ 37.068.994,38	4,49%	5,01	142,4%
120% < ltmv <= 125%	70	€ 24.009.414,92	2,91%	5,09	148,8%
125% < ltmv <= 130%	31	€ 10.508.510,75	1,27%	4,89	151,1%
130% < ltmv <= 135%	6	€ 2.754.843,65	0,33%	4,96	151,8%
135% < ltmv <= 140%	-	€ -	0,00%		
140% < ltmv <= 145%	-	€ -	0,00%		
145% < ltmv <= 150%	-	€ -	0,00%		
150% < ltmv <= 300%	-	€ -	0,00%		
Unknown	-	€ -	0,00%		
Grand Total	4.062	€ 825.522.877	100,00%	4,69	103,6%

*Distribution of the Pool of Portfolio Mortgage Loans by Current Net Loan-to-Foreclosure Value*

	Number of loans	Net outstanding	% of pool	WAC	WA LtFV (Net)
ltfv <= 25%	209	€ 9.847.504,65	1,19%	4,62	19,0%
25% < ltfv <= 50%	543	€ 48.756.757,94	5,91%	4,62	40,0%
50% < ltfv <= 60%	279	€ 36.563.254,18	4,43%	4,59	55,3%
60% < ltfv <= 70%	290	€ 43.459.196,54	5,26%	4,55	65,1%
70% < ltfv <= 80%	343	€ 60.417.768,45	7,32%	4,59	75,3%
80% < ltfv <= 90%	330	€ 66.988.778,60	8,11%	4,57	85,5%
90% < ltfv <= 100%	310	€ 75.356.784,27	9,13%	4,59	95,2%
100% < ltfv <= 105%	158	€ 37.936.936,31	4,60%	4,56	102,6%
105% < ltfv <= 110%	169	€ 43.713.457,71	5,30%	4,62	107,6%
110% < ltfv <= 115%	185	€ 44.922.166,99	5,44%	4,71	112,5%
115% < ltfv <= 120%	198	€ 55.840.295,30	6,76%	4,74	117,7%
120% < ltfv <= 125%	235	€ 62.690.975,07	7,59%	4,74	122,4%
125% < ltfv <= 130%	165	€ 50.435.197,72	6,11%	4,67	127,7%
130% < ltfv <= 135%	140	€ 41.440.233,64	5,02%	4,86	132,4%
135% < ltfv <= 140%	165	€ 48.978.877,62	5,93%	4,88	137,5%
140% < ltfv <= 145%	124	€ 34.922.062,38	4,23%	4,86	142,7%
145% < ltfv <= 150%	98	€ 29.390.399,12	3,56%	5,01	147,3%
150% < ltfv <= 160%	121	€ 33.862.230,10	4,10%	4,86	154,4%
Grand Total	4.062	€ 825.522.877	100,00%	4,69	103,6%

*Distribution of the Pool of Portfolio Mortgage Loans by Current Gross Loan-to-Foreclosure Value*

	Number of loans	Net outstanding	% of pool	WAC	WA LtFV (Net)
ltfv <= 25%	189	€ 8.963.124,10	1,09%	4,57	18,8%
25% < ltfv <= 50%	513	€ 45.165.183,85	5,47%	4,61	39,1%
50% < ltfv <= 60%	287	€ 36.334.535,92	4,40%	4,56	54,2%
60% < ltfv <= 70%	293	€ 43.377.247,74	5,25%	4,56	64,0%
70% < ltfv <= 80%	324	€ 56.580.869,89	6,85%	4,57	74,4%
80% < ltfv <= 90%	325	€ 64.173.472,21	7,77%	4,55	84,1%
90% < ltfv <= 100%	315	€ 73.678.685,24	8,93%	4,61	93,8%
100% < ltfv <= 105%	161	€ 39.158.803,50	4,74%	4,53	100,9%
105% < ltfv <= 110%	167	€ 43.184.594,77	5,23%	4,67	105,8%
110% < ltfv <= 115%	171	€ 41.384.462,43	5,01%	4,67	111,1%
115% < ltfv <= 120%	195	€ 54.408.972,17	6,59%	4,69	116,2%
120% < ltfv <= 125%	243	€ 65.348.916,32	7,92%	4,74	121,0%
125% < ltfv <= 130%	177	€ 49.272.024,03	5,97%	4,66	126,0%
130% < ltfv <= 135%	134	€ 40.922.431,92	4,96%	4,85	130,7%
135% < ltfv <= 140%	160	€ 49.331.737,64	5,98%	4,83	135,7%
140% < ltfv <= 145%	145	€ 40.124.834,80	4,86%	4,89	140,7%
145% < ltfv <= 150%	107	€ 31.308.237,66	3,79%	5,05	145,4%
150% < ltfv <= 160%	156	€ 42.804.742,40	5,19%	4,93	152,7%
Grand Total	4.062	€ 825.522.877	100,00%	4,69	103,6%

Distribution of the Pool of Portfolio Mortgage Loans by Loan Size

	Number of loans	Net outstanding	% of pool	WAC	WA LtFV
loan size <= 50,000	243	€ 8.940.797,15	1,08%	4,73	26,8%
50,000 < loan size <= 100,000	672	€ 52.582.149,57	6,37%	4,66	55,4%
100,000 < loan size <= 150,000	862	€ 109.017.875,46	13,21%	4,67	86,1%
150,000 < loan size <= 200,000	775	€ 135.535.142,06	16,42%	4,67	99,3%
200,000 < loan size <= 250,000	531	€ 119.741.851,24	14,50%	4,67	106,0%
250,000 < loan size <= 300,000	278	€ 76.521.180,34	9,27%	4,70	110,1%
300,000 < loan size <= 400,000	369	€ 127.860.173,63	15,49%	4,73	116,5%
400,000 < loan size <= 500,000	137	€ 62.014.244,81	7,51%	4,76	122,2%
500,000 < loan size <= 750,000	148	€ 89.542.744,16	10,85%	4,73	121,3%
750,000 < loan size <= 1,000,000	39	€ 33.310.533,92	4,04%	4,61	115,7%
1,000,000 < loan size <= 2,000,000	8	€ 10.456.184,25	1,27%	4,43	117,9%
Grand Total	4.062	€ 825.522.877	100,00%	4,69	103,6%

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

	Number of loan parts	Net outstanding	% of pool	WAC	WA LtFV
0% < r <= 3.5%	99	€ 13.352.088,12	1,62%	3,02	108,8%
3.5% < r <= 3.75%	224	€ 23.304.347,45	2,82%	3,66	100,6%
3.75% < r <= 4%	968	€ 109.593.462,21	13,28%	3,90	99,4%
4% < r <= 4.25%	1.357	€ 99.065.450,14	12,00%	4,16	94,0%
4.25% < r <= 4.5%	1.318	€ 101.290.774,42	12,27%	4,40	98,9%
4.5% < r <= 4.75%	1.154	€ 102.888.654,88	12,46%	4,65	103,2%
4.75% < r <= 5%	1.559	€ 129.806.040,17	15,72%	4,91	102,5%
5% < r <= 5.25%	964	€ 82.442.197,31	9,99%	5,15	110,4%
5.25% < r <= 5.5%	749	€ 70.909.262,20	8,59%	5,41	112,6%
5.5% < r <= 5.75%	577	€ 52.974.512,26	6,42%	5,64	111,5%
5.75% < r	403	€ 39.896.087,43	4,83%	5,97	115,4%
Grand Total	9.372	€ 825.522.877	100,00%	4,69	103,6%

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

	Number of loan parts	Net outstanding	% of pool	WAC	WA LtFV
Annuity	358	€ 16.771.735,22	2,03%	4,55	110,6%
Interest only	6.502	€ 586.688.677,64	71,07%	4,60	99,6%
Linear	209	€ 8.125.550,34	0,98%	4,68	97,1%
Savings	1.435	€ 139.582.135,23	16,91%	5,16	116,2%
Life	868	€ 74.354.778,16	9,01%	4,52	110,7%
Grand Total	9.372	€ 825.522.877	100,00%	4,69	103,6%

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

	Number of loan parts	Net outstanding	% of pool	WAC	WA LtFV
1990 and before	48	€ 1.115.773	0,14%	4,60	46,9%
1991	10	€ 188.971	0,02%	5,02	41,9%
1992	19	€ 560.063	0,07%	5,09	61,9%
1993	36	€ 795.800	0,10%	5,33	54,0%
1994	34	€ 1.053.663	0,13%	5,11	59,6%
1995	38	€ 1.413.703	0,17%	4,67	65,6%
1996	102	€ 3.497.816	0,42%	4,85	64,4%
1997	111	€ 4.064.002	0,49%	5,04	65,7%
1998	146	€ 6.782.003	0,82%	4,90	70,3%
1999	229	€ 12.527.880	1,52%	4,69	68,6%
2000	155	€ 8.862.929	1,07%	4,63	78,7%
2001	169	€ 10.766.713	1,30%	4,47	88,0%
2002	217	€ 16.071.672	1,95%	4,78	91,6%
2003	338	€ 23.546.272	2,85%	4,69	87,0%
2004	610	€ 48.888.823	5,92%	4,53	92,0%
2005	900	€ 71.314.010	8,64%	4,29	100,4%
2006	947	€ 76.155.905	9,23%	4,27	99,6%
2007	402	€ 26.118.354	3,16%	4,87	98,2%
2008	774	€ 74.402.816	9,01%	5,28	109,6%
2009	1.603	€ 158.221.227	19,17%	4,90	108,8%
2010	1.549	€ 170.105.012	20,61%	4,61	112,7%
2011	935	€ 109.069.468	13,21%	4,67	109,2%
Grand Total	9.372	€ 825.522.877	100,00%	4,69	103,6%

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

	Number of loan parts	Net outstanding	% of pool	WAC	WA LtFV
months <= 6	308	€ 34.384.338,13	4,17%	4,83	110,2%
6 < months <= 12	875	€ 101.756.961,19	12,33%	4,57	108,7%
12 < months <= 18	784	€ 84.383.997,78	10,22%	4,53	114,8%
18 < months <= 24	809	€ 91.243.062,91	11,05%	4,74	109,7%
24 < months <= 30	896	€ 88.947.734,47	10,77%	4,91	110,3%
30 < months <= 36	576	€ 54.376.229,24	6,59%	5,24	107,5%
36 < months <= 42	461	€ 47.293.300,45	5,73%	5,21	112,3%
42 < months <= 48	233	€ 15.725.932,46	1,90%	4,95	97,8%
48 < months <= 54	175	€ 11.372.582,98	1,38%	5,00	98,0%
54 < months <= 60	222	€ 14.347.971,49	1,74%	4,58	96,1%
60 < months <= 66	423	€ 31.866.685,96	3,86%	4,45	101,9%
66 < months <= 72	667	€ 57.513.023,29	6,97%	4,02	100,4%
72 < months <= 78	443	€ 34.098.953,95	4,13%	4,44	101,8%
78 < months <= 84	340	€ 25.214.543,57	3,05%	4,46	92,2%
84 < months <= 90	343	€ 28.852.285,13	3,50%	4,52	95,3%
90 < months <= 96	270	€ 20.321.995,96	2,46%	4,61	87,4%
96 < months <= 102	169	€ 11.719.097,10	1,42%	4,71	88,4%
102 < months <= 108	107	€ 8.601.410,43	1,04%	4,66	90,9%
108 < months <= 114	101	€ 7.460.838,01	0,90%	4,76	93,9%
114 < months <= 120	94	€ 5.608.927,06	0,68%	4,85	78,2%
120 < months	1.076	€ 50.433.005,03	6,11%	4,72	73,1%
Grand Total	9.372	€ 825.522.877	100,00%	4,69	103,6%

*Geographical Distribution of the Pool of Portfolio Mortgage Loans*

	Number of loans	Net outstanding	% of pool	WAC	WA LtFV
Drenthe	182	€ 41.736.124,54	5,06%	4,56	101,0%
Flevoland	45	€ 11.374.259,89	1,38%	4,74	105,1%
Friesland	2.315	€ 356.138.488,91	43,14%	4,62	94,5%
Gelderland	154	€ 47.718.273,82	5,78%	4,96	118,5%
Groningen	497	€ 89.388.978,56	10,83%	4,62	101,6%
Limburg	44	€ 13.313.118,35	1,61%	4,85	119,5%
Noord Brabant	59	€ 19.498.603,70	2,36%	4,97	118,4%
Noord Holland	332	€ 113.428.577,77	13,74%	4,72	110,4%
Overijssel	119	€ 30.416.059,91	3,68%	4,49	109,0%
Utrecht	131	€ 44.045.075,40	5,34%	4,72	112,0%
Zeeland	9	€ 2.717.880,61	0,33%	4,97	122,5%
Zuid Holland	175	€ 55.747.435,13	6,75%	4,99	121,1%
Unknown	-	€ -	0,00%		
Grand Total	4.062	€ 825.522.877	100,00%	4,69	103,6%

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

	Number of loan parts	Net outstanding	% of pool	WAC	WA LtFV
2011	1.292	€ 119.737.937	14,50%	3,97	100,8%
2012	296	€ 16.993.466	2,06%	4,84	90,7%
2013	345	€ 22.218.987	2,69%	4,85	90,8%
2014	933	€ 66.352.592	8,04%	4,78	98,9%
2015	1.446	€ 123.238.882	14,93%	4,52	102,7%
2016	1.336	€ 114.212.031	13,84%	4,34	101,4%
2017	540	€ 33.294.959	4,03%	5,16	95,7%
2018	894	€ 75.027.853	9,09%	5,13	102,8%
2019	630	€ 69.992.875	8,48%	5,35	115,2%
2020	733	€ 78.818.981	9,55%	4,94	113,8%
2021	506	€ 62.290.552	7,55%	4,92	109,7%
2022	14	€ 1.179.705	0,14%	5,35	82,6%
2023	22	€ 1.346.479	0,16%	5,36	88,3%
2024	61	€ 6.668.439	0,81%	4,55	104,1%
2025	16	€ 1.291.292	0,16%	5,11	103,6%
2026	109	€ 10.937.067	1,32%	4,65	99,0%
2027	20	€ 1.687.095	0,20%	5,22	100,9%
2028	15	€ 2.094.560	0,25%	5,54	104,3%
2029	18	€ 2.797.345	0,34%	5,99	108,3%
2030	14	€ 1.816.908	0,22%	5,83	121,0%
2031	10	€ 1.453.269	0,18%	5,74	110,9%
2032	10	€ 990.598	0,12%	5,12	102,6%
2033	27	€ 2.541.312	0,31%	4,34	95,3%
2034	84	€ 8.399.693	1,02%	4,19	94,3%
2035	1	€ 140.000	0,02%	3,60	147,2%
occurred in the past	-	€ -	0,00%		
<b>Grand Total</b>	<b>9.372</b>	<b>€ 825.522.877</b>	<b>100,00%</b>	<b>4,69</b>	<b>103,6%</b>

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

	Number of loans	Net outstanding	% of pool	WAC	WA LtFV
Appartment	316	€ 66.877.260,45	8,10%	4,77	111,7%
Farm House	56	€ 16.451.869,97	1,99%	4,82	106,1%
New Builds	121	€ 32.084.449,85	3,89%	4,71	109,1%
Shop with Residential Element	-	€ -	0,00%		
Residential House	3.569	€ 710.109.296,32	86,02%	4,68	102,6%
<b>Grand Total</b>	<b>4.062</b>	<b>€ 825.522.876,59</b>	<b>100,00%</b>	<b>4,69</b>	<b>103,6%</b>

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

	Number of loans	Net outstanding	% of pool	WAC	WA LtFV
Fixed	7.631	€ 664.760.735	80,53%	4,85	104,7%
Floating	1.192	€ 113.547.513	13,75%	3,97	100,6%
Margin Plus	549	€ 47.214.628	5,72%	4,16	96,3%
<b>Grand Total</b>	<b>9.372</b>	<b>€ 825.522.877</b>	<b>100,00%</b>	<b>4,69</b>	<b>103,6%</b>

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

	Number of loans	Net outstanding	% of pool	WAC	WA LtFV
Employed - On payroll	2.990	€ 585.910.975	70,97%	4,70	105,0%
Self Employed Professional / Business Owner	570	€ 178.037.010	21,57%	4,69	109,7%
Employed - On payroll of co-owned business	10	€ 3.800.380	0,46%	4,31	101,9%
Retirees and early retirees	387	€ 46.257.311	5,60%	4,57	69,7%
On social benefits	105	€ 11.517.201	1,40%	4,58	78,4%
Student financing	-	€ -	0,00%		
Unknown	-	€ -	0,00%		
<b>Grand Total</b>	<b>4.062</b>	<b>€ 825.522.877</b>	<b>100,00%</b>	<b>4,69</b>	<b>103,6%</b>

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

	Number of loans	Net outstanding	% of pool	WAC	WA LtFV
income <= 10,000	-	€ -	0,00%		
10,000 < income <= 20,000	221	€ 16.533.216	2,00%	4,63	62,9%
20,000 < income <= 30,000	545	€ 57.198.487	6,93%	4,74	84,9%
30,000 < income <= 40,000	799	€ 106.569.874	12,91%	4,62	92,4%
40,000 < income <= 50,000	706	€ 114.473.813	13,87%	4,66	96,3%
50,000 < income <= 60,000	461	€ 87.775.226	10,63%	4,66	100,9%
60,000 < income <= 70,000	347	€ 75.495.643	9,15%	4,70	106,8%
70,000 < income <= 80,000	271	€ 74.410.741	9,01%	4,69	108,8%
80,000 < income <= 90,000	186	€ 57.661.956	6,98%	4,74	114,0%
90,000 < income <= 100,000	129	€ 45.221.770	5,48%	4,70	116,9%
100,000 < income <= 250,000	378	€ 176.464.028	21,38%	4,74	115,4%
250,000 < income	19	€ 13.718.124	1,66%	4,57	111,7%
No Income or Unknown	-	€ -	0,00%		
<b>Grand Total</b>	<b>4.062</b>	<b>€ 825.522.877</b>	<b>100,00%</b>	<b>4,69</b>	<b>103,6%</b>

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

	Number of loan parts	Net outstanding	% of pool	WAC	WA LtFV
NHG	1.487	€ 113.824.629	13,79%	4,59	115,3%
None	7.885	€ 711.698.247	86,21%	4,71	101,7%
<b>Grand Total</b>	<b>9.372</b>	<b>€ 825.522.877</b>	<b>100,00%</b>	<b>4,69</b>	<b>103,6%</b>

*Distribution of the Pool of Portfolio Mortgage Loans by arrears in days*

	Number of loans	Net outstanding	% of pool	WAC	WA LtFV
No arrears	4.062	€ 825.522.877	100,00%	4,69	103,6%
0 < days in arrears <= 30	-	€ -	0,00%		
30 < days in arrears <= 60	-	€ -	0,00%		
60 < days in arrears <= 90	-	€ -	0,00%		
90 < days in arrears <= 180	-	€ -	0,00%		
<b>Grand Total</b>	<b>4.062</b>	<b>€ 825.522.877</b>	<b>100,00%</b>	<b>4,69</b>	<b>103,6%</b>

*Distribution of the Pool of Portfolio Mortgage Loans by Current Net LTI*

	Number of loans	Net outstanding	% of pool	WAC	WA LtFV
LTI <= 2	558	€ 49.872.591	6,04%	4,71	63,1%
2 < LTI <= 3	688	€ 104.239.588	12,63%	4,71	87,4%
3 < LTI <= 4	1.081	€ 227.214.260	27,52%	4,71	103,6%
4 < LTI <= 5	1.094	€ 264.220.712	32,01%	4,72	113,0%
5 < LTI <= 6	399	€ 111.440.694	13,50%	4,65	113,4%
6 < LTI <= 8	167	€ 45.799.750	5,55%	4,56	105,5%
8 < LTI	75	€ 22.735.282	2,75%	4,45	105,7%
<b>Grand Total</b>	<b>4.062</b>	<b>€ 825.522.877</b>	<b>100,00%</b>	<b>4,69</b>	<b>103,6%</b>

*Distribution of the Pool of Portfolio Mortgage Loans by Current DSCR*

	Number of loans	Net outstanding	% of pool	WAC	WA LtFV
DSCR <= 10%	588	€ 57.810.361	7,00%	4,39	65,5%
10% < DSCR <= 20%	1.947	€ 377.975.627	45,79%	4,53	100,0%
20% < DSCR <= 30%	1.293	€ 324.350.780	39,29%	4,89	113,4%
30% < DSCR <= 40%	172	€ 48.102.773	5,83%	4,93	110,0%
40% < DSCR <= 50%	44	€ 12.511.521	1,52%	4,94	108,5%
50% < DSCR <= 60%	18	€ 4.771.814	0,58%	4,89	108,2%
<b>Grand Total</b>	<b>4.062</b>	<b>€ 825.522.877</b>	<b>100,00%</b>	<b>4,69</b>	<b>103,6%</b>

## MORTGAGE RECEIVABLES PURCHASE AGREEMENT

Under the Mortgage Receivables Purchase Agreement the Issuer will purchase and, on the Closing Date, accept from the Seller the assignment of the Mortgage Receivables by means of a registered deed of assignment as a result of which legal title to the Mortgage Receivables is transferred to the Issuer. It is a condition precedent of the Issuer for the purchase and acceptance of the assignment of the Mortgage Receivables that any Beneficiary Rights which are connected to the Mortgage Receivables and are to be applied towards redemption of the Mortgage Receivables, to the extent legally possible and required, are assigned to the Issuer together with such Mortgage Receivables. The Seller will agree to assign such Beneficiary Rights to the Issuer and the Issuer will agree to accept such assignment. The assignment of the Mortgage Receivables from the Seller to the Issuer will not be notified to the Borrowers, except upon the occurrence of special events as further described hereunder (**Notification Events**). Until such notification the Borrowers will only be entitled to validly pay (*bevrijdend betalen*) to the Seller. The Issuer will be entitled to all proceeds in respect of the Mortgage Receivables from (and including) the Cut-Off Date. Pursuant to the Mortgage Receivables Purchase Agreement, on each day of the calendar month or if this is not a business day the next succeeding business day the Seller (or a third party on its behalf) shall transfer all amounts of principal, interest, prepayment penalties and interest penalties received by the Seller in respect of the Mortgage Receivables on the day immediately preceding such day in respect of the Mortgage Receivables to the Issuer Collection Account.

### Purchase Price

The purchase price for the Mortgage Receivables shall consist of an initial purchase price (the **Initial Purchase Price**), being the aggregate Outstanding Principal Amount in respect of the Mortgage Receivables at the Cut-off Date, which shall be payable on the Closing Date (except for the part to be deposited on the Construction Account), and a deferred purchase price (the **Deferred Purchase Price**). The Deferred Purchase Price shall be equal to the sum of all Deferred Purchase Price Instalments and each instalment on any Quarterly Payment Date will be equal to (A) prior to delivery of an Enforcement Notice an amount equal to the positive difference, if any, between the Notes Interest Available Amount as calculated on the relevant Quarterly Calculation Date and the sum of all amounts payable by the Issuer as set forth in the Interest Priority of Payments under (a) up to and including (v) on such date and (B) following delivery of an Enforcement Notice, the amount remaining after all the payments as set forth in the Priority of Payments upon Enforcement under (a) up to and including (s) (see *Credit Structure* above) on such date have been made (each a **Deferred Purchase Price Instalment**). The **'Outstanding Principal Amount'** means, at any moment in time, (a) the principal balance (*hoofdsom*) of a Mortgage Receivable resulting from a Mortgage Loan at such time and (b) zero, after the occurrence of a Realised Loss in respect of such Mortgage Receivable.

### Construction Amount

Pursuant to the Mortgage Conditions, part of the Mortgage Loan may be withheld and applied towards construction of, or improvements to, the Mortgaged Asset (such amount to be referred to as the **'Construction Amounts'**). Such Construction Amount will only be paid to the Borrower in the event that certain conditions are met. The aggregate amount of the Construction Amounts as of the Cut-Off Date was EUR 6,565,741.29. The Issuer and the Seller will agree in the Mortgage Receivables Purchase Agreement that the Issuer will withhold from the Initial Purchase Price an amount equal to the aggregate Construction Amounts as of the Cut-Off Date. Such amounts will be deposited in the Construction Account. On each Quarterly Payment Date the Issuer will release from the Construction Account such part of the Initial Purchase Price which equals the difference between the aggregate Construction Amounts and the balance standing to the credit of the Construction Account and pay such amount to the Seller.

Pursuant to the Mortgage Conditions, Construction Amounts have to be paid out within a nine month period, which period may be extended once with another nine months. After such period, any remaining Construction Amounts will either (i) be paid out by the Seller to the relevant Borrower and consequently the remaining part of the Initial Purchase Price will be paid by the Issuer to the Seller or (ii) be set off against the Mortgage Loan, up to the amount of the Construction Amount, in which case the Issuer shall have no further obligation towards the Seller to pay the remaining part of the Initial Purchase Price with respect to such Mortgage Receivable and the Beneficiary Rights relating thereto and any amount equal to such part of the Initial Purchase Price will be debited from the Construction Account and will form part of the Notes Redemption Available Amount. If any of the events set forth in items (d) and (e) of the definition of the Notification Events has occurred, the Issuer will no longer be under the obligation to pay such remaining part of the Initial Purchase Price. The amount for which the Borrower can invoke set-off or defences may, depending on the circumstances, exceed the amount of the Construction Amount.

**Representations and warranties**

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

- (a) each of the Mortgage Receivables and the Beneficiary Rights is duly and validly existing and is not subject to annulment or dissolution as a result of circumstances which have occurred prior to or on the Closing Date;
- (b) it has full right and title ("*titel*") to the Mortgage Receivables and the Beneficiary Rights and power ("*is beschikkingsbevoegd*") to assign the Mortgage Receivables and the Beneficiary Rights and no restrictions on the sale and assignment of the Mortgage Receivables and the Beneficiary Rights are in effect and the Mortgage Receivables and the Beneficiary Rights are capable of being assigned or pledged;
- (c) the Mortgage Receivables and the Beneficiary Rights are free and clear of any encumbrances and attachments ("*beslagen*") and no option rights to acquire the Mortgage Receivables and the Beneficiary Rights relating thereto have been granted in favour of any third party with regard to the Mortgage Receivables and the Beneficiary Rights;
- (d) each Mortgage Receivable and Beneficiary Right is secured by a first ranking mortgage right ("*hypotheekrecht*") on a Mortgaged Asset used for a residential purpose in the Netherlands and is governed by Dutch law;
- (e) each of the Mortgage Loans was originated solely by the Seller and granted to a private individual only;
- (f) each Mortgaged Asset concerned was valued when application for the relevant Mortgage Loan was made (i) by an independent qualified valuer or surveyor, or (ii) in the case of Mortgage Loans of which the Outstanding Principal Amount did not exceed 90 per cent. of the fair market value of the residential property, by an authorised employee of the Seller or on the basis of an assessment by the Netherlands tax authorities pursuant to the Act on Valuation of Real Property ("*Wet Waardering Onroerende Zaken*"); valuations are not older than 6 months prior to the date of the mortgage loan application by the Borrower; in the case of Mortgage Loans secured by newly built properties no valuation is required, and no revaluation of the Mortgaged Assets has been made for the purpose of this transaction;
- (g) none of the Mortgage Loans originated after 2000 has been valued by an employee of the Seller;
- (h) each Mortgage Receivable, the Mortgage and Borrower Pledge, if any, constitute legal, valid, binding and enforceable obligations of the relevant Borrower vis-à-vis the Seller;
- (i) all Mortgages and Borrower Pledges (i) constitute valid mortgage rights ("*hypotheekrechten*") and rights of pledge ("*pandrechten*") respectively on the Mortgaged Assets and the assets which are the subject of the Borrower Pledges and, to the extent relating to the Mortgages, have been entered into the appropriate public register ("*Dienst van het Kadaster en de Openbare Registers*") and (ii) were vested for a principal sum which is at least equal to 135 per cent. of the Outstanding Principal Amount in respect of the relevant Mortgage Receivable upon origination;
- (j) each of the Mortgage Loans meets the Mortgage Loan Criteria as set forth below;
- (k) each Mortgaged Asset is legally owned by the Borrower and is not the subject of residential letting and was to be occupied by the relevant Borrower at the time of origination of the Mortgage Loan;
- (l) each of the Mortgage Loans will have been granted in accordance with all applicable legal

requirements, the Code of Conduct on Mortgage Loans ("*Gedragscode Hypothecaire Financieringen*") and the Seller's standard underwriting criteria and procedures prevailing at that time and these underwriting criteria and procedures are in the form as may be expected from a reasonably prudent lender of Dutch residential mortgages;

- (m) none of the Insurance Policies have been offered by the Seller;
- (n) as of April 1993 each of the Mortgage Loans has been granted, and each of the Mortgages and Borrower Pledges has been vested, subject to the general mortgage conditions ("*algemene voorwaarden voor hypotheken*"), general loan conditions ("*algemene voorwaarden voor geldleningen*"), the general pledge conditions ("*algemene voorwaarden van verpanding*") of Friesland Bank and the general banking conditions ("*algemene voorwaarden van de Nederlandse Vereniging van Banken*");
- (o) with respect to each Mortgage Loan secured by a mortgage right on a long lease ("*erfpacht*"), the maturity date of the relevant Mortgage Loan falls before the maturity date of the long lease;
- (p) each receivable under a mortgage loan ("*hypothecaire lening*") which is only secured by the same mortgage right is sold and assigned to the Issuer pursuant to the Mortgage Receivables Purchase Agreement;
- (q) each Mortgage Loan constitutes the entire mortgage loan granted to the relevant Borrower and not merely one or more loan parts ("*leningdelen*");
- (r) the Borrowers are not in any material breach of any provision of their Mortgage Loans on the Cut-Off Date;
- (s) the loan files relating to Mortgage Loans which are in electronic format, contain the same information and details with regard to the Mortgage Loans as the loan files relating to such Mortgage Loans which are kept in paper format;
- (t) on the Cut-Off Date, no amounts due and payable under any of the Mortgage Receivables were in arrear;
- (u) with respect to each of the Mortgage Receivables secured by a mortgage right on a long lease ("*erfpacht*") provide that the relevant Outstanding Principal Amount, including interest, will become immediately due and payable if the long lease terminates as a result of a breach by the leaseholder, the leaseholder materially breaches or ceases to perform his payment obligation under the long lease (*canon*) or if the leaseholder in any other manner breaches the conditions of the long lease;
- (v) other than the aggregate Construction Amounts under construction mortgage loans ("*bouwhypotheken*"), all Mortgage Loans have been fully disbursed and no amounts are held in deposit with respect to the Mortgage Loans as premium and interest payments ("*rente- en premiedepot*") in excess of the Bank Savings Deposits and no further advances are required to be made under the Mortgage Loans;
- (w) the particulars of each Mortgage Receivable, as set forth in the Transaction Documents are correct and complete in all material respects;
- (x) it has accounted for and distinguished between all interest and principal payments relating to the Mortgage Loans;
- (y) it has not been notified and is not aware of anything affecting its title to the Mortgage Receivables;
- (z) the notarial mortgage deeds ("*minuut*") relating to the Mortgages are kept by a civil law notary in the

Netherlands, while the Seller keeps the Loan Files relating to the Mortgage Loans, which Loan Files include certified copies of the notarial mortgage deeds;

- (aa) it is a requirement for the granting of a Mortgage Loan that each of the Mortgaged Assets, on which a Mortgage has been vested to secure the Mortgage Receivable, had, at the time the Mortgage Loan was advanced, the benefit of buildings insurance ("*opstalverzekering*") for the full reinstatement value ("*herbouwwaarde*");
- (bb) under each of the Mortgage Receivables interest and, if applicable, principal due in respect of a period of at least one payment has been received by the Seller;
- (cc) each of the Life Mortgage Receivables has the benefit of a Life Insurance Policy and either (i) the Seller has been validly appointed as beneficiary ("*begunstigde*") under such Life Insurance Policy upon the terms of the relevant Life Mortgage Loan and the relevant Life Insurance Policy, which has been notified to the relevant Life Insurance Company, or (ii) the relevant Life Insurance Company is irrevocably authorised by the beneficiary to pay the insurance proceeds directly to the Seller in satisfaction of the relevant Mortgage Receivable;
- (dd) each of the Savings Mortgage Receivables has the benefit of a Savings Insurance Policy and either (i) the Seller has been validly appointed as beneficiary ("*begunstigde*") under such Savings Insurance Policy, upon the terms of the relevant Savings Mortgage Loan and the relevant Savings Insurance Policy, which appointment has been notified to the relevant Insurance Company, or (ii) the relevant Insurance Company is irrevocably authorised to apply the insurance proceeds in satisfaction of the relevant Savings Mortgage Receivable;
- (ee) with respect to each of the Life Mortgage Loans and Savings Mortgage Loans a Borrower Insurance Pledge has been entered into by the Seller and the relevant Borrower;
- (ff) the aggregate amount of Initial Participations was equal to an amount of euro 7,867,514.13 on the Cut-off Date;
- (gg) the aggregate amount of the Initial Bank Savings Participations was equal to an amount of euro 6,308,576.97 on the Cut-off Date;
- (hh) with respect to each of the Bank Savings Mortgage Receivables, the Seller has the benefit of the Borrower Bank Savings Deposit Pledge and such right of pledge has been notified to the Bank Savings Participant;
- (ii) all Bank Savings Accounts are held with the Bank Savings Participant;
- (jj) it has not been notified and is not aware that any of the Insurance Policies are not in full force and effect and the lapse of time will result in any event affecting such force and effectiveness;
- (kk) in the Mortgage Conditions no further drawings and/or further credits have been agreed or anticipated;
- (ll) the Mortgage Conditions do not allow a conversion of any Mortgage Loan into any other type of mortgage loan;
- (mm) the aggregate Outstanding Principal Amount of all Mortgage Loans on the Cut-Off Date is equal to the Initial Purchase Price;
- (nn) it can be determined in its administration without any uncertainty which Beneficiary Rights belong to which Mortgage Receivables;
- (oo) to Life Mortgage Loans (i) there is no connection, whether from a legal or a commercial point of view,

between the Life Mortgage Loan and the relevant Insurance Policy other than the relevant Borrower Insurance Pledge and the relevant Beneficiary Rights, (ii) the Life Mortgage Loans and the relevant Life Insurance Policies are not marketed as one product or under one name, (iii) the Borrowers are free to choose the Insurance Company subject to approval by the Seller (iv) the Insurance Company is not a group company ("*groepsmaatschappij*") (within the meaning of article 2:24b NCC) of the Seller;

- (pp) as at the Cut-Off Date the aggregate Construction Amounts did not exceed the amount of EUR 6,565,741.29;
- (qq) the mortgage deeds and the Mortgage Conditions in respect of the Loans do not contain any explicit provision on the issue whether any mortgage right or any rights of pledge follows the receivables upon its assignment or pledge;
- (rr) on the Cut-off Date, the Potential Set-Off Amount is equal to an amount of EUR 35,686,682.51 and the Potential Other Claims Indemnity Amount is equal to an amount of EUR 8,461,798;
- (ss) the aggregate Outstanding Principal Amount of all the Mortgage Receivables on the Cut-Off Date was equal to the Initial Purchase Price;
- (tt) with respect to Mortgage Receivables that have the benefit of a NHG Guarantee: (i) the NHG Guarantee is granted for the full amount of the Mortgage Loan (or the relevant loan part), (ii) each NHG Mortgage Loan (or the relevant loan part) has been originated in accordance with the NHG Underwriting Criteria, (iii) the maximum Outstanding Principal Amount Outstanding of each NHG Mortgage Loan (or the relevant loan part) did not, upon its origination and upon the Cut-off Date, exceed the maximum loan amount as stipulated by the NHG Underwriting Criteria at such time (iv) the NHG Guarantee was in compliance with all terms and conditions ("*voorwaarden en normen*") applicable to it at the time of origination of the Mortgage Loans (or the relevant loan parts) and (iii) the Seller has not done anything or omitted to do anything which could compromise the enforceability of its claim nor is the Seller aware of any reason why any claim under any NHG Guarantee granted by *Stichting Waarborgfonds Eigen Woningen* with respect to the Mortgage Loan (or the relevant loan part) should not be met in full and in a timely manner; and
- (uu) none of the Mortgage Loans relate to partially commercial properties.

#### **Mortgage Loan Criteria**

Each of the Mortgage Receivables and/or Borrowers will meet the following criteria (the **Mortgage Loan Criteria**):

- (i) the Mortgage Receivables have a fixed final maturity and are in the form of:
  - (a) interest-only mortgage loans ("*aflossingsvrije hypotheken*");
  - (b) linear mortgage loans ("*lineaire hypotheken*");
  - (c) annuity mortgage loans ("*annuïteitenhypotheken*");
  - (d) savings mortgage loans ("*spaarhypotheken*");
  - (e) life mortgage loans ("*levenhypotheken*"); or
  - (f) bank savings mortgage loans ("*bankspaarhypotheken*");
- (ii) the Borrower is not an employee of the Seller or of any company belonging to the same group of companies as the Seller;
- (iii) all Borrowers are natural persons residing in the Netherlands;
- (iv) the interest rate of each Mortgage Loan is floating or fixed, subject to a reset from time to time;
- (v) each Mortgaged Asset is legally owned by the Borrower and is not the subject of residential letting and was to be occupied by the relevant Borrower at the time of origination of the Mortgage Loan;

- (vi) interest payments and, to the extent applicable, principal payments with respect to each Mortgage Loan are scheduled to be made monthly, quarterly, semi-annual or annual;
- (vii) the Outstanding Principal Amount of all Mortgage Loans secured on the same Mortgaged Asset together on the Cut-Off Date, does not exceed 112.5 per cent. of the fair market value of the Mortgaged Asset upon origination of the Mortgage Loan;
- (viii) each Mortgage Loan is secured by a first ranking mortgage right;
- (ix) the Mortgaged Asset is located in the Netherlands;
- (x) the legal final maturity of each Mortgage Loan does not extend beyond July 2041;
- (xi) in respect of each Mortgage Loan at least one (interest) payment has been received prior to the Closing Date;
- (xii) each Mortgage Loan, or all Mortgage Loans secured on the same Mortgaged Asset together, has an Outstanding Principal Amount of not more than euro 2,000,000;
- (xiii) where compulsory under the acceptance conditions used by the Seller, each Mortgage Loan has a Life Insurance Policy attached to it;
- (xiv) on the Cut-Off Date, none of the Borrowers had an aggregate unauthorised overdraft on all accounts held with the Seller exceeding euro 500 for more than one calendar month;
- (xv) other than the aggregate Construction Amounts, under construction mortgage loans ("*bouwhypotheken*") all Mortgage Loans are fully disbursed;
- (xvi) each Mortgage Loan is neither for the purpose of renovation nor for equity release;
- (xvii) each Mortgaged Asset is neither a houseboat, multifamily property nor a purely commercial property; and
- (xviii) each Mortgage Loan is denominated in euros.

### **Repurchase**

If at any time after the Closing Date any of the representations and warranties relating to a Mortgage Loan or a Mortgage Receivable and the Beneficiary Rights relating thereto proves to have been untrue or incorrect, the Seller shall within 14 days of having knowledge of such breach or of receipt of written notice thereof from the Issuer remedy the matter giving rise thereto and if such matter is not capable of being remedied or is not remedied within the said period of 14 days, the Seller shall as soon as possible, but in any event on the next succeeding Mortgage Payment Date repurchase and accept reassignment of such Mortgage Receivable.

If the Seller agrees with a Borrower to make a further advance or a new mortgage loan which is only secured by the Mortgage which also secures a Mortgage Loan, it shall repurchase and accept reassignment of the Mortgage Receivable on the terms and conditions set forth above on the Mortgage Payment Date immediately succeeding such event.

The Seller shall also undertake to repurchase and accept reassignment of a Mortgage Receivable if the Seller agrees with a Borrower to amend the terms of the Mortgage Loan or any of the Mortgage Conditions of a Mortgage Loan in such a way that as a result thereof such Mortgage Loan would no longer comply with the Mortgage Loan Criteria or the representations and warranties in respect of the Mortgage Receivables would not be true and correct if given on the date of such amendment, provided that if such amendment is made as part of the enforcement procedures to be complied with upon a default by the Borrower under the relevant Mortgage Loan due to a deterioration of the credit quality of the Borrower of such Mortgage Loan, the Seller shall not repurchase the relevant Mortgage Receivable.

If any loan part of a Mortgage Loan which had the benefit from a NHG Guarantee on the Cut-Off Date no longer has the benefit of the NHG Guarantee as a result of action taken or omitted to be taken by the Seller or the Pool Servicer, the Seller shall also repurchase and accept re-assignment of the Mortgage Receivable resulting from

such Mortgage Loan and the Beneficiary Rights relating thereto on the Mortgage Payment Date immediately following the date on which the Seller or the Pool Servicer has become aware or has been notified hereof.

The Seller shall undertake to repurchase and accept reassignment of a Mortgage Receivable on the Mortgage Payment Date immediately following the date on which the Seller agrees with the Borrower to switch any type of Mortgage Loan into (part of) any other type of Mortgage Loan.

All Mortgage Receivables to be repurchased by the Seller shall be repurchased for a price equal to the then Outstanding Principal Amount, together with interest accrued up to but excluding such Mortgage Payment Date and reasonable costs relating thereto (including any costs incurred by the Issuer in effecting and completing such repurchase and reassignment). In case of a repurchase by the Seller of Mortgage Receivables, the Issuer shall also reassign and the Seller shall accept the reassignment of the Beneficiary Rights relating to such Mortgage Receivables.

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

On each Quarterly Payment Date the Seller may (but is not obliged to) exercise the Clean-Up Call Option, provided that the Class A Principal Deficiency Ledger has no balance on such Quarterly Payment Date. The Issuer will undertake in the Mortgage Receivables Purchase Agreement to sell and assign the Mortgage Receivables to the Seller or any third party appointed by the Seller in its sole discretion, in case of the exercise of the Clean-Up Call Option. The purchase price of such Mortgage Receivables will be calculated in the same manner as described in *Sale of Mortgage Receivables* in *Credit Structure* above, as a result of which the proceeds of such sale will be sufficient to redeem the Senior Class A Notes in full and the Mortgage-Backed Notes, except for the Senior Class A Notes, subject to and in accordance with Condition 9(b).

#### **Regulatory Call Option**

On each Quarterly Payment Date the Seller has the option to repurchase the Mortgage Receivables upon the occurrence of a Regulatory Change, provided that the Class A Principal Deficiency Ledger has no balance on such Quarterly Payment Date. A **'Regulatory Change'** will be a change published on or after the Closing Date in the Basel Capital Accord promulgated by the Basel Committee on Banking Supervision (the **'Basel Accord'**), Basel II and Basel III and the European Parliament legislative resolution of 22 April 2009 on the amended proposal for a directive of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (the **'Solvency II Framework Directive'**) or in the international, European or Dutch regulations, rules and instructions (which includes rules on solvency requirements) (the **'Bank Regulations'**) applicable to the Seller (including any change in the Bank Regulations enacted for purposes of implementing a change to the Basel Accord) or a change in the manner in which the Basel Accord, Basel II, Basel III, the Solvency II Framework Directive or such Bank Regulations are interpreted or applied by the Basel Committee on Banking Supervision or by any relevant competent international, European or national body (including any relevant international, European or Dutch Central Bank or other competent regulatory or supervisory authority) which, in the reasonable opinion of the Seller, has the effect of materially adversely affecting the rate of return on capital of the Seller or increasing materially the cost or reducing materially the benefit to the Seller with respect to the transaction contemplated by the Notes or (ii) a change in the rules set by the European Central Bank as a result of which the Senior Class A Notes no longer qualify as collateral for the Eurosystem.

If the Regulatory Call Option is exercised, the Seller or any third party appointed by the Seller (in its sole discretion) shall repurchase and accept re-assignment of the Mortgage Receivables. The purchase price of such Mortgage Receivables will be calculated in the same manner as described in *Sale of Mortgage Receivables* in *Credit Structure* above, as a result of which the proceeds of such sale will be sufficient to redeem the Senior Class A Notes in full and the Mortgage-Backed Notes, except for the Senior Class A Notes, subject to and in accordance with Condition 9(b).

#### **Optional Redemption**

If the Issuer exercises its right to redeem the Mortgage-Backed Notes on any Optional Redemption Date in accordance with Condition 6(d), it has the right to sell the Mortgage Receivables. The Issuer shall first offer such Mortgage Receivables for sale to the Seller. The Seller shall within a period of 14 business days inform the Issuer whether it wishes to repurchase the Mortgage Receivables. After such 14 business days period, the Issuer may offer such Mortgage Receivables for sale to any third party. The purchase price of such Mortgage Receivables will be calculated in the same manner as described in *Sale of Mortgage Receivables* in *Credit Structure* above.

### Redemption for tax reasons

If the Issuer exercises its option to redeem the Mortgage-Backed Notes for tax reasons in accordance with Condition 6(e), the Issuer has undertaken in the Mortgage Receivables Purchase Agreement to first offer the Mortgage Receivables for sale to the Seller. The Seller shall within a period of 14 business days inform the Issuer whether it wishes to repurchase the Mortgage Receivables. After such 14 business day period, the Issuer may offer the Mortgage Receivables to any third party.

The purchase price of such Mortgage Receivables will be calculated in the same manner as described in *Sale of Mortgage Receivables* in *Credit Structure* above.

### Notification Events

If, *inter alia*, any of the following events occurs (each a 'Notification Event'):

- (a) a default is made by the Seller in the payment on the due date of any amount due and payable by the Seller under the Mortgage Receivables Purchase Agreement or under any Relevant Document to which it is a party and such failure is not remedied within ten (10) business days after having knowledge of such failure or notice thereof has been given by the Issuer or the Security Trustee to the Seller; or
- (b) the Seller fails duly to perform or comply with any of its obligations under the Mortgage Receivables Purchase Agreement or under any Relevant Document to which it is a party and, if such failure is capable of being remedied, such failure is not remedied within ten (10) business days after having knowledge of such failure or notice thereof has been given by the Issuer or the Security Trustee to the Seller; or
- (c) any representation, warranty or statement made or deemed to be made by the Seller in the Mortgage Receivables Purchase Agreement, other than those relating to the Mortgage Loans and the Mortgage Receivables and the Beneficiary Rights relating thereto, or under any of the Relevant Documents to which the Seller is a party or in any notice or other document, certificate or statement delivered by it pursuant thereto proves to have been, and continues to be after the expiration of any applicable grace period, untrue or incorrect in any material respect; or
- (d) the Seller takes any corporate action or other steps are taken or legal proceedings are started or threatened against it for its dissolution ("*ontbinding*") and liquidation ("*vereffening*") or legal demerger ("*juridische splitsing*") involving a substantial part of its assets or its being converted in a foreign entity or its assets are placed under administration ("*onder bewind gesteld*"); or
- (e) the Seller has taken any corporate action or any steps have been taken or legal proceedings have been instituted or threatened against it for the Seller becoming subject to emergency regulations as referred to in article 3:160 of the Act on Financial Supervision or for bankruptcy, as referred to in the Bankruptcy Act ("*Faillissementswet*") or for any analogous insolvency proceedings under applicable law or for the appointment of a receiver or a similar officer of it or of any or all of its assets; or
- (f) at any time it becomes unlawful for the Seller to perform all or a material part of its obligations under any of the Relevant Documents; or
- (g) the Seller during a period of any two consecutive months fails to have a solvency ratio equal to or greater than the percentage as required by Chapter 10 of the Decree on prudential supervision amended from time to time (*Besluit prudentiële regels*) or, pursuant to Chapter 11 of the *Besluit prudentiële regels* fails to have a liquidity ratio equal to greater than the required liquidity under the broad liquidity test, as defined in such Chapter 11 of the *Besluit prudentiële regels*; or
- (h) The Seller has given materially incorrect information or not given material information which was essential for the Issuer and the Security Trustee in connection with the entering into the Mortgage Receivables Purchase Agreement and/or any of the Relevant Documents; or
- (i) the credit rating of the Seller's long-term unsecured, unsubordinated and unguaranteed debt obligations falls below Baa2 by Moody's or any such rating is withdrawn; or
- (j) the credit rating of the Seller's long-term issuer default rating falls below BBB- by Fitch or any such rating is withdrawn; or

(k) a Trustee Notification Event occurs;

then the Seller, unless an appropriate remedy to the satisfaction of the Security Trustee is found and the Security Trustee has notified the Rating Agencies of such event and the Security Trustee, in its reasonable opinion, does not expect that the then current ratings assigned to the Mortgage-Backed Notes will be adversely affected as a result thereof, the Seller shall forthwith notify the relevant Borrowers, the Life Insurance Companies, the Savings Insurance Participant and any other relevant parties indicated by the Issuer and/or the Security Trustee of the assignment of the Mortgage Receivables and the Beneficiary Rights relating thereto to the Issuer and, if required, the relevant bank account number to which the relevant Borrowers should make their payments under the Mortgage Receivables or, at its option, the Issuer shall be entitled to make such notifications itself.

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

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

The Mortgage Receivables Purchase Agreement will provide that if a Borrower invokes a right of set-off for amounts due to it by the Seller against the relevant Mortgage Receivable and, as a consequence thereof, the Issuer and/or Security Trustee does not receive on any day of the calendar month or if this is not a business day, the next succeeding business day, the amount which it is entitled to receive in respect of such Mortgage Receivable, the Seller will pay to the Issuer and/or Security Trustee on the immediately preceding business day 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 and/or Security Trustee in respect of such Mortgage Receivable. To ascertain that such amounts are available to the Issuer at any time, the Issuer will enter into the Potential Set-Off Reserve Subordinated Loan with the Seller and the Security Trustee and deposit any drawing under the Potential Set-Off Reserve Subordinated Loan from time to time in the Potential Set-Off Reserve Account. The Issuer shall, on any Quarterly Payment Date, have the right to make drawings from the Potential Set-Off Reserve Account if and to the extent the Issuer has, as a result of the fact that a Borrower has invoked a right of set-off for amounts due by the Seller to it and the Seller has not reimbursed the Issuer for such amount, on the relevant Quarterly Payment Date not received the full amount due but unpaid in respect of any Mortgage Receivable(s) (see also *Credit Structure* above).

#### **Jointly-held Security Interests**

In the Mortgage Receivables Purchase Agreement the Seller, the Issuer and/or the Security Trustee (as applicable) will agree that the Issuer and/or the Security Trustee (as applicable) will manage and administer any jointly-held Security Interests. Furthermore, the Seller, the Issuer and/or the Security Trustee (as applicable) will agree that, in case of foreclosure the share ("*aandeel*") in each jointly-held security interest of the Security Trustee and/or the Issuer will be equal to the Outstanding Principal Amount in respect of the Mortgage Receivables, increased with interest and costs, if any, and the share of the Seller will be equal to the Net Proceeds less the Outstanding Principal Amount in respect of the Mortgage Receivables, increased with interest and costs, if any. Moreover, it will be agreed in the Mortgage Receivables Purchase Agreement that in case of a breach by the Seller of its obligations under these agreements or if any of such agreement is dissolved, void, nullified or ineffective for any reason in respect of the Seller, the Seller shall compensate the Issuer and/or the Security Trustee (as applicable) for any and all loss, cost, claim, damage and expense whatsoever which the Issuer and/or the Security Trustee (as applicable) incurs as a result thereof during any Mortgage Calculation Period. Such compensation will be paid by the Seller as soon as possible, but in any event ultimately on the Mortgage Payment Date immediately succeeding such Quarterly Calculation Period. To ascertain that such amounts are available to the Issuer at any time, the Issuer will enter into the Potential Set-Off Reserve Subordinated Loan with the Seller and the Security Trustee and deposit any drawing under the Potential Set-Off Reserve Subordinated Loan from time to time in the Potential Set-Off Reserve Account. The Issuer shall, on any Quarterly Payment Date, have the right to make drawings from the Potential Set-Off Reserve Account if and to

the extent the Issuer has not received such compensation. To further secure the obligations of the Seller under this arrangement, the Seller shall have an obligation to pledge, upon the occurrence of a Notification Event, the Other Claims in favour of the Issuer and the Security Trustee respectively. Such pledge (if vested) will secure the claim of the Issuer and/or the Security Trustee on the Seller created for this purpose equal to the share of the Seller in the foreclosure proceeds in relation to a defaulted Borrower which claim becomes due and payable upon a default of the relevant Borrower (see also *Risk Factors*).

## SERVICING AND ADMINISTRATION AGREEMENT

### Services

In the Servicing and Administration Agreement, the Pool Servicer will agree to provide (i) administration and management services to the Issuer on a day-to-day basis in relation to the Mortgage Receivables, including, without limitation, the collection and recording of payments of principal, interest and other amounts in respect of the Mortgage Receivables, the direction of amounts received by the Seller to the Issuer Collection Account and the production of quarterly reports in relation thereto, (ii) prepare and provide the Issuer Administrator with certain statistical information regarding the Issuer as required by law for submission to the relevant governmental authorities, (iii) provide information on the Participations in the Savings Mortgage Receivables and the Bank Savings Mortgage Receivables and the Potential Set-Off Reserve Subordinated Loan Agreement and (iv) the implementation of arrears procedures including the enforcement of Security Interests in respect of any Mortgage Receivables (see further *Friesland Bank Residential Mortgage Business* above). The Issuer Administrator will agree (x) to provide certain administration, calculation and cash management services to the Issuer, including (a) drawings (if any) to be made by the Issuer under the Liquidity Facility Agreement and from the Reserve Account and under the Potential Set-Off Reserve Subordination Loan Agreement and from the Potential Set-Off Reserve Account, (b) all payments to be made by the Issuer under the Swap Agreement and under the other Relevant Documents, (c) all payments to be made by the Issuer under the Notes in accordance with the Paying Agency Agreement and the Conditions, (d) the maintaining of all required ledgers in connection with the above, (e) all calculations to be made pursuant to the Conditions under the Notes and (f) preparing quarterly investor reports and (g) to submit certain statistical information regarding the Issuer as referred to above to certain governmental authorities if and when requested. The Issuer Administrator will also provide the Swap Counterparty with all information necessary in order to perform its role as calculation agent under the Swap Agreement.

The Issuer 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 Pool Servicer for each Quarterly Calculation Period. In case the Issuer Administrator does not receive a Mortgage Report from the Pool Servicer with respect to a Quarterly Calculation Period, then the Issuer and the Issuer Administrator on its behalf may use the three most recent Mortgage Reports for the purposes of the calculation of the amounts available to the Issuer to make payments, as further set out in the Servicing and Administration Agreement. When the Issuer Administrator receives the Mortgage Reports relating to the Quarterly Calculation Period for which such calculations have been made, it will make reconciliation calculations and reconciliation payments by drawing amounts from the Reconciliation Ledger as set out in the Servicing and Administration Agreement. Any (i) calculations properly done on the basis of such estimates in accordance with the Servicing and Administration Agreement, (ii) payments made and not made under any of the Notes and Relevant 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 Servicing and Administration Agreement, shall be deemed to be done, made or not made in accordance with the provisions of the Relevant Documents and will in itself not lead to an Event of Default or any other default under any of the Relevant Documents or breach of any triggers included therein (including but not limited to Notification Events or Trustee Notification Events).

The Pool Servicer, which as a licensed bank holds a licence under the Act on Financial Supervision ("*Wet op het Financieel Toezicht*") by operation of law, will be obliged to administer the Mortgage Receivables and the Mortgage Receivables at the same level of skill, care and diligence as it administers loans in its own portfolio.

### Termination

The appointment of the Pool Servicer and/or the Issuer Administrator under the Servicing and 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 Pool Servicer and/or the Issuer Administrator in the payment on the due date of any payment due and payable by it under the Servicing and Administration Agreement or (b) a default by the Pool Servicer and/or the Issuer Administrator in the performance or observance of any of its other covenants and obligations under the Servicing and Administration Agreement or (c) the Pool Servicer and/or 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 emergency regulations ("*noodregeling*") as referred to in article 3:160 of the Act on Financial Supervision (only in respect of the Pool Servicer) or suspension of payments in respect of the Issuer Administrator or for any analogous insolvency proceedings under any applicable law or for bankruptcy or for the appointment of a receiver or a similar officer of its or any or all of its

assets or (d) only in respect of the Pool Servicer, the Pool Servicer no longer holds a licence as intermediary ("*bemiddelaar*") or offeror ("*aanbieder*") under the Act on Financial Supervision (the **Termination Events**).

After termination of the appointment of the Pool Servicer and/or the Issuer Administrator under the Issuer Servicing and Administration Agreement, the Security Trustee and the Issuer shall use their best efforts to appoint a substitute pool servicer and/or issuer administrator and such substitute pool servicer and/or issuer administrator shall enter into an agreement with the Issuer and the Security Trustee substantially on the terms of the Servicing and Administration Agreement, provided that such substitute pool servicer and/or issuer administrator shall have the benefit of a fee at a level to be then determined. Any such substitute pool servicer is obliged to (i) have experience of administering loans such as the Mortgage Receivables to borrowers such as the Borrowers and in the Netherlands and (ii) hold a licence under the Act of Financial Supervision. The Issuer shall, promptly following the execution of such agreement, pledge its interest in such agreement in favour of the Security Trustee on materially the same terms of the Trustee Assets Pledge Agreement, *mutatis mutandis*, to the satisfaction of the Security Trustee. On the Closing Date, the Security Trustee, the Issuer and the Issuer Administrator shall enter into a back-up servicing letter with each of Quion Hypotheekbegeleiding B.V. and Quion Services B.V. and shall appoint each of Quion Hypotheekbegeleiding B.V. and Quion Services B.V. to act as the back-up pool servicer (the **Back-up Pool Servicer**). In the letter, the Back-up Pool Servicer has undertaken to replace Friesland Bank as the Pool Servicer and to become the pool servicer and provide the pool services by way of contract transfer ("*contractsovername*") of all rights and obligations of Friesland Bank in its capacity as the Pool Servicer under the Servicing and Administration Agreement after the Back-up Pool Servicer has received written notice from the Security Trustee or the Issuer that a Termination Event in respect of the Pool Servicer has occurred, provided that the conditions as set forth in such letter have been met at such time.

The appointment of the Pool Servicer and/or the Issuer Administrator under the Servicing and Administration Agreement may be terminated by the Pool Servicer and/or the Issuer Administrator and/or the Issuer and/or the Security Trustee upon the expiry of not less than 12 months' notice of termination given by the Pool Servicer and/or 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 and (b) a substitute pool servicer and/or issuer administrator shall be appointed, such appointment to be effective not later than the date of termination of the Servicing and Administration Agreement and the Pool Servicer and/or the Issuer Administrator shall not be released from its (their) obligations under the Servicing and Administration Agreement until such substitute pool servicer and/or issuer administrator has entered into such new agreement.

## SUB-PARTICIPATION AGREEMENTS

### Savings Insurance Sub-Participation Agreement

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

### Savings Insurance Participation

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

- (i) on the Closing Date in respect of each Savings Mortgage Receivable, an amount equal to Savings Premium in respect of the Savings Insurance Policies received by the Savings Insurance Participant increased by  $(IR/12) \times S$  for each month on a capitalised basis from the month of first payment of Savings Premium by the relevant Borrower up to (but excluding) the Cut-Off Date, being the amount of euro 7,867,514.13, whereby,

IR=the interest rate on such Savings Mortgage Receivable;

S =the Savings Premium; (the **'Savings Insurance Initial Participation'**); and

- (ii) on each Mortgage Payment Date, an amount equal to the amount received by the Savings Insurance Participant as Savings Premium during the immediately preceding Mortgage Calculation Period in respect of the relevant Savings Insurance Policies,

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

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

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

S = the amount received by the Issuer from the Savings Insurance Participant in such month in respect of the relevant Savings Mortgage Receivable pursuant to the Savings Insurance Sub-Participation Agreement;

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

In consideration for the undertaking of the Savings Insurance Participant described above, the Issuer will undertake to pay the Savings Insurance Participant on each Mortgage Payment Date in respect of each of the Savings Mortgage Receivables in respect of which amounts have been received during the relevant Mortgage Calculation Period up to the relevant Savings Insurance Participation (i) all amounts received by means of repayment and prepayment in full under the relevant Savings Mortgage Receivables from any person, whether by set-off or otherwise, but, for the avoidance of doubt, excluding any prepayment penalties and interest penalties and partial prepayments, (ii) all amounts received in connection with a repurchase of any Savings Mortgage Receivables pursuant to the Mortgage Receivables Purchase Agreement to the extent such amounts relate to principal, (iii) all amounts received in connection with a sale of Savings Mortgage Receivables pursuant to the Trust Deed and to the extent such amounts relate to principal and (iv) all amounts received as Net Proceeds on any Savings Mortgage Receivables to the extent such amounts relate to principal (together, the **"Savings Insurance Participation Redemption Available Amount"**) which amount will never exceed the amount of the Savings Insurance Participation. In case of a switch of the Savings Insurance Policy into a Life Insurance Policy or to switch of the relevant Life Insurance Policy into a Savings Insurance Policy, as the case may be, the Seller will repurchase and reassign the relevant Savings Mortgage Receivable. The Savings Insurance Participation will be reduced with the Savings Insurance Participation Redemption Available Amount in respect of the relevant Savings Mortgage Receivable.

### Bank Savings Sub-Participation Agreement

Under the Bank Savings Sub-Participation Agreement entered into between the Issuer, the Bank Savings Participant and the Security Trustee, the Issuer grants the Bank Savings Participant a sub-participation in the Bank Savings Mortgage Receivables.

### **Bank Savings Participation**

In a Bank Savings Sub-Participation Agreement the Bank Savings Participant will undertake to pay to the Issuer:

- (i) on the Closing Date an amount equal to the sum of the Monthly Bank Savings Deposit Instalments received by the Bank Savings Participation with accrued interest up to the first day of the Cut-off Date (the **'Initial Bank Savings Participation'** and together with the Initial Savings Insurance Participation, the **'Initial Participation'**) in relation to each of the Bank Savings Mortgage Receivables; and
- (ii) on each Mortgage Payment Date an amount equal to the amount received by the Bank Savings Participant as Monthly Bank Savings Deposit Instalment during the immediately preceding Mortgage Calculation Period in respect of the relevant Bank Savings Mortgage Receivable,

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

If and when such payment has been made, as a consequence of such payments the Bank Savings Participant will acquire a participation (the **'Bank Savings Participation'** and together with the Savings Insurance Participation, the **'Participation'**) in each of the relevant Bank Savings Mortgage Receivables, which is equal to the Initial Bank Savings Participation in respect of the relevant Bank Savings Mortgage Receivables increased during each Mortgage Calculation Period on the basis of the following formula (the **'Bank Savings Participation Increase'** and together with the Savings Insurance Participation Increase, the **'Participation Increase'**):

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

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

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

In consideration for the undertakings of the Bank Savings Participant described above, the Issuer will undertake to pay to the Bank Savings Participant on each Mortgage Payment Date an amount equal to the Bank Savings Participation in each of the Bank Savings Mortgage Receivables in respect of which amounts have been received during the relevant Mortgage Calculation Period (i) by means of repayment and prepayment in full under the relevant Bank Savings Mortgage Receivable from any person, whether by set-off or otherwise, but, for the avoidance of doubt, excluding any prepayment penalties and interest penalties and partial prepayments, if any, (ii) in connection with the repurchase of a Bank Savings Mortgage Receivable and any other amounts received pursuant to the Mortgage Receivables Purchase Agreement to the extent such amounts relate to principal, (iii) in connection with the sale of a Bank Savings Mortgage Receivable pursuant to the Trust Deed to the extent such amounts relate to principal and (iv) as Net Proceeds on any Bank Savings Mortgage Receivable to the extent such amounts relate to principal (the **'Bank Savings Participation Redemption Available Amount'** and together with the Savings Insurance Participation Redemption Available Amount, the **'Participation Redemption Available Amount'**) which amount will never exceed the amount of the Bank Savings Participation. In case of a switch of the Bank Savings Mortgage Loan into any other type of Mortgage Loan, or of any other type of Mortgage Loan into a Bank Savings Mortgage Loan, the Seller will repurchase and reassign the relevant Bank Savings Mortgage Receivable. The Bank Savings Participation will be reduced with the Bank Savings Participation Redemption Available Amount in respect of the relevant Bank Savings Mortgage Receivable.

### **Reduction of Participation**

If a Borrower invokes a defence, including, but not limited to, a right of set-off or counterclaim in respect of a Savings Mortgage Loan based upon a default in the performance, in whole or in part, by the Savings Insurance Participant or, for whatever reason, the Savings Insurance Participant does not pay the insurance proceeds when due and payable, whether in full or in part, in respect of the relevant Savings Insurance Policy and, as a consequence thereof, the Issuer has not received any amount which was in respect of such Savings Mortgage

Receivable outstanding prior to such event, the Savings Insurance Participation of the Savings Insurance Participant in respect of such Savings Mortgage Receivable will be reduced by an amount equal to the amount which the Issuer has failed to receive as a result of such defence or failure to repay accordingly.

If a Borrower invokes a defence, including, but not limited to, a right of set-off or counterclaim in respect of a Bank Savings Mortgage Receivable, if, for whatever reason, the Bank Savings Participant does not pay the amounts standing to the credit of the relevant Bank Savings Account when due and payable, whether in full or in part, under the relevant Bank Savings Mortgage Loan or if the Seller fails to pay any amount due by it to the Issuer in accordance with the Mortgage Receivables Purchase Agreement in respect of a Bank Savings Mortgage Receivable and, as a consequence thereof, the Issuer has not received any amount which was in respect of such Bank Saving Receivable outstanding prior to such event, the Bank Savings Receivable of the Bank Savings Participant will be reduced by an amount equal to the amount which the Issuer has failed to receive as a result of such defence or failure to repay accordingly.

#### **Enforcement Notice**

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

- (i) declare that the obligations of the Savings Insurance Participant under the Sub-Participation Agreement and/or the Bank Savings Participant under the Bank Savings Sub-Participation Agreement are terminated; and
- (ii) declare the Savings Insurance Participation in respect of each of the Savings Mortgage Receivables and/or the Bank Savings Participation in respect of the Bank Saving Receivables, as the case may be, to be immediately due and payable, whereupon it shall become so due and payable, but the resulting payment obligations shall be limited to the amounts received or collected by the Issuer or, in the event of enforcement, the Security Trustee under the Savings Mortgage Receivables and/or the Bank Savings Mortgage Receivables, as the case may be, and available for such purpose in accordance with the relevant Sub-Participation Agreement.

#### **Termination**

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

## THE ISSUER

Stichting Eleven Cities No. 8 (the **Issuer**) was established as a foundation ("*stichting*") under the laws of the Netherlands on 15 August 2011. The statutory seat ("*statutaire zetel*") of the Issuer is in Amsterdam, the Netherlands and its registered office is at Strawinskylaan 3105, 'Atrium' 7<sup>th</sup> Floor, 1077 ZX Amsterdam and its telephone number is +31 20 406 4444, its fax number is +31 20 406 4555, and its e-mail addresses are et.investorreporting@tmf-group.com (for portal access) and et.securitisation@tmf-group.com (for other matters). The Issuer is registered with the Commercial Register of the Chamber of Commerce of Amsterdam under number 53357361. For specific issues relating to the legal form of the Issuer, reference is made to the *Risk Factors*.

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

### Statement by managing director of the Issuer

Since its incorporation the Issuer operates under the laws of the Netherlands and there has been no material adverse change in the financial position or prospects of the Issuer and the Issuer has not (i) commenced operations, no profits and losses have been made or incurred and it has not declared or paid any dividends nor made any distributions, save for the activities related to its establishment and the securitisation transaction included in this Prospectus or (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 the Beneficiary Rights relating thereto and to enter into and perform its obligations under the Relevant Documents.

The sole managing director of the Issuer is TMF Netherlands B.V. TMF Netherlands B.V. is part of the TMF group. The managing directors of TMF Netherlands B.V. are J.C.W. van Burg, R.W. de Koning and J.R. Baron de Vos van Steenwijk. The managing directors of TMF Netherlands B.V., have chosen domicile at the office address of TMF Netherlands B.V., being Strawinskylaan 3105, 'Atrium', 7<sup>th</sup> Floor, 1077 ZX Amsterdam. The principal activities of TMF Netherlands B.V. are in line with its objects clause as set out below.

The objectives of TMF Netherlands B.V. are (a) to incorporate, to participate in, to manage, to supervise the management of businesses and companies, (b) to hold funds, stocks or other securities in trust, (c) to act as trustee and in that capacity hold in trust stocks, bonds and other stocks or securities, (d) to act as administrator, executor, trustee under Dutch or other law or as a third party, (e) to provide domicile for third parties and to provide office facilities, (f) all acts of management and administration for third parties and to represent the interests of third parties in the broadest sense, (g) to perform any and all activities that is connected therewith or may be conducive thereto, (h) to finance businesses and companies, enter into finance agreements and obligations for group-companies, to grant guarantees and to grant other securities for obligations from group-companies and (i) to do all that is connected therewith or may be conducive thereto, all to be interpreted in the broadest sense.

The managing director of the Issuer has entered into a management agreement with the Issuer. In this management agreement the managing director agrees and undertakes to, *inter alia*, (i) comply with its obligations under the Relevant Documents and as director of the Issuer comply with the Issuer's obligations under the Relevant Documents and (ii) refrain from taking any action detrimental to the obligations of the Issuer under any of the Relevant Documents or the then current ratings assigned to the Mortgage-Backed Notes. In addition the managing director agrees in the management agreement that it will not enter into any agreement in relation to the Issuer other than the Relevant Documents to which it is a party, without the prior written consent of the Security Trustee.

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

The financial year of the Issuer coincides with the calendar year, except for the first financial year which started on 15 August 2011 and ends on 31 December 2012.

### **Capitalisation**

The following table shows the capitalisation of the Issuer as of the Closing Date as adjusted to give effect to the issue of the Notes:

#### **Borrowings**

Senior Class A1 Notes	EUR 165,000,000
Senior Class A2 Notes	EUR 557,200,000
Mezzanine Class B Notes	EUR 24,800,000
Mezzanine Class C Notes	EUR 24,800,000
Mezzanine Class D Notes	EUR 16,500,000
Junior Class E Notes	EUR 37,200,000
Subordinated Class F Notes	EUR 12,400,000
Initial Bank Savings Participation	EUR 6,308,576.97
Initial Participation	EUR 7,867,514.13
Potential Set-Off Reserve Subordinated Loan	EUR 0

#### **Transparency Directive**

As a result of the implementation of the EU Directive 2004/109/EC of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market, the Issuer is subject to certain ongoing obligations pursuant to the laws and regulations of its home member state.

## **USE OF PROCEEDS**

The proceeds of the issue of the Mortgage-Backed Notes will be applied to pay part of the Initial Purchase Price for the Mortgage Receivables purchased under the Mortgage Receivables Purchase Agreement.

An amount of euro 6,565,741.29 of the Initial Purchase Price will be withheld by the Issuer and deposited on the Construction Account.

An amount of euro 7,867,514.13 will be received by the Issuer as consideration for the Savings Insurance Participation granted to the Savings Insurance Participant in the Savings Mortgage Receivables. The Issuer will apply this amount towards payment of part of the Initial Purchase Price.

Furthermore, an amount of euro 6,308,576.97 will be received by the Issuer as consideration for the Bank Savings Participation granted to the Bank Savings Participant in the Bank Savings Mortgage Receivables. The Issuer will apply this amount towards payment of the remaining part of the Initial Purchase Price.

The proceeds of the Subordinated Class F Notes will be credited to the Reserve Account. In addition, the Potential Set-Off Reserve Subordinated Loan will be credited to the Potential Set-Off Reserve Account.

## DESCRIPTION OF SECURITY

In the Parallel Debt Agreement the Issuer will irrevocably and unconditionally undertake to pay to the Security Trustee an amount equal to the aggregate amount due ("*verschuldigd*") by the Issuer (the **Parallel Debt**) (a) to the Noteholders under the Notes, (b) to the Directors under the Management Agreements, (c) to the Pool Servicer and the Issuer Administrator under the Servicing and Administration Agreement, (d) to the Paying Agent and the Reference Agent under the Paying Agency Agreement, (e) to the Liquidity Facility Provider under the Liquidity Facility Agreement, (f) to the Swap Counterparty under the Swap Agreement, (g) to the Seller under the Mortgage Receivables Purchase Agreement and the Potential Set-Off Reserve Subordinated Loan Agreement, (h) to the Savings Insurance Participant under the Savings Insurance Sub-Participation Agreement, (h) to the Bank Savings Participant under the Bank Savings Sub-Participation Agreement and (i) to the Floating Rate GIC Provider under the Floating Rate GIC (together the **'Secured Parties'**).

The Parallel Debt constitutes a separate and independent obligation of the Issuer and constitutes the Security Trustee's own separate and independent claim ("*eigen en zelfstandige vordering*") to receive payment of the Parallel Debt from the Issuer. Upon receipt by the Security Trustee of any amount in payment of the Parallel Debt, the payment obligations of the Issuer to the Secured Parties shall be reduced by an amount equal to the amount so received.

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

The amounts due to the Savings Insurance Participant or the Bank Savings Participant, as the case may be, consist of, *inter alia*, (a) amounts recovered by the Security Trustee on the relevant Savings Mortgage Receivables or the Bank Savings Mortgage Receivables, as the case may be, to which the Participations relate and (b) the *pro rata* part of the amounts received from any of the Secured Parties, as received or recovered by any of them pursuant to the Parallel Debt Agreement (by reference to the proportion the sum of the Participations bear to the aggregate Mortgage Receivables); less (y) any amounts already paid to such Savings Insurance Participant or Bank Savings Participant, as the case may be, by the Security Trustee pursuant to the Parallel Debt Agreement and (z) the *pro rata* part of the costs and expenses of the Security Trustee (including, for the avoidance of doubt, any costs of, *inter alia*, the Rating Agencies and any legal advisor, auditor or accountant appointed by the Security Trustee) (by reference to the proportion of the sum of the Participations bear to the Mortgage Receivables).

On the Closing Date, the Issuer will vest a right of pledge (the **'Trustee Receivables Pledge Agreement'**) in favour of the Security Trustee on the Mortgage Receivables and the Beneficiary Rights. The pledge on the Mortgage Receivables will not be notified to the Borrowers or the Insurancy Companies, except in case certain notification events occur, which are similar to the Notification Events but relating to the Issuer and which include the delivery of an Enforcement Notice (the **'Trustee Notification Events'**). Prior to notification of the pledge to the Borrowers, the pledge will be a 'silent' right of pledge ("*stil pandrecht*") within the meaning of section 3:239 of the Dutch Civil Code. The pledge on the Beneficiary Rights will also be a silent right of pledge ("*stil pandrecht*").

In addition, on the Closing Date, a right of pledge (the **'Trustee Assets Pledge Agreement'**, and together with the Trustee Receivables Pledge Agreement, the **'Pledge Agreements'**) will be vested by the Issuer in favour of

the Security Trustee on all rights of the Issuer (a) under or in connection with (i) the Mortgage Receivables Purchase Agreement, (ii) the Servicing and Administration Agreement, (iii) the Floating Rate GIC, (iv) the Swap Agreement, (v) the Liquidity Facility Agreement, (vi) the Savings Insurance Sub-Participation Agreement, (vii) the Back Savings Sub-Participation Agreement and (viii) the Potential Set-Off Reserve Subordinated Loan Agreement and (b) in respect of the Transaction Accounts. This right of pledge will be notified to the relevant obligors and will, therefore, be a disclosed right of pledge ("*openbaar pandrecht*"), but the Security Trustee will grant a power to collect to the Issuer which will be withdrawn upon the occurrence of any of the Trustee Notification Events.

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

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

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

## THE SECURITY TRUSTEE

Stichting Security Trustee Eleven Cities No. 8 (the '**Security Trustee**') is a foundation ("*stichting*") established under the laws of the Netherlands on 15 August 2011. The statutory seat of the Security Trustee is in Amsterdam and its registered office is at Claude Debussylaan 24, 1082 MD Amsterdam, the Netherlands.

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

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

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

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

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

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

However, the Noteholders can resolve to dismiss the director of the Security Trustee by an Extraordinary Resolution, on the basis of the Trust Deed and Clause 4.4 of the articles of incorporation of the Security Trustee. Moreover, each of the Director and the Security Trustee may terminate the appointment of the managing director of the Security Trustee upon giving 90 days' written notice. The director of the Security Trustee shall only resign from its position as director of the Security Trustee as soon as a suitable person, trust or administration office, reasonably acceptable to the Issuer, after having consulted the Secured Parties, other than the Noteholders, and provided that the Security Trustee has notified the Rating Agencies of such resignation and, in its reasonable opinion, does not expect that the then current ratings assigned to the Mortgage-Backed Notes will be adversely affected as a consequence thereof, has been contracted to act as and has agreed to replace the director of the Security Trustee.

The Security Trustee may, without the consent of the Noteholders and the other Secured Parties, agree to any modification of any of the provisions of the Relevant Documents which is of a formal, minor or technical nature or is made to correct a manifest error. In addition, the Security Trustee may, without the consent of the Noteholders and the other Secured Parties, (i) give its consent as provided for in the Relevant Documents or (ii) agree to any other modification (except if prohibited in the Relevant Documents) and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Relevant Documents which is in the opinion of

the Security Trustee not materially prejudicial to the interests of the Noteholders and the other Secured Parties (in which respect the Security Trustee may (without further inquiry) rely upon the consent in writing of the relevant Secured Party as to the absence of material prejudice to the interests of such Secured Party), provided that the Security Trustee (a) has not been informed by any Secured Party that such Secured Party will be materially prejudiced thereby (other than a Secured Party who has given its written consent as aforesaid), (b) has notified the Rating Agencies and (c) (i) has received a written confirmation from the relevant Rating Agency that the then current ratings assigned by it to the Mortgage-Backed Notes will not be adversely affected as a result of such event or matter or (ii) that by the 15th calendar day after the Rating Agency was notified of any such matter or event, such Rating Agency has not indicated (x) which conditions are to be met before it is in a position to give a written confirmation that the then current ratings assigned by it to the Mortgaged-Backed Notes will not be adversely affected as a result of such event or matter or (y) that the then current ratings assigned by it to any of the Mortgage-Backed Notes will be adversely affected; and in its reasonable opinion, does not expect that the then current ratings assigned to the Mortgage-Backed Notes by the Rating Agencies will be adversely affected by any such consent, modification, authorisation or waiver. See further *Terms and Conditions of the Notes*.

The sole director of the Security Trustee is ANT Securitisation Services B.V., having its registered office at Claude Debussylaan 24, 1082 MD Amsterdam, the Netherlands.

## THE SWAP COUNTERPARTY

The Royal Bank of Scotland plc (RBS) is a public limited company incorporated in Scotland with registration number SC090312 and was incorporated under Scots law on 31 October 1984. RBS is a wholly-owned subsidiary of the Royal Bank of Scotland Group plc (RBSG), which is the holding company of a large global banking and financial services group. Headquartered in Edinburgh, the Group operates in the United Kingdom, the United States and internationally through its three principal subsidiaries, RBS, National Westminster Bank Plc (NatWest) and The Royal Bank of Scotland N.V. (RBS N.V.). Both RBS and NatWest are major United Kingdom clearing banks. RBS N.V. is a bank regulated by the Dutch Central Bank. In the United States, the Group's subsidiary Citizens Financial Group, Inc. is a large commercial banking organisation. Globally, the Group has a diversified customer base and provides a wide range of products and services to personal, commercial and large corporate and institutional customers.

### **Assets, owners' equity and capital ratios**

The Group had total assets of £1,446.0 billion and owners' equity of £74.7 billion as at 30 June 2011. As at 30 June 2011, the Group's capital ratios were a total capital ratio of 14.4 per cent., a Core Tier 1 capital ratio of 11.1 per cent. and a Tier 1 capital ratio of 13.5 per cent.

The Issuer Group had total assets of £1,307.3 billion and owners' equity of £57.0 billion as at 31 December 2010. As at 31 December 2010, the Issuer Group's capital ratios were a total capital ratio of 13.6 per cent., a Core Tier 1 capital ratio of 8.4 per cent. and a Tier 1 capital ratio of 10.1 per cent.

## TERMS AND CONDITIONS OF THE NOTES

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

The issue of the EUR 165,000,000 floating rate Senior Class A1 Mortgage-Backed Notes 2011 due 2043 (the '**Senior Class A1 Notes**'), the EUR 557,200,000 floating rate Senior Class A2 Mortgage-Backed Notes 2011 due 2043 (the '**Senior Class A2 Notes**', and together with the Senior Class A1 Notes, the '**Senior Class A Notes**'), the EUR 24,800,000 floating rate Mezzanine Class B Mortgage-Backed Notes 2011 due 2043 (the '**Mezzanine Class B Notes**'), the EUR 24,800,000 fixed rate Mezzanine Class C Mortgage-Backed Notes 2011 due 2043 (the '**Mezzanine Class C Notes**'), the EUR 16,500,000 fixed rate Mezzanine Class D Mortgage-Backed Notes 2011 due 2043 (the '**Mezzanine Class D Notes**' and the EUR 37,200,000 fixed rate Junior Class E Mortgage-Backed Notes 2011 due 2043 (the '**Junior Class E Notes**' and together with the Senior Class A Notes, the Mezzanine Class B Notes, the Mezzanine Class C Notes and the Mezzanine Class D Notes, the '**Mortgage-Backed Notes**') and the EUR 12,400,000 fixed rate Subordinated Class F Notes 2011 due 2043 (the '**Subordinated Class F Notes**', and together with the Mortgage-Backed Notes, the '**Notes**') was authorised by a resolution of the managing director of Stichting Eleven Cities No. 8 (the '**Issuer**') passed on 25 November 2011. The Notes are issued under a trust deed executed on or about 1 December 2011 (the '**Trust Deed**') between the Issuer and Stichting Security Trustee Eleven Cities No. 8 (the '**Security Trustee**').

The statements in these terms and conditions of the Notes (the '**Conditions**') include summaries of, and are subject to, the detailed provisions of (i) the Trust Deed, which will include the priorities of payments, the form of the Notes and the interest coupons appertaining to the Notes (the '**Coupons**') and the forms of the Temporary Global Notes and the Permanent Global Notes executed on or about 1 December 2011, (ii) a paying agency agreement (the '**Paying Agency Agreement**') entered into on or about 1 December 2011 between the Issuer, the Security Trustee and The Royal Bank of Scotland N.V. as paying agent (the '**Paying Agent**') and as reference agent (the '**Reference Agent**'), (iii) a servicing and administration agreement (the '**Servicing and Administration Agreement**') entered into on or about 1 December 2011 between, the Issuer, Friesland Bank N.V., as the Pool Servicer, TMF Netherlands B.V., as the Issuer Administrator, and the Security Trustee, (iv) a parallel debt agreement (the '**Parallel Debt Agreement**') entered into on or about 1 December 2011 between the Issuer, the Security Trustee and the Secured Parties, other than the Noteholders, (v) a pledge agreement (the '**Trustee Receivables Pledge Agreement**') entered into on or about 1 December 2011 between, *inter alia*, the Issuer and the Security Trustee and (vi) a pledge agreement entered into on or about 1 December 2011 between the Issuer, the Security Trustee and others (the '**Trustee Assets Pledge Agreement**', and together with the Trustee Receivables Pledge Agreement, the '**Pledge Agreements**').

Certain words and expressions used in these Conditions are defined in a master definitions agreement (the '**Master Definitions Agreement**') entered into on or about 1 December 2011 and signed by the Issuer, the Security Trustee, the Paying Agent and certain other parties. Such words and expressions shall, except where the context requires otherwise, have the same meanings in these Conditions. If the terms or definitions in the Master Definitions Agreement would conflict with terms or definitions used herein, the terms and definitions of these Conditions shall prevail. As used herein, '**Class**' means either the Senior Class A Notes, the Mezzanine Class B Notes, the Mezzanine Class C Notes, the Mezzanine Class D Notes or the Subordinated Class F Notes, as the case may be.

Copies of the Trust Deed, the Paying Agency Agreement, the Parallel Debt Agreement, the Pledge Agreements and the Master Definitions Agreement are available for inspection free of charge by holders of the Notes (the '**Noteholders**') at the specified office of the Paying Agent and the present office of the Security Trustee, being at the date hereof Claude Debussylaan 24, 1082 MD Amsterdam, the Netherlands. The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed, which sets out in full the provisions of the meetings of Noteholders in Schedule 1 thereto, the Paying Agency Agreement, the Parallel Debt Agreement, the Pledge Agreements and the Master Definitions Agreement and reference to any documents is considered to be a reference to such document as amended, supplemented, restated or otherwise modified from time to time.

### 1. Form, Denomination and Title

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 requires, *inter alia*, delivery ("**levering**")

thereof. The Issuer, the Security Trustee and the Paying Agent may, to the fullest extent permitted by law, treat the holder of any Note and of the Coupons appertaining thereto as its absolute owner for all purposes (whether or not payment under such Note or Coupon shall be overdue and notwithstanding any notice of ownership or writing thereon or any notice of previous loss or theft thereof) for any purposes, including payment and no person shall be liable for so treating such holder. The signatures on the Notes will be in facsimile.

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

- (a) The Notes of each Class are direct and unconditional obligations of the Issuer and rank *pari passu* and rateably without any preference or priority among Notes of the same Class. The Senior Class A Notes comprise of the Senior Class A1 Notes and the Senior Class A2 Notes and the Senior Class A1 Notes and the Senior Class A2 Notes rank *pari passu* and *pro rata* without any preference or priority among all Notes of such Class in respect of the Security and payments of interest. Provided that no Enforcement Notice has been given, payments of principal on the Senior Class A Notes are applied sequentially first to the Senior Class A1 Notes and then to the Senior Class A2 Notes. To the extent that the Notes Redemption Available Amount is insufficient to redeem the Senior Class A1 Notes and/or the Senior Class A2 Notes in full when due in accordance with the Conditions for a period of fifteen days or more, this will constitute an Event of Default in accordance with Condition 10(a). The Senior Class A2 Notes do not therefore purport to provide credit enhancement to the Senior Class A1 Notes. If, on any date, the Security is to be enforced and the proceeds of the enforcement would be insufficient to fully redeem the Senior Class A Notes in full, such loss will be borne, *pro rata* and *pari passu*, by the holders of the Senior Class A Notes. If the Senior Class A1 Notes have been redeemed (in part or in full) at such time, this will result in the Senior Class A2 Notes bearing a greater loss than that borne by the Senior Class A1 Notes;
- (b) In accordance with and subject to the provisions of Conditions 9(a) and 9(b) and the Trust Deed (i) payments of principal and interest on the Mezzanine Class B Notes are subordinated to, *inter alia*, payments of principal and interest on the Senior Class A Notes, (ii) payments of principal and interest on the Mezzanine Class C Notes are subordinated to, *inter alia*, payments of principal and interest on the Senior Class A Notes and the Mezzanine Class B Notes, (iii) payments of principal and interest on the Mezzanine Class D Notes are subordinated to, *inter alia*, payments of principal and interest on the Senior Class A Notes, the Mezzanine Class B Notes and the Mezzanine Class C Notes, (iv) payments of principal and interest on the Junior Class E Notes are subordinated to, *inter alia*, payments of principal and interest on the Senior Class A Notes, the Mezzanine Class B Notes, the Mezzanine Class C Notes and the Mezzanine Class D Notes and (v) payments of principal and interest on the Subordinated Class F Notes are subordinated to, *inter alia*, payments of interest on the Senior Class A Notes, the Mezzanine Class B Notes, the Mezzanine Class C Notes, the Mezzanine Class D Notes and the Junior Class E Notes;
- (c) The security for the obligations of the Issuer towards the Noteholders (the 'Security') will be created pursuant to, and on the terms set out in, the Trust Deed, the Parallel Debt Agreement and the Pledge Agreements, which will create the following security rights:
  - (i) a first ranking pledge by the Issuer to the Security Trustee on the Mortgage Receivables and the Beneficiary Rights;
  - (ii) a first ranking pledge by the Issuer to the Security Trustee on the Issuer's rights (a) against the Seller under or in connection with the Mortgage Receivables Purchase Agreement; (b) against the Pool Servicer and the Issuer Administrator under or in connection with the Servicing and Administration Agreement; (c) against the Swap Counterparty under or in connection with the Swap Agreement; (d) against the Floating Rate GIC Provider under or in connection with the Floating Rate GIC; (e) against the Floating Rate GIC Provider in respect of the Transaction Accounts, (f) against the Liquidity Facility Provider under or in connection with the Liquidity Facility Agreement; (g) against the Savings Insurance Participant in respect of the Savings Insurance Sub-Participation Agreement, (h) against the Bank Savings Participant in respect of the Bank Savings Sub-Participation Agreement and (i) against the Seller under or in connection with the Potential Set-Off Reserve Subordinated Loan Agreement (the agreements mentioned under items (a) up to and including (h) the 'Pledged Agreements').
- (d) The Notes will be secured (indirectly) by the Security. The Senior Class A Notes (being the Senior Class A1 Notes and the Senior Class A2 Notes jointly) will rank in priority to the Mezzanine Class B

Notes, the Mezzanine Class C Notes, the Mezzanine Class D Notes, the Junior Class E Notes and the Subordinated Class F Notes; the Mezzanine Class B Notes will rank in priority to the Mezzanine Class C Notes, the Mezzanine Class D Notes, the Junior Class E Notes and the Subordinated Class F Notes; the Mezzanine Class C Notes will rank in priority to the Mezzanine Class D Notes, the Junior Class E Notes and the Subordinated Class F Notes, the Mezzanine Class D Notes will rank in priority to the Junior Class E Notes and the Subordinated Class F Notes and the Junior Class E Notes rank in priority to the Subordinated Class F Notes. The **'Most Senior Class of Notes'** means the Senior Class A Notes or if there are no Senior Class A Notes outstanding, the Mezzanine Class B Notes, or if there are no Mezzanine Class B Notes outstanding, the Mezzanine Class C Notes, or if there are no Mezzanine Class C Notes outstanding, the Mezzanine Class D Notes, or if there are no Mezzanine Class D Notes outstanding, the Junior Class E Notes, or if there are no Junior Class E Notes outstanding, the Subordinated Class F Notes.

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

### 3. Covenants of the Issuer

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

- (a) carry out any business other than as described in the Prospectus dated 2 December 2011 relating to the issue of the Notes and as contemplated in the Relevant Documents;
- (b) incur any indebtedness in respect of borrowed money whatsoever or give any guarantee or indemnity in respect of any indebtedness, except as contemplated in the Relevant Documents;
- (c) create or promise to create any mortgage, charge, pledge, lien or other security interest whatsoever over any of its assets, or use, invest, sell, transfer or otherwise dispose of or grant any options or rights to any part of its assets, except as contemplated in the Relevant Documents;
- (d) consolidate or merge with any other person or convey or transfer its properties or assets substantially or as an entirety to one or more persons;
- (e) permit the validity or effectiveness of the Trust Deed, the Parallel Debt Agreement and the Pledge Agreements or the priority of the security created thereby or pursuant thereto to be amended, terminated, waived, postponed or discharged, or permit any person whose obligations form part of such security rights to be released from such obligations except as contemplated in the Relevant Documents;
- (f) have any employees or premises or have any subsidiary or subsidiary undertaking;

- (g) have an interest in any bank account, other than (i) the Transaction Accounts, (ii) the Swap Cash Collateral Account or (iii) an account in which collateral in the form of securities under the Swap Agreement is transferred, unless all rights in relation to such account have been pledged to the Security Trustee as provided in Condition 2(c)(ii); or
- (h) take any corporate action for its entering into a suspension of payments or bankruptcy or its dissolution and liquidation or its being converted into a foreign entity.

#### 4. Interest

##### (a) *Period of Accrual*

Each Note shall bear interest on its Principal Amount Outstanding (as defined in Condition 6(g)) from and including the Closing Date. Each Note (or in the case of the redemption of part only of a Note that part only of such Note) shall cease to bear interest from its due date for redemption unless, upon due presentation, payment of the relevant amount of principal or any part thereof is improperly withheld or refused. In such event, interest will continue to accrue thereon (before and after any judgement) at the rate applicable to such Note up to but excluding the date on which, on presentation of such Note, payment in full of the relevant amount of principal is made or (if earlier) the seventh 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 thereof being duly made, payment is in fact made.

Whenever it is necessary to compute an amount of interest in respect of any Note for any period, such interest shall be calculated on the basis of the actual days elapsed in such period and a 360 day year.

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

Interest on the Notes is payable by reference to successive quarterly interest periods (each a **Floating Rate Interest Period**) and will be payable quarterly in arrear in euro in respect of the Principal Amount Outstanding on the 20<sup>th</sup> day of March, June, September and 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 the Business Day immediately preceding such 20<sup>th</sup> day) in each year (each such day being a **Quarterly Payment Date**). A **Business Day** means a day on which banks are open for business in Amsterdam and London, provided that such day is also a day on which the Trans-European Automated Real-Time Gross-Settlement Express Transfer System which utilises a single shared platform and which was launched on 19 November 2007 (**TARGET 2**) or any successor thereto is operating credit or transfer instructions in respect of payments in euro. Each successive Floating Rate Interest Period will commence on (and include) a Quarterly Payment Date and end on (but exclude) the next succeeding Quarterly Payment Date, except for the first Floating Rate Interest Period, which will commence on (and include) the Closing Date and will end on (but exclude) the Quarterly Payment Date falling in March 2012.

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

Interest on the Senior Class A Notes and the Mezzanine Class B Notes for each Floating Rate Interest Period will accrue at a rate equal to the sum of the Euro Interbank Offered Rate (**Euribor**) for three months deposits in euro (determined in accordance with Condition 4(e)) (or, in respect of the first Floating Rate Interest Period, the rate which represents the linear interpolation of Euribor for three (3) and four (4) month deposits in euro, rounded, if necessary, to the 5th decimal place with 0.000005, being rounded upwards) plus, but solely with respect to the Senior Class A Notes only up to (but excluding) the first Optional Redemption Date:

- (i) for the Senior Class A1 Notes a margin of 1.25 per cent. per annum;
- (ii) for the Senior Class A2 Notes a margin of 1.65 per cent. per annum; and
- (iii) for the Mezzanine Class B Notes a margin of 0.00 per cent. per annum.

Interest on the Mezzanine Class C Notes, the Mezzanine Class D Notes, the Junior Class E Notes and the Subordinated Class F Notes for each Floating Rate Interest Period will accrue at a fixed rate equal to:

- (iv) for the Mezzanine Class C Notes 0.01 per cent. per annum;
- (v) for the Mezzanine Class D Notes 0.01 per cent. per annum;
- (vi) for the Junior Class E Notes 0.01 per cent. per annum; and
- (vii) for the Subordinated Class F Notes 0.01 per cent. per annum.

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

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

- (i) for the Senior Class A1 Notes a margin of 2.50 per cent. per annum; and
- (ii) for the Senior Class A2 Notes a margin of 3.30 per cent. per annum.

The rate of interest on each Class of Notes, other than the Senior Class A Notes, will not be reset.

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

(e) *Euribor*

For the purpose of Conditions 4(c) and 4(d) in respect of the Senior Class A Notes and the Mezzanine Class B Notes (jointly the '**Floating Rate Notes**') Euribor will be determined as follows:

- (i) The Reference Agent will obtain for each Floating Rate Interest Period the rate equal to the amount of Euribor for three months deposits in euro. The Reference Agent shall use the Euribor rate as determined and published jointly by the European Banking Federation and ACI - The Financial Market Association and which appears for information purposes on the Reuters Screen EURIBOR01 (or, if not available, any other display page on any screen service maintained by any registered information vendor (including, without limitation, the Reuter Monitor Money Rate Service, the Dow Jones Telerate Service and the Bloomberg Service) for the display of the Euribor rate selected by the Reference Agent) as at or about 11.00 a.m. (Central European time) on the day that is two Business Days preceding the first day of each Floating Rate Interest Period (each an '**Interest Determination Date**'); and
- (ii) If, on the relevant Interest Determination Date, such Euribor rate is not determined and published jointly by the European Banking Association and ACI - The Financial Market Association, or if it is not otherwise reasonably practicable to calculate the rate under (i) above, the Reference Agent will:
  - (A) request the principal euro-zone office of each of four major banks in the euro-zone interbank market (the '**Reference Banks**') to provide a quotation for the rate at which three month euro deposits are offered by it in the euro-zone interbank market at approximately 11.00 a.m. (Central European time) on the relevant Interest Determination Date to prime banks in the euro-zone interbank market in an amount that is representative for a single transaction at that time; and determine the arithmetic mean (rounded, if necessary, to the fifth decimal place with 0.000005 being rounded upwards) of such quotation as is provided; and
  - (B) if fewer than two such quotations are provided as requested, the Reference Agent will determine the arithmetic mean (rounded, if necessary to the fifth decimal place with 0.000005 being rounded upwards) of the rates quoted by major banks, of which there shall be at least two in number, in the euro-zone, selected by the Reference Agent, at approximately 11.000 a.m. (Central European time) on the relevant Interest Determination Date for three month deposits to leading euro-zone banks in an amount that is representative for a single transaction in that market at that time,

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

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

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

- (g) *Notification of Rates of Interest and Interest Amounts*  
The Reference Agent will cause on the relevant Quarterly Payment Date, the relevant Rates of Interest and the relevant Interest Amounts to be notified to the Issuer, the Security Trustee, the Paying Agent, the Issuer Administrator and to the holders of the Notes and, as long as the Notes are admitted to listing, trading and/or quotation on Euronext Amsterdam or by any other competent authority, stock exchange and/or quotation system, such notice to be published in such place as may be required by the rules and regulations of such competent authority, stock exchange and/or quotation system, as soon as possible after the determination. The Interest Amount, the Rates of Interest and the Quarterly Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Floating Rate Interest Period.
- (h) *Determination or Calculation by Security Trustee*  
If the Reference Agent at any time for any reason does not determine the relevant Rates of Interest or fails to calculate the relevant Interest Amounts in accordance with paragraph (f) above, the Security Trustee shall determine the relevant Rates of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the procedure described in paragraph (e) above), it shall deem fair and reasonable under the circumstances, or, as the case may be, the Security Trustee shall calculate the Interest Amounts in accordance with paragraph (f) above, and each such determination or calculation shall (in the absence of a manifest error) be final and binding on all parties.
- (i) *Reference Banks and Reference Agent*  
The Issuer will procure that, as long as any of the Notes remains outstanding, there will at all times be four Reference Banks and a Reference Agent. The Issuer has, subject to prior written consent of the Security Trustee, the right to terminate the appointment of the Reference Agent or of any Reference Bank by giving at least 90 days' notice in writing to that effect. Notice of any such termination will be given to the holders of the relevant Class of Notes in accordance with Condition 13. If any person shall be unable or unwilling to continue to act as a Reference Bank or the Reference Agent (as the case may be) or if the appointment of any Reference Bank or the Reference Agent shall be terminated, the Issuer will, with the prior written consent of the Security Trustee, appoint a successor Reference Bank or Reference Agent (as the case may be) to act in its place, provided that neither the resignation nor removal of the Reference Agent shall take effect until a successor approved in writing by the Security Trustee has been appointed.
- 5. Payment**
- (a) Payment of principal and interest in respect of Notes will be made upon presentation of the Note in and against surrender of the relevant Coupon appertaining thereto, at any specified office of the Paying Agent, in cash or by transfer to an euro account maintained by the payee with a bank in the Netherlands, as the holder may specify. All such payments are subject to any fiscal or other laws and regulations applicable in the place of payment.
- (b) At the Final Maturity Date (as defined in Condition 6(g)), or such earlier date the Notes become due and payable, the Notes should be presented for payment together with all unmatured Coupons appertaining thereto, failing which the full amount of any such missing unmatured Coupons (or, in the case of payment not being made in full, that proportion of the full amount of such missing unmatured Coupons which the sum of principal so paid bears to the total amount of principal due) will be deducted from the sum due for payment. Each amount so deducted will be paid in the manner mentioned above against surrender of the relevant missing Coupon at any time before the expiry of five years following the due date for payment of such principal (whether or not such Coupons would have become unenforceable pursuant to Condition 8).
- (c) If the relevant Quarterly Payment Date is not a day on which banks are open for business in the place of presentation of the relevant Note or Coupon, the holder thereof shall not be entitled to payment until the next Business Day following such day, or to any interest or other payment in respect of such delay, provided that in the case of payment by transfer to an euro account as referred to above, the Paying Agent shall not be obliged to credit such account until the day on which banks in the place of such account are open for business immediately following the day on which banks are open for business in the Netherlands. The name of the Paying Agent and of its offices are set out below (*Registered Offices*).

- (d) The Issuer reserves the right at any time to vary or terminate the appointment of the Paying Agent and to appoint additional or other paying agents provided that no paying agent located in the United States of America will be appointed and that the Issuer will at all times maintain a paying agent having a specified office within the European Union. 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**

Unless previously redeemed as provided below, the Issuer shall redeem the Notes at their Principal Amount Outstanding on the Quarterly Payment Date falling in September 2043 (the **Final Maturity Date**) but, in respect of the Notes, except for the Senior Class A Notes, subject to Condition 9(b).

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

Provided that no Enforcement Notice has been served in accordance with Condition 10, on each Quarterly Payment Date the Issuer shall apply the Notes Redemption Available Amount (as defined below) to redeem (or partially redeem) the Mortgage-Backed Notes at their Principal Amount Outstanding in the following order:

- (i) *firstly*, the Senior Class A1 Notes, until fully redeemed and then, the Senior Class A2 Notes, until fully redeemed;
- (ii) *secondly*, the Mezzanine Class B Notes until fully redeemed,
- (iii) *thirdly*, the Mezzanine Class C Notes until fully redeemed,
- (iv) *fourthly*, the Mezzanine Class D Notes until fully redeemed, and
- (v) *finally*, the Junior Class E Notes until fully redeemed.

The principal amount so redeemable in respect of each relevant Note on the relevant Quarterly Payment Date shall each be the Principal Redemption Amount (as defined in Condition 6(g)). Following application of the Principal Redemption Amount, the Principal Amount Outstanding of such Note shall be reduced accordingly.

### **(c) Determination of Principal Redemption Amount and Principal Amount Outstanding**

- (i) On each Quarterly Calculation Date, the Issuer shall determine (or cause the Issuer Administrator to determine) (x) the Principal Redemption Amount and (y) the Principal Amount Outstanding of the relevant Note on the first day of the next following Floating Rate Interest Period. Each determination by or on behalf of the Issuer of any Principal Redemption Amount or the Principal Amount Outstanding of a Note shall in each case (in the absence of manifest error) be final and binding on all persons;
- (ii) The Issuer will cause each determination of a Principal Redemption Amount and Principal Amount Outstanding of the Notes to be notified forthwith to the Security Trustee, the Paying Agent, the Reference Agent, Euroclear and Clearstream, Luxembourg, Euronext Amsterdam and to the holders of Notes and as long as the Notes are admitted to listing, trading and/or quotation on Euronext Amsterdam or by any other competent authority, stock exchange and/or quotation system, such notice is to be published in such place as may be required by the rules and regulations of Euronext Amsterdam or such competent authority, stock exchange and/or quotation system, but in any event no later than two Business Days prior to the relevant Quarterly Payment Date. If no Principal Redemption Amount is due to be made on the Notes on any applicable Quarterly Payment Date a notice to this effect will be given to the Noteholders in accordance with Condition 13;
- (iii) If the Issuer does not at any time for any reason determine (or cause the Issuer Administrator to determine) the Principal Redemption Amount or the Principal Amount Outstanding of a Note, such Principal Redemption Amount or such Principal Amount Outstanding shall be determined by the Security Trustee in accordance with this paragraph (c) and paragraphs (a), (g) and (f) of this Condition 6 (but based upon the information in its possession as to the Notes Redemption Available Amount and the Class F Redemption Available Amount) 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) be final and binding on all persons.
- (iv) Following application of the Principal Redemption Amount, the Principal Amount Outstanding of such Note shall be reduced accordingly.

(d) *Optional Redemption*

Unless previously redeemed in full, on the Quarterly Payment Date falling in September 2016 and on each Quarterly Payment Date thereafter (each an '**Optional Redemption Date**') the Issuer may, at its option, redeem all (but not some only) of the Mortgage-Backed Notes of each Class at their Principal Amount Outstanding on such date. In the event that on such Optional Redemption Date there is a Principal Shortfall (as defined in Condition 9(b)) in respect of the Mortgage-Backed Notes, except for the Senior Class A Notes, the Issuer may, at its option, subject to Condition 9(b), redeem all (but not some only) Notes, except for the Senior Class A Notes, at their Principal Amount Outstanding less the relevant Principal Shortfall. The Senior Class A Notes shall be redeemed in full.

The Issuer shall notify the exercise of such option by giving not more than 60 nor less than 30 days written notice to the Security Trustee and the Noteholders in accordance with Condition 13, prior to the relevant Optional Redemption Date.

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

(e) *Redemption for tax reasons*

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

- (a) the Issuer is or will be obliged to make any withholding or deduction for, or on account of, any taxes, duties or charges of whatsoever nature from payments in respect of any such Class of Notes as a result of any charge in, or amendment to, the application of the laws or regulations (including any guidelines issued by the tax authorities) of the Netherlands or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which becomes effective on or after the Closing Date and such obligation cannot be avoided by the Issuer taking reasonable measures available to it; and
- (b) the Issuer will have sufficient funds available on the Quarterly Calculation Date immediately preceding such Quarterly Payment Date to discharge all amounts of principal and interest due in respect of each Class of the Mortgage-Backed Notes and any amounts required to be paid in priority to or *pari passu* with each Class of Notes in accordance with the Trust Deed. No Class of Mortgage-Backed Notes may be redeemed under such circumstances unless all Classes of Mortgage-Backed Notes (or such of them as are then outstanding) are also redeemed in full at the same time.

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

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

(f) *Redemption of Subordinated Class F Notes*

Provided that no Enforcement Notice has been served in accordance with Condition 10, the Issuer shall apply the Class F Redemption Available Amount (as defined in Condition 6(g)) on each Quarterly Payment Date, to redeem (or partially redeem) on a *pro rata* basis the Subordinated Class F Notes at their Principal Amount Outstanding until fully redeemed.

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

*Definitions*

- (g) For the purpose of these Conditions the following terms shall have the following meanings:

- (i) The term '**Class F Redemption Available Amount**' shall mean on the relevant Quarterly Payment Date the amount of the Notes Interest Available Amount less the payments items (a) to (r) (inclusive) of the Interest Priority of Payments on such Quarterly Payment Date.
- (ii) The term '**Net Proceeds**' shall mean (a) the proceeds of a foreclosure on any Mortgaged Assets, (b) the proceeds of foreclosure on any other collateral securing the Mortgage Receivable, (c) the proceeds, if any, of collection of any insurance policies in connection with the Mortgage Receivable, including but not limited to any Insurance Policy and fire insurance, (d) the proceeds of any guarantees or sureties, (e) the proceeds of foreclosure on any other assets of the relevant debtor, after deduction of foreclosure costs and (f) the proceeds of a payment by WEW of a NHG Guarantee.
- (iii) The term '**Notes Redemption Available Amount**' shall mean, on any Quarterly Payment Date, the aggregate amount received or held by the Issuer during the immediately preceding Quarterly Calculation Period:
  - (a) by means of (i) repayment in full and prepayment of principal under the Mortgage Receivables from any person, but, for the avoidance of doubt, excluding prepayment penalties, if any, less, with respect to each Savings Mortgage Receivable and each Bank Savings Mortgage Receivable, the Participation in respect of such Savings Mortgage Receivable and such Bank Savings Mortgage Receivable and (ii) repayment in part under the Mortgage Receivables from any person;
  - (b) as Net Proceeds on any Mortgage Receivable to the extent such proceeds relate to principal less, with respect to each Savings Mortgage Receivable and each Bank Savings Mortgage Receivable, the Participation in respect of such Savings Mortgage Receivable and such Bank Savings Mortgage Receivable;
  - (c) as amounts received in connection with a repurchase of Mortgage Receivables, whether or not as a result of the exercise of the Regulatory Call Option or Clean-Up Call Option, pursuant to the Mortgage Receivables Purchase Agreement, or upon the exercise of the option to redeem the Notes upon the occurrence of a Tax Change and any other amounts received pursuant to the Mortgage Receivables Purchase Agreement to the extent such amounts relate to principal less (a), with respect to each Savings Mortgage Receivable and each Bank Savings Mortgage Receivable, the Participation in respect of such Savings Mortgage Receivable and such Bank Savings Mortgage Receivable and (b) such part that is in excess of the relevant Outstanding Principal Amount of the relevant Mortgage Receivable;
  - (d) as amounts received in connection with a sale of Mortgage Receivables pursuant to the Trust Deed to the extent such amounts relate to principal up to the Outstanding Principal Amount of the relevant Mortgage Receivables from any person, whether by set-off or otherwise, but, for the avoidance of doubt, excluding prepayment penalties, if any, less (a), with respect to each Savings Mortgage Receivable and each Bank Savings Mortgage Receivable, the Participation in respect of such Savings Mortgage Receivable and such Bank Savings Mortgage Receivable and (b) such part that is in excess of the relevant Outstanding Principal Amount of the relevant Mortgage Receivable;
  - (e) as amounts to be credited to the Principal Deficiency Ledger on the immediately succeeding Quarterly Payment Date in accordance with the Servicing and Administration Agreement;
  - (f) as the sum of Participation Increases pursuant to the Sub-Participation Agreements;
  - (g) as amounts debited from the Construction Account;
  - (h) any part of the Notes Redemption Available Amount calculated on the immediately preceding Quarterly Calculation Date which has not been applied towards redemption of the Notes on the preceding Quarterly Payment Date; and

- (i) any amount to be drawn from the Principal Reconciliation Ledger on the immediately succeeding Quarterly Payment Date to the extent relating to principal; **less**
- (j) any amount to be credited to the Principal Reconciliation Ledger on the immediately succeeding Quarterly Payment Date.
- (iv) The term '**Principal Amount Outstanding**' means on any Quarterly Payment Date, the principal amount of any Note upon issue less the aggregate amount of all Principal Redemption Amounts in respect of that Note that have become due and payable prior to such Quarterly Payment Date, provided that for the purpose of Conditions 4, 6 and 10 all Principal Redemption Amounts that have become due and not been paid, notwithstanding duly presentation of the relevant Note, shall not be so deducted.
- (v) The term '**Principal Redemption Amount**' in respect of a Note shall mean on the relevant Quarterly Payment Date (i) the amount (if any) (rounded down to the nearest euro) of the Notes Redemption Available Amount (as applicable to each Class of Mortgage-Backed Notes) as calculated on the Quarterly Calculation Date relating to that Quarterly Payment Date divided by the number of Notes of the relevant Class subject to such redemption and (ii) in respect of the Subordinated Class F Notes, the Class F Redemption Available Amount (if any) (rounded down to the nearest euro), divided by the number of Subordinated Class F Notes, provided always that the Principal Redemption Amount may never exceed the Principal Amount Outstanding of the relevant Note.
- (vi) The term '**Quarterly Calculation Date**' means, in relation to a Quarterly Payment Date, the third Business Day prior to such Quarterly Payment Date.
- (vii) The term '**Quarterly Calculation Period**' means a period of three consecutive calendar months commencing on (and including) the first day of each of March, June, September and December of each year, except for the first Quarterly Calculation Period which will commence on the Cut-Off Date and end on and include the last day of February 2012.

## 7. Taxation

All payments in respect of the Notes will be made without withholding of, or deduction for, or on account of any present or future taxes, duties, assessments or charges of whatsoever nature, unless the Issuer or the Paying Agent (as applicable) is required by applicable law to make any payment in respect of the Notes subject to the withholding or deduction of such taxes, duties, assessments or charges are required by law. In that event, the Issuer or the Paying Agent (as the case may be) shall make such payment after the required withholding or deduction has been made and shall account to the relevant authorities for the amount so required to be withheld or deducted. Neither the Paying Agent nor the Issuer will be obliged to make any additional payments to the Noteholders in respect of such withholding or deduction.

## 8. Prescription

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

## 9. Subordination

### (a) Interest

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

In the event that on any Quarterly Payment Date the Issuer has insufficient funds available to it to satisfy its obligations in respect of amounts of interest due on the Mezzanine Class B Notes on such Quarterly Payment Date, the amount available (if any) shall be applied *pro rata* to the amount of the interest due on such Quarterly Payment Date to the holders of the Mezzanine Class B Notes. In the event of a shortfall, the Issuer shall debit the Mezzanine Class B Interest Deficiency Ledger with an amount equal to the amount by which the aggregate amount of interest paid on the Mezzanine Class B Notes on any Quarterly Payment Date in accordance with this Condition falls short of the aggregate amount of interest payable on the Mezzanine Class B Notes on that date pursuant to Condition 4. Such shortfall shall not be treated as due on that date for the purposes of Condition 4,

but shall accrue interest as long as it remains outstanding at the rate of interest applicable to the Mezzanine Class B Notes for such period, and a *pro rata* share of such shortfall and accrued interest thereon shall be aggregated with the amount of, and treated for the purpose of these Conditions as if it were interest due, subject to this Condition, on each Mezzanine Class B Note on the next succeeding Quarterly Payment Date. Such debit items being re-credited to the extent payments are made in accordance with Condition 4 to the extent any part of the Notes Interest Available Amount is available for such purpose.

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

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

In the event that on any Quarterly Payment Date the Issuer has insufficient funds available to it to satisfy its obligations in respect of amounts of interest due on the Junior Class E Notes on such Quarterly Payment Date, the amount available (if any) shall be applied *pro rata* to the amount of the interest due on such Quarterly Payment Date to the holders of the Junior Class E Notes. In the event of a shortfall, the Issuer shall debit the Junior Class E Interest Deficiency Ledger with an amount equal to the amount by which the aggregate amount of interest paid on the Junior Class E Notes on any Quarterly Payment Date in accordance with this Condition falls short of the aggregate amount of interest payable on the Junior Class E Notes on that date for the purposes of Condition 4, but shall accrue interest as long as it remains outstanding at the rate of interest applicable to the Junior Class E Notes for such period, and a *pro rata* share of such shortfall and accrued interest thereon shall be aggregated with the amount of, and treated for the purpose of these Conditions as if it were interest due, subject to this Condition, on each Junior Class E Note on the next succeeding Quarterly Payment Date. Such debit items being re-credited to the extent payments are made in accordance with Condition 4 to the extent any part of the Notes Interest Available Amount is available for such purpose.

In the event that on any Quarterly Payment Date the Issuer has insufficient funds available to it to satisfy its obligations in respect of amounts of interest due on the Subordinated Class F Notes on such Quarterly Payment Date, the amount available (if any) shall be applied *pro rata* to the amount of the interest due on such Quarterly Payment Date to the holders of the Subordinated Class F Notes. In the event of a shortfall, the Issuer shall debit the Subordinated Class F Interest Deficiency Ledger with an amount equal to the amount by which the aggregate amount of interest paid on the Subordinated Class F Notes on any Quarterly Payment Date in accordance with this Condition falls short of the aggregate amount of interest payable on the Subordinated Class F Notes on that date for the purposes of Condition 4, but shall accrue interest as long as it remains outstanding at the rate of interest applicable to the Subordinated Class F Notes for such period, and a *pro rata* share of such shortfall and

accrued interest thereon shall be aggregated with the amount of, and treated for the purpose of these Conditions as if it were interest due, subject to this Condition, on each Subordinated Class F Note on the next succeeding Quarterly Payment Date. Such debit items being re-credited to the extent payments are made in accordance with Condition 4 to the extent any part of the Notes Interest Available Amount is available for such purpose.

*(b) Principal*

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

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

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

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

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

The Subordinated Class F Noteholders shall have no further claim against the Issuer for the Principal Amount Outstanding on the Subordinated Class F Notes after the date on which the Issuer no longer holds any Mortgage Receivables and the Beneficiary Rights relating thereto and there are no balances standing to the credit of the Transaction Accounts, the Swap Cash Collateral Account and the Issuer has no further rights under or in connection with any of the Relevant Documents.

(c) *Limited recourse*

In the event that the Security in respect of the Notes has been fully enforced and the proceeds of such enforcement, after payment of all other claims ranking under the Trust Deed in priority to the relevant Class of Notes are insufficient to pay in full all principal and interest and other amounts whatsoever due in respect of such Class of Notes, the Noteholders of such Class shall have no further claim against the Issuer or the Security Trustee in respect of any such unpaid amounts. If, on any date, the Security is to be enforced and the proceeds of the enforcement would be insufficient to fully redeem the Senior Class A Notes in full, such loss will be borne, *pro rata* and *pari passu*, by the holders of the Senior Class A Notes. If the Senior Class A1 Notes have been redeemed (in part or in full) at such time, this will result in the Senior Class A2 Notes bearing a greater loss than that borne by the Senior Class A1 Notes.

**10. Events of Default**

The Security Trustee at its discretion may, and, if so directed by an Extraordinary Resolution of the holders of the Most Senior Class of Notes (subject, in each case, to being indemnified to its satisfaction), 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 Most Senior Class of Notes) give notice (an '**Enforcement Notice**') to the Issuer that the Notes are, and each Note shall become, immediately due and payable at their or its Principal Amount Outstanding, together with accrued interest, if any of the following shall occur:

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

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

## **11. Enforcement**

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

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

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

## **13. Notices**

With the exception of the publications of the Reference Agent in Condition 4 and of the Issuer in Condition 6, all notices to the Noteholders will only be valid if published in at least one daily newspaper of wide circulation in the Netherlands, in the Financial Times (London) or, if such newspaper shall cease to be published or timely publication therein shall not be practicable, in such newspaper as the Security Trustee shall approve having a general circulation in Europe and, as long as the Notes are admitted to listing, trading and/or quotation on Euronext Amsterdam or by any other competent authority, stock exchange and/or quotation system, such notice shall also be published in such other place as may be required by the rules and regulations of Euronext Amsterdam or such competent authority, stock exchange and/or quotation system. Any such notice shall be deemed to have been given on the first date of such publication.

## **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 Relevant Documents.

### **(a) Meeting 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 (ii) by Noteholders of a Class or by Noteholders of one or more Class or Classes, as the case may be, holding not less than 10 per cent. in Principal Amount Outstanding of the Notes of such Class or of the Notes of such Class or Classes, as the case may be.

### **(b) Quorum**

The quorum for an Extraordinary Resolution is two-thirds of the Principal Amount Outstanding of the Notes of the relevant Class or of one or more Class or Classes, as the case may be, 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 fourteen (14) nor more than thirty (30) calendar days after the first meeting. At such second meeting an Extraordinary Resolution, including an Extraordinary Resolution approving a Basic Term Change, can be adopted regardless of the quorum represented at such meeting.

(c) Extraordinary Resolution

A Meeting 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 Relevant 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 this Issuer 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) Limitations

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 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.

A resolution of Noteholders of a Class or by Noteholders of one or more Class or Classes, as the case may be, 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. **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 Interest Priority of Payments;

(e) Modifications by the Security Trustee

The Security Trustee may, without the consent of the Noteholders, (i) agree to any modification of any of the provisions of the Relevant Documents which is of a formal, minor or technical nature or is made to correct a manifest error and (ii) give its consent as provided for in the Relevant Documents or (iii) agree to, and any other modification and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Relevant Documents which is in the opinion of the Security Trustee not materially prejudicial to the interests of the Noteholders, provided that the Security Trustee (a) has not been informed by any Secured Party that such Secured Party will be materially prejudiced thereby (other than a Secured Party who has given its written consent as aforesaid), (b) has notified the Rating Agencies and (c) (i) has received a written confirmation from the relevant Rating Agency that the then current ratings assigned by it to the Mortgage-Backed Notes will not be adversely affected as a result of such event or matter or (ii) that by the 15th calendar day after the Rating Agency was notified of any such matter or event, such Rating Agency has not indicated (x) which conditions are to be met before it is in a position to give a written confirmation that the then current ratings assigned by it to the Mortgaged-Backed Notes will not be adversely affected as a result of such event or matter or (y) that the then current ratings assigned by it to any of the Mortgage-Backed Notes will be adversely affected; and in its reasonable opinion, does not expect that the then current ratings assigned to the Mortgage-Backed Notes by the Rating Agencies will be adversely affected by any such consent, 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 shall not waive, modify or amend, or consent to any waiver, modification or amendment of any Relevant Document if it would cause the Swap Counterparty to make a materially higher payment to the Issuer or receive a materially lower payment from the Issuer in the sole opinion of the Swap

Counterparty under the Swap Agreement than would have been the case had no such amendment been made, unless (i) the Swap Counterparty has provided its prior written consent (such consent not to be unreasonably withheld or delayed) or (ii) in the Security Trustee's reasonable opinion, not amending such Relevant Document or granting its consent thereto would be materially prejudicial to the interests of the Noteholders.

In addition, the Security Trustee may agree, without the consent of the Noteholders or any of the other Secured Parties, to (a) the entering into a new Relevant Document by the Issuer with a successor of the relevant counterparty or (b) the transfer of the rights and obligations under a Relevant Document by the relevant counterparty to a successor, provided that (i) the Security Trustee has notified the Rating Agencies, (ii) the Security Trustee, in its reasonable opinion, does not expect that the then current ratings assigned to the Mortgage-Backed Notes will be adversely affected as a consequence thereof and (iii) if the relevant counterparty is a Secured Party, 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 Senior Class A Noteholders and the Mezzanine Class B Noteholders and the Mezzanine Class C Noteholders and the Mezzanine Class D Noteholders and the Junior Class E Noteholders and the Subordinated Class F Noteholders each as a Class and shall not have regard to the consequences of such exercise for individual Noteholders and the Security Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders.

**"Basic Terms Change"** means, in respect of Notes of one or more Class or Classes, as the case may be, 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 applicable in respect of the relevant Notes, (v) of the Interest Priority of Payments, the Principal Priority of Payments or the Priority of Payments upon Enforcement or (vi) of the quorum or majority required to pass an Extraordinary Resolution.

**"Extraordinary Resolution"** means a resolution passed at a Meeting duly convened and held by the Noteholders of one or more Class or Classes, as the case may be, 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.

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

## THE GLOBAL NOTES

Each Class of Notes shall be initially represented by a temporary global note in bearer form, without coupons (each a "**Temporary Global Note**") (i) in the case of the Senior Class A1 Notes, in the principal amount of EUR 165,000,000, (ii) in the case of the Senior Class A2 Notes, in the principal amount of EUR 557,200,000, (iii) in the case of the Mezzanine Class B Notes, in the principal amount of EUR 24,800,000, (iv) in the case of the Mezzanine Class C Notes, in the principal amount of EUR 24,800,000, (v) in the case of the Mezzanine Class D Notes, in the principal amount of EUR 16,500,000, (vi) in the case of the Junior Class E Notes, in the principal amount of EUR 37,200,000 and (vii) in the case of the Subordinated Class F Notes, in the principal amount of EUR 12,400,000. Each Temporary Global Note will be deposited with a common safekeeper for Euroclear Bank S.A./N.V., as operator of the Euroclear System ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**") on or about the Closing Date. Upon deposit of each such Temporary Global Note, Euroclear and Clearstream, Luxembourg, as the case may be, will credit each purchaser of Notes represented by such Temporary Global Note with the principal amount of the relevant Class of Notes equal to the principal amount thereof for which it has purchased and paid. Interests in each Temporary Global Note will be exchangeable (provided certification of non-US beneficial ownership by the Noteholders has been received) not earlier than 40 days after the issue date of the Notes (the "**Exchange Date**") for interests in a permanent global note (each a "**Permanent Global Note**"), in bearer form, without coupons, in the principal amount of the Notes of the relevant Class (the expression "**Global Notes**" meaning the Temporary Global Notes of each Class and the Permanent Global Notes of each Class and the expression "**Global Note**" means any of them, as the context may require). On the exchange of a Temporary Global Note for a Permanent Global Note of the relevant Class of Notes, the Permanent Global Note will remain deposited with the common safekeeper.

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

The Global Notes will be transferable by delivery. Each Permanent Global Note will be exchangeable for Notes in definitive form only in the circumstances described below. Such Notes in definitive form shall be issued in denominations of 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 on behalf of Euroclear and/or Clearstream, Luxembourg, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg (as the case may be) for communication to the relevant accountholders rather than by publication as required by Condition 13 (provided that, in the case any publication required by a stock exchange, that stock exchange agrees or, as the case may be, any other publication requirement of such stock exchange will be met). Any such notice shall be deemed to have been given to the Noteholders on the seventh day after the day on which such notice is delivered to Euroclear and/or Clearstream, Luxembourg (as the case may be) as aforesaid.

For so long as the Notes of a particular Class are represented by a Global Note, each person who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular principal amount of that Class of Notes will be treated by the Issuer and the Security Trustee as a holder of such principal amount of that Class of Notes and the expression "**Noteholder**" shall be construed accordingly, but without

prejudice to the entitlement of the bearer of the relevant Global Note to be paid principal thereon and interest with respect thereto in accordance with and subject to its terms. Any statement in writing issued by Euroclear or Clearstream, Luxembourg as to the persons shown in its records as being entitled to such Notes and the respective Principal Amount Outstanding of such Notes held by them shall be conclusive for all purposes.

If after the Exchange Date (i) the Notes become immediately due and payable by reason of accelerated maturity following an Event of Default, (ii) either Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business and no alternative clearance system satisfactory to the Security Trustee is available, (iii) upon the insolvency of Bank of America Merrill Lynch in its capacity as Common Safekeeper or (iv) as a result of any amendment to, or change in the laws or regulations of the Netherlands (or of any political sub-division thereof) or of any authority therein or thereof having power to tax, or in the interpretation or administration of such laws or regulations, which becomes effective on or after the Closing Date, the Issuer or Paying Agent is or will be required to make any deduction or withholding on account of tax from any payment in respect of the Notes which would not be required were the Notes in definitive form, then the Issuer will, at its sole cost and expense, issue:

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

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

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

## TAXATION IN THE NETHERLANDS

### 1. General

The following is a general summary of the Dutch tax consequences as at the date hereof in relation to payments made under the Notes and in relation to the acquisition, holding, redemption or disposal of the Notes. This summary does not purport to describe all possible tax considerations or consequences that may be relevant to a holder of a Note or a prospective holder, some of which (such as holders that are subject to taxation in Bonaire, Sint Eustatius and Saba or trusts or similar arrangements) may be subject to special rules. In view of its general nature, it should be treated with corresponding caution. Prospective Noteholders should consult their tax advisers with regard to the tax consequences of investing in the Notes.

Please note that this paragraph does not describe the Dutch tax consequences for a holder of the Notes who will receive or has received the Notes as employment income, deemed employment income or otherwise as compensation.

Except as otherwise indicated, this summary only addresses Dutch tax legislation as in effect and in force at the date hereof and as interpreted in published case law until this date, without prejudice to any amendment introduced at a later date and implemented with or without retroactive effect.

### 2. Withholding tax

All payments made by the Issuer under the Notes may be made free of withholding or deduction of, for or on account of any taxes of whatever nature imposed, levied, withheld or assessed by the Netherlands or any political subdivision or taxing authority thereof or therein.

### 3. Taxes on income and capital gains

#### *Residents of the Netherlands*

Generally speaking, if the holder of the Notes is an entity that is a resident or deemed to be resident of the Netherlands for Dutch corporate income tax purposes, any payment under the Notes or any gain realised on the disposal or deemed disposal of the Notes is subject to a 25% corporate income tax rate (a corporate income tax rate of 20% applies with respect to taxable profits up to €200,000, the first bracket for 2011).

A Dutch qualifying pension fund and a Dutch qualifying tax exempt investment fund (in Dutch "*vrijgestelde beleggingsinstelling*") are in principle not subject to Dutch corporate income tax. A Dutch qualifying investment fund (in Dutch "*fiscale beleggingsinstelling*") is subject to corporate income tax at a special rate of 0%.

If a holder of the Notes is an individual, resident or deemed to be resident of the Netherlands for Dutch income tax purposes (including the non-resident individual holder who has made an election for the application of the rules of the Dutch Income Tax Act 2001 as they apply to residents of the Netherlands), any payment under the Notes or any gain realised on the disposal or deemed disposal of the Notes is taxable at the progressive income tax rates (with a maximum of 52%), if:

- (a) the Notes are attributable to an enterprise from which the holder of the Notes derives a share of the profit, whether as an entrepreneur or as a person who has a co-entitlement to the net worth of such enterprise, without being a shareholder, as defined in the Dutch Income Tax Act 2001; or
- (b) the holder of the Notes is considered to perform activities with respect to the Notes that go beyond ordinary asset management (in Dutch "*normaal vermogensbeheer*") or derives benefits from the Notes that are (otherwise) taxable as benefits from other activities (in Dutch "*resultaat uit overige werkzaamheden*").

If the above-mentioned conditions (a) and (b) do not apply to the individual holder of the Notes such holder will be taxed annually on a deemed income of 4% of his or her net investment assets for the year at an income tax rate of 30%. The net investment assets for the year is the fair market value of the investment assets less the allowable liabilities on 1 January of the relevant calendar year. The Notes are included as investment assets. A tax free allowance may be available. Actual benefits derived from the Notes are as such not subject to Dutch income tax.

#### *Non-residents of the Netherlands*

A holder of the Notes will not be subject to Dutch taxes on income or capital gains in respect of any payment under the Notes or in respect of any gain realised on the disposal or deemed disposal of the Notes provided that:

- (a) such holder is neither resident nor deemed to be resident of the Netherlands nor has made an election for the application of the rules of the Dutch Income Tax Act 2001 as they apply to residents of the Netherlands; and
- (b) such holder does not have an enterprise or an interest in an enterprise or deemed enterprise (statutorily defined term) which, in whole or in part, is either effectively managed in the Netherlands or carried on through a permanent establishment, a deemed permanent establishment or a permanent representative in the Netherlands and to which enterprise or part of an enterprise the Notes are attributable; and
- (c) in the event the holder is an individual, such holder does not carry out any activities in the Netherlands with respect to the Notes that go beyond ordinary active asset management (in Dutch "*normaal, actief vermogensbeheer*") and does not derive benefits from the Notes that are (otherwise) taxable as benefits from other activities in the Netherlands (in Dutch "*resultaat uit overige werkzaamheden*").

A holder of the Notes will not become subject to taxation on income and capital gains in the Netherlands by reason only of the execution, delivery and/or enforcement of the Notes or the performance by the Issuer of its obligations under the Notes.

#### **4. Gift and estate taxes**

##### *Residents of the Netherlands*

Gift, estate or inheritance taxes will arise in the Netherlands with respect to a transfer of the Notes by way of a gift by, or on behalf of or on the death of, a holder of such Notes who is resident or deemed resident of the Netherlands at the time of the gift or his or her death.

##### *Non-residents of the Netherlands*

No Dutch gift, estate or inheritance taxes will arise on the transfer of Notes by way of gift by or on behalf of or on the death of, a holder of Notes who is neither resident nor deemed to be resident in the Netherlands, unless the transfer is construed as a gift or inheritance made by, or on behalf of, a person who, at the time of the gift or death, is or is deemed to be resident in the Netherlands.

For purposes of Dutch gift, estate and inheritance taxes, amongst others, a person that holds the Dutch nationality will be deemed to be resident in the Netherlands if he has been resident in the Netherlands at any time during the ten (10) years preceding the date of the gift or his death. Additionally, for purposes of Netherlands gift tax, amongst others, a person not holding the Dutch nationality will be deemed to be resident in the Netherlands if he has been resident in the Netherlands at any time during the twelve (12) months preceding the date of the gift. Applicable tax treaties may override deemed residency.

#### **5. Turnover tax**

No Dutch turnover tax will arise in consideration for the issue of the Notes or with respect to any payment by the Issuer of principal, interest or premium (if any) on the Notes.

#### **6. Other taxes and duties**

No Dutch registration tax, customs duty, stamp duty or any other similar documentary tax or duty, other than court fees, will be payable in the Netherlands by the holders of the Notes in respect of or in connection with the issue of the Notes.

#### **7. EU Savings Directive**

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required, since 1 July 2005, to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident in that other Member State; however, for a transitional period, Austria and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35%. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

Also with effect from 1 July 2005, a number of non-EU countries, and certain dependent or associated territories of certain Member States, have agreed to adopt similar measures (either provision of information or transitorial withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident in a Member State. In addition, the Member States have entered into reciprocal provision of information arrangements or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident in one of those territories.

## PURCHASE AND SALE

The Seller (the **'Initial Noteholder'**) has pursuant to a notes purchase agreement dated on or about 1 December 2011, among The Royal Bank of Scotland plc (the **'Arranger'** and the **'Sole Bookrunner'**), the Issuer and the Seller (the **'Notes Purchase Agreement'**) agreed with the Issuer, subject to certain conditions, to purchase the Notes at their respective issue prices. The Issuer has agreed to indemnify and reimburse the Arranger and Sole Bookrunner against certain liabilities and expenses in connection with the issue of the Notes.

### European Economic Area

In relation to each Member State of the European Economic Area (the **'EEA'**) which has implemented the Prospectus Directive (each a **'Relevant Member State'**), the Initial Noteholder has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **'Relevant Implementation Date'**), it has not made and will not make an offer of the Notes to the public in that Relevant Member State prior to the publication of a Prospectus in relation to the Notes, which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of the Notes to the public in that Relevant Member State. As a result, the Notes may only be offered in the Relevant Member States: (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive; (b) at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provisions of the 2010 PD Amending Directive, 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive); or (c) 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 (a) to (c) above shall require the Issuer or the Initial Noteholder 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 and the expression **'Prospectus Directive'** means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in each Relevant Member State and the expression **'2010 PD Amending Directive'** means Directive 2010/73/EC.

### United Kingdom

The Initial Noteholder has represented and agreed that (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer and (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

### 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.411-2 of the French *Code Monétaire et Financier* (Monetary and Financial Code) and the Decree 98-880 dated 1st October 1998; neither this Prospectus, which has not been submitted to the *Autorité des Marchés Financiers*, nor any information contained therein or any offering material relating to the Notes, may be distributed or caused to be distributed to the public in France.

### Italy

No application has been or will be made by any person to obtain an authorization from Commissione Nazionale per le Società e la Borsa (**'CONSOB'**) for the public offering (*offerta al pubblico*) of the Notes in the Republic of Italy. Accordingly, the Notes cannot be offered, sold or delivered, and will not offer, sell or deliver, and has not distributed and will not distribute and has not made and will not make available in the Republic of Italy any of the Notes nor any copy of this Prospectus or any other offering material relating to the Notes other than:

- (i) to qualified investors (*investitori qualificati*), including individuals and small and medium size enterprises, as defined by CONSOB Regulation no. 11971 of 14 May 1999, as amended from time to time and recently supplemented by resolution n. 16850 of 1 April 2009, on the basis of the relevant criteria set out by the Prospectus Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003, pursuant to art. 100, paragraph 1, lett. a) of D.Lgs. no. 58 of 24 February 1998, as amended (the **Decree No. 58**); or
- (ii) in any other circumstances where an express exemption from compliance with the rules relating to public offers of financial products (*offerta al pubblico di prodotti finanziari*) provided for by Decree No. 58 and the relevant implementing regulations (including CONSOB Regulation no. 11971 of 14 May 1999, as amended) applies.

Any offer, sale or delivery of the Notes or any offering material relating to the Notes in the circumstances described in the preceding paragraphs (a) and (b) shall be made:

- (i) only by banks, investment firms (*imprese di investimento*) or financial companies enrolled on the special register provided for in art. 107 of Legislative Decree no. 385 of 1 September 1993, as amended (the **Italian Banking Act**), in each case to the extent duly authorised to engage in the placement and/or underwriting (*sottoscrizione e/o collocamento*) of financial instruments (*strumenti finanziari*) in Italy in accordance with the Italian Banking Act, the Decree No. 58 and the relevant implementing regulations;
- (ii) only to qualified investors (*investitori qualificati*) as set out above; and
- (iii) in accordance with all applicable Italian laws and regulations, including all relevant Italian securities and tax laws and regulations and any limitations as may be imposed from time to time by CONSOB or the Bank of Italy.

#### **United States**

The Notes have not been and will not be registered under the Securities Act and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, US persons, except in certain transactions exempt from the registration requirements of the US Securities Act. Terms used in this paragraph have the meaning given to them by Regulation S under the Securities Act.

The Notes are in bearer form and are subject to 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.

The Initial Noteholder has agreed that it will not offer, sell or deliver the Notes (i) as part of its distribution at any time or (ii) otherwise until 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, dealer or person receiving a selling concession, fee or other remuneration to which it sells Notes during the distribution compliance period (as defined in Regulation S) a confirmation or other notice setting forth the restrictions on offers and sales of the Securities within the United States or to, or for the account or benefit of, US persons. Terms used in this paragraph have the meaning given to them by Regulations under the US Securities Act.

In addition, until 40 days after the commencement of the offering, an offer or sale of the Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirement of the Securities Act, if such offer or sale is made otherwise than in accordance with available exemption from registration under the US Securities Act.

#### **Article 122a of the Capital Requirements Directive**

The Seller shall, or will procure that an entity designated by the Seller as allowed entity under paragraph 2 of article 122a of the Capital Requirement 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% of the nominal value of the securitised exposures in accordance with article 122a of the Capital Requirement Directive. At the date of this Prospectus such interest is retained in accordance with item (c) of article 122a paragraph 1 of the Capital Requirements Directive, by the Seller holding the Mezzanine Class B Notes, the Mezzanine Class C Notes, the Mezzanine Class D Notes and the Junior Class E Notes. In addition, the Seller shall (i) adhere to the requirements set out in

paragraph 6 of article 122a of the Capital Requirements Directive and (ii) make appropriate disclosures to Noteholders about the retained net economic interest in the Notes 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 quarterly investor reports. In the Notes Purchase Agreement, the Seller shall undertake vis-à-vis the Arranger and Sole Bookrunner, the Issuer and the Security Trustee that it shall at all times comply with article 122a of the Capital Requirements Directive.

#### **General**

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

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

## GENERAL INFORMATION

1. The issue of the Notes has been authorised by a resolution of the managing director of the Issuer passed on 25 November 2011.
2. Application has been made to list the Notes on Euronext Amsterdam. The estimated total costs involved with such admission amount to EUR 30,000.
3. The Senior Class A1 Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg and through the Securities Clearing Corporation of Euronext Amsterdam and will bear common code 069862012 and ISIN XS0698620126.
4. The Senior Class A2 Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg and through the Securities Clearing Corporation of Euronext Amsterdam and will bear common code 069862578 and ISIN XS0698625786.
5. The Mezzanine Class B Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg and through the Securities Clearing Corporation of Euronext Amsterdam and will bear common code 069862586 and ISIN XS0698625869.
6. The Mezzanine Class C Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg and through the Securities Clearing Corporation of Euronext Amsterdam and will bear common code 069862624 and ISIN XS0698626248.
7. The Mezzanine Class D Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg and through the Securities Clearing Corporation of Euronext Amsterdam and will bear common code 069862632 and ISIN XS0698626321.
8. The Junior Class E Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg and through the Securities Clearing Corporation of Euronext Amsterdam and will bear common code 069862667 and ISIN XS0698626677.
9. The Subordinated Class F 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 069862713 and ISIN XS0698627139.
10. 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.
11. 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.
12. Copies of the following documents may be inspected at the specified offices of the Security Trustee and the Paying Agent free of charge during normal business hours as long as the Notes are outstanding:
  - (i) the Deed of Incorporation including the Articles of Association of the Issuer;
  - (ii) the Prospectus;
  - (iii) the Mortgage Receivables Purchase Agreement;
  - (iv) the Deed of Assignment;
  - (v) the Paying Agency Agreement;
  - (vi) the Trust Deed;
  - (vii) the Parallel Debt Agreement;
  - (viii) the Trustee Receivables Pledge Agreement;
  - (ix) the Trustee Assets Pledge Agreement;
  - (x) the Servicing and Administration Agreement;
  - (xi) the Liquidity Facility Agreement;
  - (xii) the Deposit Agreement;
  - (xiii) the Floating Rate GIC;
  - (xiv) the Swap Agreement;

- (xv) the Master Definitions Agreement;
  - (xvi) the Sub-Participation Agreements;
  - (xvii) the Beneficiary Waiver Agreement;
  - (xviii) the Management Agreement I;
  - (xix) the Management Agreement II; and
  - (xx) the Potential Set-Off Reserve Subordinated Loan Agreement.
13. A copy of the articles of association of the Issuer will be available (free of charge) at the registered office of the Issuer.
14. A copy of the Prospectus in print will be available (free of charge) at the registered office of the Issuer, the Security Trustee and the Paying Agent.
15. US taxes:
- The Notes will bear a legend to the following effect: 'any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Section 165(j) and 1287(a) of the Internal Revenue Code'.
- The sections referred to in such legend provide that a United States person who holds a Note will generally not be allowed to deduct any loss realised on the sale, exchange or redemption of such Note and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.
16. The Issuer has not yet commenced operations and as of the date of this Prospectus, no financial statements have been drawn up. The audited financial statements of the Issuer prepared annually will be made available, free of charge, at the specified offices of the Paying Agent.
17. The accountants at Ernst & Young Accountants LLP are registered accountants ("*registeraccountants*") and are a member of the Netherlands Institute for Registered Accountants ("*NIVRA*").
18. The Issuer does not intend to provide post-issuance transaction information regarding securities to be admitted to trading and performance of the underlying collateral.
19. A quarterly report on the performance, including the arrears and the losses, of the transaction can be obtained at the office of the Issuer Administrator and can be requested by e-mail ([et.investorreporting@tmf-group.com](mailto:et.investorreporting@tmf-group.com)). This website does not form part of the Prospectus.

## INDEX OF DEFINED TERMS

€.....	3
2010 PD Amending Directive .....	137
Annuity Mortgage Loans .....	44
Arranger .....	34, 137
Back-up Pool Servicer .....	103
Bank Mortgages.....	14
Bank Pledges .....	15
Bank Regulations.....	98
Bank Savings Account .....	46
Bank Savings Deposits.....	46, 81
Bank Savings Mortgage Loans.....	46
Bank Savings Mortgage Receivable .....	46
Bank Savings Participant .....	33
Bank Savings Participation .....	105
Bank Savings Participation Increase.....	105
Bank Savings Participation Redemption Available Amount.....	105
Bank Savings Sub-Participation Agreement .....	46
Bank Security Rights .....	15
Basel Accord .....	98
Basic Terms Change .....	130
Beneficiary Rights .....	42
Beneficiary Waiver Agreement .....	16, 51
BNG.....	33
Borrower .....	42
Borrower Bank Savings Deposit Pledge .....	16
Borrower Insurance Pledge .....	16
Borrower Insurance Proceeds Instruction .....	16
Business Day .....	36, 118
Capital Requirements Directive.....	3, 27
Class.....	115
Class C Redemption Available Amount .....	123
Clean-Up Call Option .....	40
Clearstream, Luxembourg.....	2, 132
Closing Date.....	35
CMG .....	79
Common safekeeper .....	34
Conditions .....	2, 115
CONSOB .....	137
Construction Account .....	49
Construction Amount.....	19, 49, 92
Coupons .....	115
CRA Regulation .....	2, 8
Cut-off Date.....	42
Deed of Assignment.....	5
Defaulted Mortgage Loans.....	69
Defaulted Mortgage Receivables.....	69
Deferred Purchase Price.....	92
Deferred Purchase Price Instalment.....	92
Definitive Notes.....	2
Denomination .....	35
Directors.....	33
Dutch Central Bank .....	74
EEA.....	137

Enforcement Notice .....	127
EONIA .....	6, 50
EUR .....	3
Euribor .....	6, 36, 118
euro .....	3
Euroclear .....	2, 132
Euronext Amsterdam .....	2
Eurosystem Eligible Collateral .....	3
Excess Margin .....	66
Excess Swap Collateral .....	58
Exchange Date .....	132
Extraordinary Resolution .....	130
Final Maturity Date .....	2, 38, 121
Final Mortgage Pool .....	85
Fitch .....	2
Floating Rate GIC .....	50
Floating Rate GIC Provider .....	34
Floating Rate Interest Period .....	36, 118
Floating Rate Notes .....	119
Friesland Bank .....	33
Global Note .....	3, 132
Global Notes .....	2, 132
Governing law .....	51
Indexed Foreclosure Value .....	69
Initial Bank Savings Participation .....	105
<b>Initial Noteholder</b> .....	33, 137
Initial Participation .....	105
Initial Purchase Price .....	92
Insurance Companies .....	17
Insurance Policies .....	17
Interest .....	36
Interest Amount .....	120
Interest Determination Date .....	119
Interest Priority of Payments .....	60
Interest Rate Periods .....	81
Interest Rate Reset Date .....	81
Interest Step up .....	38
Interest-only Mortgage Loans .....	44
Issue Price .....	35
Issuer .....	2, 33, 107, 115
Issuer Administrator .....	33
Issuer Collection Account .....	48
Junior Class C Notes .....	2
Junior Class E Noteholders .....	117
Junior Class E Notes .....	35, 115
Life Insurance Company .....	18, 45
Life Insurance Policies .....	45
Life Insurance Policy .....	18
Life Mortgage Loans .....	45
Linear Mortgage Loans .....	44
Liquidity Facility .....	47
Liquidity Facility Agreement .....	47
Liquidity Facility Maximum Amount .....	64
Liquidity Facility Provider .....	33
Liquidity Facility Stand-by Drawing .....	64

Liquidity Facility Stand-by Ledger.....	47
Listing .....	51
Listing Agent.....	34
Loans.....	42
Management Agreements.....	<b>51</b>
Marge Plus .....	81
Master Definitions Agreement .....	<b>115</b>
Mezzanine Class B Noteholders.....	117
Mezzanine Class B Notes.....	2, 35, 115
Mezzanine Class C Noteholders.....	117
Mezzanine Class C Notes.....	2, 35, 115
Mezzanine Class D Noteholders.....	117
Mezzanine Class D Notes .....	2, 35, 115
Monthly Bank Savings Deposit Instalment.....	<b>46</b>
Moody's.....	<b>2</b>
Mortgage Calculation Period.....	61
Mortgage Loan Criteria.....	<b>96</b>
Mortgage Loans .....	42
Mortgage Payment Date.....	43
Mortgage Receivables .....	42
Mortgage Receivables Purchase Agreement .....	<b>41</b>
Mortgage-Backed Notes.....	<b>2, 35, 115</b>
Mortgaged Assets .....	42
<b>Most Senior Class of Notes</b> .....	117
Net Proceeds.....	<b>123</b>
NHG Guarantees.....	43
Noteholder.....	<b>133</b>
Noteholders .....	<b>115</b>
Notes .....	<b>2, 35, 115</b>
Notes Interest Available Amount .....	<b>58</b>
Notes Purchase Agreement .....	<b>137</b>
Notes Redemption Available Amount .....	<b>61, 123</b>
Notification Event.....	<b>99</b>
Notification Events .....	92
Optional Redemption Date.....	<b>2, 39, 122</b>
Other Claims .....	15
Other Claims Indemnity Amount .....	<b>56</b>
Outstanding Principal Amount .....	<b>92</b>
Parallel Debt.....	<b>110</b>
Parallel Debt Agreement.....	41, <b>115</b>
Participation .....	104
Participation Fraction.....	58
Participation Redemption Available Amount.....	<b>105</b>
Paying Agency Agreement.....	<b>115</b>
Paying Agent .....	34, <b>115</b>
Permanent Global Note.....	<b>2, 132</b>
Pledge Agreements .....	111, <b>115</b>
Pledged Agreements .....	117
Pool Servicer .....	<b>33</b>
Principal Amount Outstanding .....	<b>124</b>
Principal Deficiency .....	<b>65</b>
Principal Ledger .....	<b>55</b>
Principal Priority of Payments.....	<b>62</b>
Principal Redemption Amount .....	<b>124</b>
Principal Shortfall.....	127

Priority of Payments upon Enforcement .....	<b>63</b>
Prospectus .....	<b>2</b>
Prospectus Directive .....	137
Quarterly Calculation Date.....	<b>58, 124</b>
Quarterly Calculation Period.....	<b>124</b>
Quarterly Payment Date.....	<b>36, 118</b>
Rates of Interest .....	119
Rating Agencies .....	<b>2</b>
Reconciliation Ledger .....	24
Reference Agent .....	34, <b>115</b>
Reference Banks .....	<b>119</b>
Regulatory Call Option .....	<b>2, 40</b>
Regulatory Change .....	<b>98</b>
Relevant Documents .....	<b>117</b>
Relevant Implementation Date .....	137
Relevant Member State.....	137
Required Minimum Rating.....	57
Reserve Account.....	<b>48</b>
Reserve Account Required Amount .....	<b>48</b>
Revenue Ledger.....	<b>55</b>
Savings Insurance Initial Participation.....	104
Savings Insurance Participant.....	33
Savings Insurance Participation Increase.....	104
Savings Insurance Participation Redemption Available Amount.....	104
Savings Insurance Policy .....	<b>45</b>
Savings Insurance Sub-Participation Agreement .....	46
Savings Mortgage Loan .....	<b>45</b>
Savings Mortgage Receivable .....	<b>45</b>
Savings Premium.....	45
Secured Parties .....	<b>110</b>
Securities Act .....	<b>3, 53</b>
Security .....	116
Security Trustee.....	<b>2, 33, 112, 115</b>
Seller.....	<b>33</b>
Seller Collection Accounts.....	<b>48</b>
Selling Restrictions .....	51
Senior Class A Noteholders .....	117
Senior Class A Notes .....	2, 35, 115
Senior Class A1 Notes .....	2, 35, 115
Senior Class A2 Notes .....	2, 35, 115
Servicing and Administration Agreement.....	<b>50, 115</b>
Sole Bookrunner .....	34, 137
Solvency II Framework Directive.....	<b>98</b>
Subordinated Class F Noteholders.....	117
Subordinated Class F Notes .....	35, 115
Sub-Participation Agreement .....	<b>46</b>
Swap Agreement.....	50
Swap Counterparty .....	33
Swap Counterparty Default Payment.....	<b>60</b>
Swap Defaulted Mortgage Receivables .....	<b>66</b>
Swap Fraction.....	<b>67</b>
Swap Termination Payment Ledger.....	<b>68</b>
TARGET 2 System.....	<b>36, 118</b>
Tax Change .....	<b>39</b>
Tax Credit.....	58

Tax Event .....	<b>26</b>
Temporary Global Note .....	<b>2, 132</b>
Termination Events.....	103
Transaction Accounts.....	<b>49</b>
Trust Deed.....	<b>115</b>
Trustee Assets Pledge Agreement .....	111, 115
Trustee Notification Events.....	110
Trustee Receivables Pledge Agreement.....	110, 115
Unit-Linked Alternative.....	<b>45</b>
WEW .....	21
Withholding Tax.....	39

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**COMMON SAFEKEEPER IN RESPECT OF THE SENIOR CLASS A NOTES**

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