

Phedina Hypotheken 2010 B.V.
(incorporated with limited liability in the Netherlands)

€ 4,600,000,000 Senior Class A Mortgage-Backed Notes 2010 due 2048, issue price 100 per cent.
€ 400,000,000 Junior Class B Mortgage-Backed Notes 2010 due 2048, issue price 100 per cent.
€ 175,000,000 Subordinated Class C Notes 2010 due 2048, issue price 100 per cent.

BNP Paribas Personal Finance B.V. as Seller and Servicer

Application has been made to list the € 4,600,000,000 Senior Class A Mortgage-Backed Notes 2010 due 2048 (the "**Senior Class A Notes**") and the € 400,000,000 Junior Class B Mortgage-Backed Notes 2010 due 2048 (the "**Junior Class B Notes**") on Euronext Amsterdam by NYSE Euronext ("**Euronext Amsterdam**"). The € 175,000,000 Subordinated Class C Notes 2010 due 2048 (the "**Subordinated Class C Notes**") and together with the Senior Class A Notes and the Junior Class B Notes, the "**Notes**") will not be listed. The Notes are expected to be issued on 21 October 2010. This prospectus (the "**Prospectus**") has been approved by the Dutch Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*) and constitutes a prospectus for the purposes of Directive 2003/71/EC (the "**Prospectus Directive**").

The Notes will carry floating rates of interest, payable quarterly in arrear on each Quarterly Payment Date (as defined herein). The rate of interest will be equal to three-months Euribor (as defined in the terms and conditions of the Notes, the "**Conditions**") plus a margin per annum which will be 0.50 per cent. for the Senior Class A Notes, 0.55 per cent. for the Junior Class B Notes and 0.60 per cent. for the Subordinated Class C Notes. Interest on the Junior Class B Notes will only be payable if and to the extent that payment thereof will not result in a debit balance on the Class B Principal Deficiency Ledger (as defined herein). Interest on the Subordinated Class C Notes will only be payable if and to the extent the Cash Release conditions (as defined herein) are met.

Payments of principal on the Notes will be made quarterly in arrear on each Quarterly Payment Date as from the Quarterly Payment Date falling in October 2015 (the "**First Optional Redemption Date**") in the circumstances set out in, and subject to and in accordance with the Conditions. The Notes will mature on the Quarterly Payment Date falling in October 2048. On the First Optional Redemption Date and each Quarterly Payment Date thereafter (each an "**Optional Redemption Date**") the Issuer will have the option to redeem all of the Notes, in whole but not in part, at their Principal Amount Outstanding, subject to and in accordance with the Conditions. As from the First Optional Redemption Date, the Noteholders (other than the Subordinated Class C Noteholders) have the option to request the Issuer to redeem all (but not only part of) the Notes (other than the Subordinated Class C Notes) (the "**Noteholders Put Option**") at their Principal Amount Outstanding, after payment of the amounts to be paid in priority to such Notes.

It is a condition precedent to issuance that, on issue, the Senior Class A Notes be assigned an 'Aaa (sf)' rating by Moody's Investors Service Limited ("Moody's") and an 'AAA' rating by Fitch Ratings Ltd. ("Fitch") and the Junior Class B Notes, on issue, be assigned a 'Aa3 (sf)' rating by Moody's and a 'BBB+' rating by Fitch. The Subordinated Class C Notes will not be assigned a rating. 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 section *Risk Factors* herein.

The holders of the Notes (the "**Noteholders**") and the other Security Beneficiaries (as defined in *Description of Security*) will benefit from the security provided to the Security Trustee in the form of a pledge over the Mortgage Receivables and the Beneficiary Rights (both as defined herein) and a pledge or other security interest over substantially all of the assets of the Issuer in the manner as more fully described herein under *Description of Security*. The right to payment of interest and principal on the Junior Class B Notes and the Subordinated Class C Notes will be subordinated to the Senior Class A Notes and may be limited as more fully described herein 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 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 issue date of the Notes. 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 attached (the expression "**Global Notes**" means the Temporary Global Note of each Class and the Permanent Global Note of each class and the expression "**Global Note**" means each Temporary Global Note or each Permanent Global Note, as the context may require), not earlier than forty (40) days after the Closing Date (as defined herein) 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 as described in the Conditions.

The Notes have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the "Securities Act") or the securities laws of any state of the United States and are subject to United States tax law requirements. The Notes may not be offered or sold within the United States, or to or for the account or benefit of any U.S. Person, unless the offer or sale would qualify for a registration exemption from the Securities Act and applicable state securities laws (see *Purchase and Sale* below).

The Senior Class A Notes are intended to be held in a manner which will allow Eurosystem eligibility. This means that the Senior Class A Notes are intended upon issue to be deposited with one of the International Central Securities Depositories (the "**ICSDs**") and/or Central Securities Depositories (the "**CSDs**") that fulfils the minimum standard established by the European Central Bank, 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 Junior Class B Notes and the Subordinated Class C Notes are not intended to be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem.

On the Closing Date, BNP Paribas Personal Finance B.V. will initially purchase all of the Notes to be issued by the Issuer. For so long as these Notes (or part thereof) are held by BNP Paribas Personal Finance B.V., it will be entitled to all of the rights to which the holders of such Notes are entitled (including, without limitation, voting rights). By reason of its roles as, *inter alia*, Seller and Servicer, BNP Paribas Personal Finance B.V.'s interests, with respect to the holding of such Notes, may be different from that of other Noteholders. So long as BNP Paribas Personal Finance B.V. continues to hold the Notes (or part thereof), in the exercise of the rights to which it is entitled under such Notes, it will be in its interests to minimise any adverse impact or potential adverse impact on BNP Paribas Personal Finance B.V. in its other capacities.

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, acting in whatever capacity, including, without limitation, the Seller, the Arranger, the Notes Purchaser, the Servicer, the Issuer Administrator, the Floating Rate GIC Provider, the Swap Counterparty, the Back-Up Swap Counterparty, the Paying Agents, the Savings Mortgage Participants, the Reference Agent or the Directors (as defined herein), except for certain limited obligations of the Security Trustee under the Trust Deed (as defined herein) to - *inter alia* - the Noteholders. Furthermore, none of the Seller, the Arranger, the Notes Purchaser, the Servicer, the Issuer Administrator, the Floating Rate GIC Provider, the Swap Counterparty, the Back-Up Swap Counterparty, the Paying Agents, the Savings Mortgage Participants, the Reference Agent, the Directors or any other entity or person, acting in whatever capacity, other than the Security Trustee in respect of limited obligations under the Trust Deed, will accept any liability whatsoever to the Noteholders in respect of any failure by the Issuer to pay any amounts due under the Notes. None of the Seller, the Arranger, the Notes Purchaser, the Servicer, the Issuer Administrator, the Floating Rate GIC Provider, the Swap Counterparty, the Back-Up Swap Counterparty, the Paying Agents, the Savings Mortgage Participants, the Reference Agent, the Security Trustee or the Directors will be under any obligation whatsoever to provide additional funds to the Issuer (save in the limited circumstances described herein).

For the page reference of the definitions of capitalised terms used herein see Index of Terms.

Arranger
Fortis Bank N.V./S.A.

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SUMMARY

The following is a summary of the principal features of the transaction described in this Prospectus including the issue of the Notes. The information in this section does not purport to be complete. This summary should be read as an introduction to this Prospectus and any decision to invest in the Notes should be based on a consideration of this Prospectus as a whole, including any supplement thereto and the documents incorporated by reference. Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member State, have to bear the costs of translating this Prospectus before the legal proceedings are initiated. Civil liability attaches to the Issuer, being the entity which has prepared the summary, and applied for its notification, only if the summary is misleading, inaccurate or inconsistent when read with other parts of this Prospectus.

Capitalised terms used, but not defined, in this section can be found elsewhere in this Prospectus via the Index of Terms unless otherwise stated.

Risk Factors

There are certain risk factors which the 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, the proceeds of the sale of any Mortgage Receivables and the receipt by it of other funds. Despite certain facilities, there remains a credit risk, liquidity risk, prepayment risk, maturity risk and interest rate risk relating to the Notes. Moreover, there are certain structural and legal risks relating to the Mortgage Receivables (see under *Risk Factors* below).

Transaction

On the Closing Date, the Issuer will (i) issue the Notes and (ii) apply the net proceeds of the Notes (other than the Subordinated Class C Notes) towards payment, in part, of the Initial Purchase Price for the Mortgage Receivables, consisting of any and all rights and claims of the Seller against certain borrowers under or in connection with certain selected mortgage loans secured by a first-ranking right of mortgage (*hypothekrecht*) or first and sequentially lower ranking rights of mortgage and the Beneficiary Rights relating thereto. The proceeds of the issue of the Subordinated Class C Notes will be used to fund the Reserve Account.

The NHG Mortgage Loan Parts have the benefit of a NHG Guarantee which covers the outstanding principal, accrued unpaid interest and disposal costs of the relevant NHG Mortgage Loan Part. Irrespective of scheduled repayments or prepayments made on such NHG Mortgage Loan Part, the NHG Guarantee reduces on a monthly basis by an amount which is equal to the monthly payments of principal as if the mortgage loan were being repaid on a thirty year annuity basis. Pursuant to the NHG Conditions, *Stichting Waarborgfonds Eigen Woningen* has no obligation to pay any loss (in whole or in

part) incurred by the Seller in its capacity as lender after a private or a forced sale of the relevant Mortgaged Asset if the Seller has not complied with the NHG Conditions. At the Closing Date the Seller will represent and warrant, *inter alia*, that all NHG Conditions applicable at the time of origination of the NHG Mortgage Loan Part were complied with.

The Issuer will use receipts of principal and interest in respect of the Mortgage Receivables together with amounts it receives under the Floating Rate GIC, the Sub-Participation Agreements and Swap Agreement to make payments of, *inter alia*, until the Quarterly Payment Date immediately preceding the First Optional Redemption Date, the initial purchase price for Further Advance Receivables and New Mortgage Receivables and on each Quarterly Payment Date as from the First Optional Redemption Date, principal and interest due in respect of the Notes. It is of note that the obligations of the Issuer in respect of the Notes will rank behind the obligations of the Issuer in respect of certain items set forth in the Pre-Enforcement Priority of Payments and that the right to payment of principal and interest on the Junior Class B Notes and the Subordinated Class C Notes will be subordinated to the right to payment of principal and interest on the Senior Class A Notes and may be limited as more fully described herein under *Terms and Conditions of the Notes*.

Pursuant to the Floating Rate GIC the Floating Rate GIC Provider will agree to pay a guaranteed rate of interest on the balance standing from time to time to the credit of the GIC Accounts (see under *Credit Structure* below).

Pursuant to the Servicing Agreement, the Servicer will agree to provide administration and management services to the Issuer on a day-to-day basis in relation to the Portfolio Mortgage Loans and the Mortgage Receivables, including, without limitation, the collection of payments of principal, interest and other amounts in respect of the Mortgage Receivables, all administrative actions in relation thereto and the implementation of arrears procedures including the enforcement of Mortgage Rights (see under *Servicing Agreement and Issuer Administration Agreement* below).

Pursuant to the Issuer Administration Agreement, the Issuer Administrator will agree to provide certain administration, calculation and cash management services to the Issuer in accordance with the relevant Transaction Documents, including, *inter alia*, (a) the application of amounts received by the Issuer to the GIC Accounts and the production of quarterly reports in relation thereto, (b) procuring that all drawings (if any) to be made by the Issuer from the Reserve Account are made, (c) procuring that all payments to be made by the Issuer under the Swap Agreement are made, (d) procuring that all payments to be made by the Issuer under the Notes are made in accordance with the Paying Agency Agreement and the Conditions, (e) the maintaining of all required ledgers in connection with the above, (f) all administrative actions in relation thereto, and (g) procuring that all calculations to be made pursuant to the Conditions under the Notes are made (see under *Servicing Agreement and Issuer Administration Agreement* below).

To hedge the risk between the rate of interest to be received by the Issuer on the Mortgage

Receivables and the rate of interest payable by the Issuer on the Notes, the Issuer will enter into the Swap Agreement (see under *Credit Structure* below).

The Issuer

Phedina Hypotheken 2010 B.V. is incorporated under Dutch law as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) under number BV 1610973, having its corporate seat in Amsterdam, the Netherlands and registered with the Trade Register under number 50679112. The entire issued share capital of the Issuer is held by Stichting Phedina Hypotheken 2010 Holding. The Issuer is established to issue the Notes, to acquire the Mortgage Receivables and to enter into certain transactions described in this Prospectus.

Security Structure

The Noteholders will benefit from the security granted in favour of the Security Trustee, whereas the Notes will be secured indirectly, through the Security Trustee, by (i) a first ranking Dutch law pledge granted by the Issuer to the Security Trustee over the Mortgage Receivables, including all rights ancillary thereto in respect of the Portfolio Mortgage Loans and the Beneficiary Rights, (ii) a first ranking Dutch law pledge by the Issuer to the Security Trustee over the Issuer's rights under or in connection with the Mortgage Receivables Purchase Agreement, the Swap Agreement, the Conditional Deed of Novation, the Servicing Agreement, the Floating Rate GIC, the Sub-Participation Agreements, the Beneficiary Waiver Agreement and in respect of the GIC Accounts and (iii) a first ranking Irish law charge by the Issuer to the Security Trustee over the GIC Accounts.

In order to ensure the valid creation of the security rights under Dutch law in favour of the Security Trustee, the Issuer has undertaken in the Trust Deed 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 Security Beneficiaries pursuant to the relevant Transaction Documents.

The Trust Deed sets out the priority of the claims of the Security Beneficiaries. See for a more detailed description *Description of Security* below.

Redemption of the Notes

Unless previously redeemed, the Issuer will, subject to Condition 9(b), redeem any remaining Notes outstanding at their respective Principal Amount Outstanding, together with accrued interest, on the Quarterly Payment Date falling in October 2048.

Provided that no Enforcement Notice has been served in accordance with Condition 10, the Issuer shall on each Quarterly Payment Date as from the First Optional Redemption Date apply the Available Amounts, subject to and in accordance with the Pre-Enforcement Priority of Payments, towards redemption, at their Principal Amount Outstanding, of the Notes after payment of the amounts to be paid in priority to such Notes. In addition, prior to the delivery of an Enforcement Notice, the Issuer

shall upon the occurrence of an Excess Cash Event, on the immediately following Quarterly Payment Date apply the Available Amounts up to an amount equal to the relevant Excess Cash Amount, subject to and in accordance with the Conditions and the Pre-Enforcement Priority of Payments, towards redemption, at their Principal Amount Outstanding, of (i) *firstly*, the Senior Class A Notes, until fully redeemed, and (ii) *secondly*, the Junior Class B Notes, until fully redeemed, after payment of the amounts to be paid in priority to such Notes.

Subject to and in accordance with the Conditions, the Issuer has, provided that no Enforcement Notice has been served in accordance with Condition 10, the option to redeem all of the Notes, in whole but not in part, on any Optional Redemption Date. In addition, the Issuer has the option to redeem the Notes, in whole but not in part, on any Quarterly Payment Date in the event of certain tax changes affecting the Notes. Finally, the Seller may upon the occurrence of certain events exercise the Seller Clean-up Call Option or the Regulatory Call Option and repurchase and accept re-assignment of all (but not only part of) the Mortgage Receivables. The Issuer has undertaken to apply the proceeds of any such sale towards redemption of the Notes subject to and in accordance with Conditions 6(f), 6(h) and 9(b).

As from the First Option Redemption Date, the Noteholders (other than the Subordinated Class C Noteholders) have the benefit of the Noteholders Put Option, pursuant to which they have the right to request the Issuer to redeem all (but not only part of) the Notes (other than the Subordinated Class C Notes) at their Principal Amount Outstanding, after payment of the amounts to be paid in priority to such Notes.

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.

Factors which are material for the purpose of assessing the market risks 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 and the Issuer does not represent that the statements below regarding the risks of holding any Notes are exhaustive. Additional risks or uncertainties not presently known to the Issuer or that the Issuer currently considers immaterial may also have an adverse effect on the Issuer's ability to pay interest, principal or other amounts on or in connection with the Notes. Prospective Noteholders should read the information contained herein in conjunction with the detailed information set out elsewhere in this Prospectus and should reach their own views prior to making any investment decision.

Capitalised terms used, but not defined, in this section can be found elsewhere in this Prospectus, via the Index of Terms, unless otherwise stated.

Liabilities under the Notes and limited recourse

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, acting in whatever capacity, including, without limitation, the Seller, the Servicer, the Issuer Administrator, the Arranger, the Notes Purchaser, the Savings Mortgage Participants, the Floating Rate GIC Provider, the Swap Counterparty, the Back-Up Swap Counterparty, the Paying Agents, the Reference Agent or the Directors or, except for certain limited obligations under the Trust Deed as more fully described in *Description of Security*, the Security Trustee. Furthermore, none of the Seller, the Servicer, the Issuer Administrator, the Arranger, the Notes Purchaser, the Savings Mortgage Participants, the Floating Rate GIC Provider, the Swap Counterparty, the Back-Up Swap Counterparty, the Paying Agents, the Reference Agent or the Directors or any other person, acting in whatever capacity, other than the Security Trustee in respect of limited obligations under the Trust Deed, will accept any liability whatsoever to Noteholders in respect of any failure by the Issuer to pay any amounts due under the Notes.

The obligations of the Issuer under the Notes are limited recourse obligations and the ability of the Issuer to meet its obligations to repay in full all principal of and to pay all interest on the Notes will be dependent on the receipt by it of funds under the Mortgage Receivables, the proceeds of the sale of any Mortgage Receivables, payments under the Swap Agreement and the Sub-Participation Agreements, interest in respect of the balances standing to the credit of the GIC Accounts and the

availability of the Reserve Account. See further under *Credit Structure* below.

Payment of principal and interest on the Notes will be secured indirectly by the security granted by the Issuer to the Security Trustee pursuant to the Security Documents. If the security granted pursuant to the Security Documents is enforced and the proceeds of such enforcement, after payment of all other claims ranking in priority to amounts due under the Notes, are insufficient to repay in full all principal and to pay all interest and other amounts due in respect of the Notes, then, as the Issuer has no other assets, it may be unable to satisfy claims in respect of any such unpaid amounts. As enforcement of the security by the Security Trustee pursuant to the terms of the Trust Deed, the Pledge Agreements and the Notes is the only remedy available to Noteholders for the purpose of recovering amounts owed in respect of the Notes, the Noteholders shall following the application of the foreclosure proceeds subject to and in accordance with the Post-Enforcement Priority of Payments have no further claim against the Issuer or the Security Trustee in respect of any such unpaid amounts.

Risks inherent to the Notes

By acquiring the Notes, the Noteholders shall be deemed to have knowledge of, accept and be bound by the Conditions. Neither the Issuer nor the Paying Agents will have any responsibility for the proper performance by the Clearing Institutions or their participants of their obligations under their respective rules, operating procedures and calculation methods.

(i) Credit Risk

There is a risk of non-payment of principal and interest on the Notes due to non-payment of principal and interest on the Mortgage Receivables, despite of the following:

- in respect of the NHG Mortgage Loan Parts only: the fact that the NHG Mortgage Loan Parts have the benefit of a NHG Guarantee;
- in case of the Senior Class A Notes, the subordinated ranking of the Junior Class B Notes; and
- the Reserve Account in which the proceeds of the Subordinated Class C Notes will be credited.

(ii) Liquidity Risk

There is a risk that interest on the Portfolio Mortgage Loans is not received on time thus causing temporary liquidity problems to the Issuer, despite the Reserve Account (to the extent available for such purpose).

(iii) Prepayment Risk

There is a risk that the level of prepayments by the Borrowers can vary and therefore result in an average life of the Notes which is shorter or longer than anticipated. The level 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). There is no guarantee as to the level of prepayment that the Mortgage Receivables may experience, and variation in the rate of prepayments of principal in respect of the Mortgage Receivables may affect each Class of Notes differently.

(iv) *Maturity Risk*

There is a risk that the Issuer will not have received sufficient funds to fully redeem the Notes at maturity. The Final Maturity Date for the Notes is the Quarterly Payment Date falling in October 2048. The Issuer has on any Optional Redemption Date the option to sell and assign all (but not only part of) the Mortgage Receivables to any party, provided however that the Issuer shall, before selling the Mortgage Receivables to a third party, make an offer to the Seller to purchase such Mortgage Receivables. The Issuer shall be required to apply the proceeds of such sale to redeem the Notes in accordance with the Conditions. No guarantee can be given that the Issuer will exercise its option or that there will be a purchaser of the Mortgage Receivables and therefore that the Notes will be redeemed on such First Optional Redemption Date or any Quarterly Payment Date thereafter. As from the First Optional Redemption Date, the Noteholders (other than the Subordinated Class C Noteholders) have the benefit of a Noteholders Put Option, pursuant to which they have the right to request the Issuer to redeem all (but not only part of) the Notes (other than the Subordinated Class C Notes) at their Principal Amount Outstanding, after payment of the amounts to be paid in priority to such Notes. No guarantee can be given that the Issuer will have sufficient funds to redeem, subject to Condition 6(i), the Notes (other than the Subordinated Class C Notes) in full following the exercise of the Noteholders Put Option.

(v) *Interest Rate Risk*

There is a risk that, due to interest rate movements, the interest received on the Mortgage Receivables and the GIC Accounts is not sufficient to pay the floating interest on the Notes. In this respect, a Swap Agreement has been entered into (see *Swap Agreement* below).

Interest on the Junior Class B Notes will only be payable if and to the extent that payment thereof will not result in a debit balance on the Class B Principal Deficiency Ledger. Interest on the Subordinated Class C Notes will only be payable if and to the extent the Cash Release conditions are met.

(vi) *Structural/Legal Risk*

As to the structural/legal risks relating to the Notes reference is made to, *inter alia*, *Transfer of Legal Title to Mortgage Receivables*, *Set-off*, *Mortgage Rights and Borrower Pledges*, *Insurance Policies* and *Reduced Value of Investments* below.

Rating of the Notes

The ratings to be assigned to the Notes by the Rating Agencies are based on the value and cash flow-generating ability of the Mortgage Receivables and other relevant structural features of the transaction, including, *inter alia*, the short-term and long-term unsecured and unsubordinated debt rating of the other parties involved in the transaction, such as the providers and guarantors of ancillary facilities (i.e. Floating Rate GIC Provider, Back-Up Swap Counterparty and Seller Collection Account Provider) and reflect only the view of each of the Rating Agencies.

There is no assurance that any such rating will continue for any period of time or that they will not be reviewed, revised, suspended or withdrawn entirely by any of the Rating Agencies as a result of changes in or unavailability of information or if, in any of the Rating Agencies' judgement, circumstances so warrant. Any rating agency other than the Rating Agencies could seek to rate the Notes and if such unsolicited ratings are lower than the comparable ratings assigned to the Notes by the Rating Agencies, such unsolicited ratings could have an adverse effect on the value of the Notes. For the avoidance of doubt, any references to "ratings" or "rating" in this Prospectus are to ratings assigned by the Rating Agencies only. Future events, including events affecting the Back-Up Swap Counterparty and/or circumstances relating to the Mortgage Receivables and/or the Dutch residential mortgage market, in general could have an adverse effect on the ratings of the Notes as well.

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.

Rating Agency Confirmation

In addition, the Transaction Documents provide that upon the occurrence of a certain event or matter, the Security Trustee needs to obtain a Rating Agency Confirmation before it is allowed to take any action or consent to an amendment of the relevant Transaction Documents as a result of the occurrence of such event or matter. Pursuant to the definition of the Rating Agency Confirmation, such Rating Agency Confirmation, in case a Rating Agency does not provide a written statement that the then current ratings of the Notes are not adversely affected as a result of the relevant event or matter nor indicates which conditions should be met before it is in a position to grant such statement or that the then current ratings of the Notes indeed will be adversely affected as a result of such event or matter, is also considered to be obtained by the passage of 14 days after notification to such Rating Agency of the occurrence of such event or matter. The Noteholders should be aware that a Rating Agency is not obliged to provide a written statement and that if a Rating Agency Confirmation has been obtained by the Security Trustee, this does not include a confirmation by a Rating Agency of the then current ratings assigned to the Notes (even if such Rating Agency Confirmation includes a statement in writing from a Rating Agency that the then current rating assigned to the Notes will not be adversely affected by or withdrawn as a result of the relevant event or matter), nor does it mean that the Notes may not be downgraded or such ratings may not be withdrawn by a Rating Agency, either as a result of the occurrence of the event or matter in respect of which such Rating Agency Confirmation has been obtained or for any other reason.

Listing of the Notes (other than the Subordinated Class C Notes)

Application has been made for the Notes (other than the Subordinated Class C Notes) to be listed on Euronext Amsterdam on the Closing Date. However, there is no assurance that the Notes will be admitted to listing on Euronext Amsterdam.

Value of the Notes and lack of liquidity in the secondary market

Prior to this offering, there has been no public secondary market for the Notes and there can be no assurance that the issue price of the Notes will correspond to the price at which the Notes will be traded after the initial offering of the Notes. Furthermore, there can be no assurance that active trading in the Notes will commence or continue after the offering. A lack of trading in the Notes could adversely affect the price of the Notes, as well as the Noteholders' ability to sell the Notes.

The secondary mortgage markets are currently experiencing disruptions resulting from reduced investor demand for mortgage loans and mortgage-backed securities and increased investor yield requirements for those loans and securities. As a result, the secondary market for mortgage-backed securities is experiencing limited liquidity. These conditions may improve, continue or worsen in the future. Limited liquidity in the secondary market for mortgage-backed securities has had an adverse effect on the market value of mortgage-backed securities. Limited liquidity in the secondary market may continue to have an adverse effect on the market value of mortgage-backed securities, especially those securities that are more sensitive to credit or interest rate risk and those securities that have been structured to meet the investment requirements of limited categories of investors. Consequently, investors may not be able to sell their Notes readily. The market values of the Notes are likely to fluctuate. Any of these fluctuations may be significant and could result in significant losses to investors. 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 the Notes and/or the price an investor receives for the Notes in the secondary market.

The Notes may not be a suitable investment for all investors

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

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

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

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

In the Netherlands, subject to a number of conditions, mortgage loan interest payments are deductible from the income of the Borrowers for income tax purposes. The period allowed for deductibility is restricted to a term of 30 years and it only applies to mortgage loans secured by owner occupied properties. 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 loans 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 defaults, prepayments and repayments. Currently the tax deductibility is subject to discussions.

Loan to Foreclosure Value Ratio

The Portfolio Mortgage Loans have a loan to foreclosure value ratio ("**LTFV**") of up to and including 130 per cent. Generally, in the Dutch mortgage market the foreclosure value (*executiewaarde*) is approximately 90 per cent. of the market value (*vrije verkoopwaarde*) of the relevant mortgaged property. There can be no assurance that, on enforcement, all amounts owed by a Borrower under a Portfolio Mortgage Loan can be recovered from the proceeds of the foreclosure on the relevant Mortgaged Asset or that the proceeds upon foreclosure will be at least equal to the estimated foreclosure value of such Mortgaged Asset (see *Description of Portfolio Mortgage Loans*).

NHG Guarantee

The NHG Mortgage Loan Parts will have the benefit of a '*Nationale Hypotheek Garantie*' ("**NHG Guarantee**"). Pursuant to the NHG Conditions, 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 NHG Conditions. The Seller will, therefore, with respect to each NHG Mortgage Loan Part represent and warrant, *inter alia*, that (i) to the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case) each NHG Guarantee connected to a NHG Mortgage Loan Part constitutes legal, valid and binding obligations of the WEW, enforceable in accordance with its terms, (ii) all NHG Conditions applicable to the NHG Guarantee at the time of origination of the NHG Mortgage Loan Part forming part of the Portfolio Mortgage Loans were complied with and (iii) the Seller is not aware of any reason why any claim under any NHG Guarantee should not be met in full and in a timely manner.

Furthermore, the NHG Conditions stipulate that the NHG Guarantee of the WEW will terminate upon expiry of a period of 30 (thirty) years after the establishment of the NHG Guarantee.

Finally, the NHG Conditions stipulate that the amount guaranteed by the WEW under the NHG Guarantee (irrespective of the type of redemption of the mortgage loan) is reduced on a monthly basis by an amount which is equal to the amount of the monthly repayments as if the mortgage loan were to be repaid on a thirty year annuity basis. The actual redemption structure of a Portfolio Mortgage Loan can be different (see *Description of the Portfolio 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 consequently lead to the Issuer not having sufficient funds to fully repay the Notes.

Rating of the Dutch State

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

Trust Deed

The Noteholders will benefit from the security granted in favour of the Security Trustee pursuant to the Security Documents. Under the terms of the Trust Deed, the Issuer will undertake to pay to the Security Trustee, on the same terms and conditions, an amount equal to the aggregate of all amounts from time to time due and payable by the Issuer to the Security Beneficiaries (including, but not limited to, the Noteholders) in accordance with the terms and conditions of the relevant Transaction Documents (as defined in the Conditions) (such payment undertaking and the obligations and liabilities resulting from it being referred to as the "**Parallel Debt**"). The Parallel Debt represents an independent claim of the Security Trustee to receive payment thereof from the Issuer, provided that (i) the aggregate amount that may become due under the Parallel Debt will never exceed the aggregate amount that may become due under all of the Issuer's obligations to the Security Beneficiaries, including the Noteholders, pursuant to the Transaction Documents, and (ii) every payment in respect of

such Transaction Documents for the account of or made to the Security Beneficiaries directly in respect of such undertaking shall operate in satisfaction pro tanto of the corresponding covenant in favour of the Security Trustee. The Parallel Debt is secured by the Pledge Agreements. Upon the occurrence of an event of default under the Notes, the Security Trustee may give notice to the Issuer that the amounts outstanding under the Notes (and under the Parallel Debt) are immediately due and payable and that it will enforce the Pledge Agreements. The Security Trustee will apply the amounts recovered upon enforcement of the Pledge Agreements in accordance with the provisions of the Trust Deed. The amounts payable to the Noteholders and other Security Beneficiaries under the Trust Deed will be limited to the amounts available for such purpose to the Security Trustee. Payments under the Trust Deed to the Security Beneficiaries (other than to the Savings Mortgage Participants) will be made in accordance with the Post-Enforcement Priority of Payments as set forth in the Trust Deed.

It is generally assumed that under Dutch law a right of pledge cannot be validly created in favour of a person who is not the creditor of the claim that the right of pledge purports to secure. The Parallel Debt is included in the Trust Deed to address this issue. It is noted that there is no statutory law or case law available on the validity or enforceability of a parallel covenant such as the Parallel Debt or the security provided for such debts. However, the Issuer has been advised that there are no reasons why a parallel covenant such as the Parallel Debt will not create a claim of the pledgee (the Security Trustee) thereunder which can be validly secured by a right of pledge such as the rights of pledge created pursuant to the Pledge Agreements.

Transfer of Legal Title to Mortgage Receivables

Under Dutch law a transfer of title by way of assignment of a receivable can be effected either by means of (i) a deed of assignment executed between the assignee and the assignor and a notification of the assignment to the relevant debtor or (ii) a notarial deed or a registered deed of assignment, without notification of the assignment to the relevant debtor being required (the so-called *stille cessie*). In the latter case notification to the debtor, however, will still be required to prevent such debtor validly discharging its obligations (*bevrijdend betalen*) under the receivable by making a payment to the relevant assignor. The legal ownership of the Mortgage Receivables will be transferred by the Seller to the Issuer on the relevant date of purchase and assignment through a registered deed of assignment. The Mortgage Receivables Purchase Agreement provides that such transfer of legal title to the Mortgage Receivables by the Seller to the Issuer will not be notified to the Borrowers unless certain events (referred to as Assignment Notification Events) occur. For a description of these notification events reference is made to section *Mortgage Receivables Purchase Agreement* below.

Until notification of the transfer of legal title has been made to the Borrowers, the Borrowers can only validly discharge their obligations (*bevrijdend betalen*) under the relevant Portfolio Mortgage Loan by making a payment to the Seller. The Seller has undertaken in the Mortgage Receivables Purchase Agreement to pay (or procure that the Servicer shall pay on its behalf) on the 6th Business Day of each calendar month all amounts received by it in respect of the Portfolio Mortgage Loans with respect to the immediately preceding Monthly Calculation Period. However, receipt of such amounts by the Issuer

is subject to the Seller actually making such payments.

Payments made by the Borrowers to the Seller prior to notification but after bankruptcy or suspension of payments in respect of the Seller having been declared, will be part of the Seller's bankruptcy estate. However, the Issuer has the right to receive such amounts by preference after deduction of the general bankruptcy costs (*algemene faillissementskosten*).

Set-off

Under Dutch law a debtor has a right of set-off if it has a claim which corresponds to its debt to the same counterparty and it is entitled to pay its debt as well as to enforce payment of its claim. Subject to these requirements being met, each Borrower will, prior to notification of the assignment of the Mortgage Receivable to the Issuer having been made, be entitled to set off amounts due by the Seller to it (if any) with amounts it owes in respect of the Mortgage Receivable. As a result of the set-off of amounts due 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.

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

After assignment of the Mortgage Receivables to the Issuer and notification thereof to a Borrower, such Borrower will also have set-off rights vis-à-vis the Issuer, provided that the legal requirements for set-off are met (see above), and further provided that (i) the counterclaim of the Borrower results from the same legal relationship as the relevant Mortgage Receivable, or (ii) the counterclaim of the Borrower has been originated and become due 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 against 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 (*opeisbaar*) prior to notification of the assignment, and, further, provided that all other requirements for set-off have been met (see above).

If notification of the assignment of the Mortgage Receivables is made after the bankruptcy or suspension of payments 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 Dutch Bankruptcy Code. Under the Dutch 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.

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 would otherwise have been entitled to receive in respect of such Mortgage Receivable, the Seller will pay to the Issuer an amount equal to the difference between (i) the amount which the Issuer would have received in respect of the relevant Mortgage Receivable if no set-off had taken place and (ii) the amount actually received by the Issuer in respect of such Mortgage Receivable. Receipt of such amount by the Issuer from the Seller is subject to the ability of the Seller to actually make such payments.

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

Mortgage Rights and Borrower Pledges

The Mortgage Receivables sold to the Issuer will be secured by mortgage rights which not only secure the initial loan granted to the Borrower, but also other liabilities and monies that the Borrower, now or in the future, may owe to the Seller (the so-called bankhypotheeken, hereinafter referred to as "**Bank Mortgages**").

Under Dutch 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. However, Dutch legal commentators have different views on whether, in the event of assignment or pledge of a receivable secured by a Bank Mortgage, the mortgage will follow such receivable. Based upon case law, the prevailing view has been for a long time that a Bank Mortgage will only follow the receivable which it secures if the relationship between the bank and a borrower has been terminated in such a manner that following the transfer, the bank cannot create or obtain new receivables against the borrower. However, in recent legal literature this view is generally disputed and it is argued, in particular where the mortgage deed indicates that the parties intended this to happen, that the Bank Mortgage will (partially) follow the receivable to the extent that it has been assigned, irrespective of whether the banking relationship between the bank and the borrower has terminated.

In the Mortgage Receivables Purchase Agreement the Seller represents and warrants that, upon creation of the Mortgage Rights securing the Mortgage Receivables, the conditions applicable to the Portfolio Mortgage Loans (the "**Mortgage Conditions**") contained a provision to the effect that, upon assignment of the relevant receivable, in whole or in part, the Mortgage Right will pro rata follow such receivable as an ancillary right. This provision is a clear indication of the intention of the parties in respect of assignment of the receivable. In the determination of whether a Bank Mortgage follows the receivable to which it is connected, the wording of the Mortgage Conditions in the relevant mortgage

deed is an all important factor. The inclusion of this provision in the Mortgage Conditions therefore provides strong support for the view that, in this case, the Mortgage Right will follow the Mortgage Receivable on a pro rata basis upon assignment or pledge as an ancillary right, albeit that there is no conclusive case law which supports this view.

The forms of mortgage deeds used in respect of the Mortgage Receivables do not provide that in case of a pledge of the receivable the Mortgage Right will (partially) follow the receivable. Therefore, there is no clear indication of the intention of the parties and, consequently, the above does not apply to the pledge of the Mortgage Receivables. However, the Issuer has been advised that a good argument can be made that the intention of the parties in case of an assignment of the Mortgage Receivable also include the intention in case of a pledge of such Mortgage Receivable, but that it is less certain that the Mortgage Right will continue to secure the Mortgage Receivable upon the pledge to the Security Trustee. In addition, the Issuer has been advised that a good argument can be made, based upon Dutch legal literature, that the Security Trustee, being as first ranking pledgee entitled to collect the Mortgage Receivable, is entitled to enforce any accessory rights to the Mortgage Receivable, such as the Mortgage Right.

In addition, pursuant to the forms of mortgage deeds, the Borrowers have granted certain rights of pledge in favour of the Seller (each such right a "**Borrower Pledge**", and together with the Mortgage Rights, the "**Security Rights**"). Such rights of pledge secure the same liabilities as the Mortgage Rights and therefore qualify as a so-called bank pledge.

The forms of mortgage deed used in respect of Mortgage Receivables do not provide that in case of assignment or pledge of the receivable the rights of pledge will (partially) follow the receivable. Therefore, there is no clear indication of the intention of the parties. The Issuer has been advised that also in such case there are good arguments for the view that the rights of pledge should (partially) follow the receivable as accessory and ancillary right upon its assignment, but that there is no case law explicitly supporting this advice and that, consequently, it is not certain what the Dutch courts would decide if this matter were to be submitted to them, particularly taking into account the prevailing view of Dutch legal commentators on Security Rights in the past as described above, which view continues to be defended by some legal commentators.

If the Security Rights would not (pro rata) have followed the relevant Mortgage Receivables upon assignment by the Seller, this means that it is uncertain, depending on the specific facts and circumstances involved, (i) whether the Issuer and, consequently, the Security Trustee (as pledgee), would have the benefit of a Security Right securing such Mortgage Receivables, and (ii) if subsequently a Borrower fails to comply with its obligations under the relevant Portfolio Mortgage Loan, whether the Issuer or the Security Trustee (as the case may be) would be in a position to foreclose the Security Right (respectively, as legal owner and as pledgee of the relevant Mortgage Receivables). If not, the assistance of the Seller's administrator (in the case of suspension of payments) or bankruptcy trustee (in the case of bankruptcy) would be required to effect a foreclosure

which would, in whole or in part, be for the benefit of the Issuer or the Security Trustee, as the case may be. It is uncertain whether such assistance would be forthcoming.

It is noted that if the Issuer does not have the benefit of the Mortgage Right, it will not be entitled to claim under the associated NHG Guarantee (if any).

Co-held Security Rights

If the Security Rights have (partially) followed the Mortgage Receivables upon assignment or pledge, this would imply that the Security Rights may be co-held by the Seller and the Issuer securing the Mortgage Receivables held by the Issuer and any claims held by the Seller on the same Borrower (the "Other Claims") in respect of which the rules applicable to co-ownership (*gemeenschap*) apply. The Dutch Civil Code provides for various mandatory rules applying to such co-owned rights. In the Mortgage Receivables Purchase Agreement the Seller, the Issuer and the Security Trustee will agree that the Issuer and/or the Security Trustee, as the case may be, will manage and administer such co-held rights. It is uncertain whether the foreclosure of the Security Rights will be considered as day-to-day management, and, consequently whether, upon the Seller being declared bankrupt or being granted a suspension of payments, the consent of the Seller's bankruptcy trustee or administrator may be required for such foreclosure. The Seller, the Issuer and the Security Trustee will agree in the Mortgage Receivables Purchase Agreement that in case of foreclosure the share (*aandeel*) in each co-held Mortgage Right of the Security Trustee and/or the Issuer will be equal to the outstanding principal amount 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 of the Mortgage Receivables, increased with interest and costs, if any. It is uncertain whether this arrangement will be enforceable. In this respect it will be agreed that in case of a breach by the Seller of its obligations under these arrangements or if any of such agreements are dissolved, void, nullified, or ineffective for any reason in respect of the Seller, it shall compensate the Issuer and/or the Security Trustee, as the case may be, forthwith for any and all loss, cost, claim, damage and expense whatsoever which the Issuer and/or the Security Trustee, as the case may be, incurs as a result thereof. Receipt of such amount by the Issuer and/or the Security Trustee is subject to the ability of the Seller to actually make such payments.

Furthermore, in the Mortgage Receivables Purchase Agreement, the Seller will undertake that, if at any moment it shall grant or acquire any Other Claims on a Borrower, other than a Further Advance, it shall, to further secure the obligations under the arrangements set out above, have an obligation to pledge, upon the occurrence of an Assignment Notification Event, the Other Claims, if any, in favour of the Issuer and the Security Trustee. Such pledge (if vested) will secure the claim of the Issuer and 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.

Insurance Policies

The Portfolio Mortgage Loans which in whole or in part consist of a Life Mortgage Loan, a Savings Mortgage Loan or an Hybrid Mortgage Loan have the benefit of a Life Insurance Policy, Savings Insurance Policy, or Savings Investment Insurance Policy, respectively, in which a Risk Insurance Policy may be included. In case of a Life Insurance Policy, a Savings Insurance Policy or a Savings Investment Insurance Policy relating to a Life Mortgage Loan, Savings Mortgage Loan or Hybrid Mortgage Loan which do not include a Risk Insurance Policy and in respect of Portfolio Mortgage Loans which do not include a Life Mortgage Loan, Savings Mortgage Loan or Hybrid Mortgage Loan, a separate Risk Insurance Policy needs to be taken out by the Borrower in the event and to the extent the relevant Portfolio Mortgage Loan exceeds 75 or 100 per cent (the applicable percentage depends on the type of Mortgage Loan and/or the time of origination) of the foreclosure value of the relevant property (*executiewaarde*). NHG Mortgage Loan Parts will have the benefit of a separate Risk Insurance Policy in the event and to the extent the relevant Portfolio Mortgage Loan exceeds 80 per cent. of the value of the relevant property (the Life Insurance Policies, Savings Insurance Policies, Savings Investment Insurance Policies and Risk Insurance Policies being together referred to as the "**Insurance Policies**").

In this paragraph, certain legal issues relating to the effects of the assignment of the Mortgage Receivables on the Insurance Policies are set out. Investors should be aware that it is possible that (i) the Issuer will not benefit from the Insurance Policies and/or (ii) the Issuer may not be able to recover any amounts from the relevant Borrower if the relevant Insurance Company defaults in its obligations as further described in this paragraph. As a consequence thereof the Issuer may not have a claim for such amounts on the Borrower and may, therefore, not have the benefit of the Mortgage Right securing such claim. In such case the rights of the Security Trustee will be similarly affected.

Pledge

Many of the Portfolio Mortgage Loans have the benefit of an Insurance Policy. All rights of the Borrowers under the Insurance Policies have been pledged to the Seller. However, the Issuer has been advised that it is possible 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 or granted a suspension of payments prior to the moment such right comes into existence. This means that it is uncertain whether such right of pledge will be effective. Even if the pledge over the rights under the Insurance Policies was effective, it would be uncertain whether such right of pledge would pass to the Issuer or, as the case may be, the Security Trustee upon the assignment or pledge of the Mortgage Receivables (see above under *Mortgage Rights and Borrower Pledges*).

Appointment of Beneficiary

The Seller has been appointed as beneficiary under the Insurance Policies (the "**Beneficiary Rights**"), except for cases where another beneficiary has been appointed who will rank ahead of the Seller. In such cases it is provided that the relevant Insurance Company is irrevocably authorised by such

beneficiary to apply the insurance proceeds in satisfaction of the Mortgage Receivables. It is unlikely that the Beneficiary Rights will follow the Mortgage Receivables upon assignment or pledge thereof to the Issuer or the Security Trustee. The Beneficiary Rights will, to the extent legally possible, be assigned by the Seller to the Issuer and will be pledged by the Issuer to the Security Trustee (see under *Description of Security* below), but it is uncertain whether this assignment and pledge will be effective.

Because of the uncertainty as to whether the Issuer becomes beneficiary of the Insurance Policies and whether the pledge of the Beneficiary Rights is effective, the Issuer will enter into a beneficiary waiver agreement at the Signing Date (the "**Beneficiary Waiver Agreement**") with the Seller and the Security Trustee. In the Beneficiary Waiver Agreement the Seller, subject to the condition precedent of the occurrence of an Assignment Notification Event, waives its rights as beneficiary under the Insurance Policies and appoints as first beneficiary (i) the Issuer subject to the dissolving condition of the occurrence of a pledge notification event (a "**Pledge Notification Event**") as referred to in Clause 7 of the Mortgage Receivables Pledge Agreement relating to the Issuer and (ii) the Security Trustee under the condition precedent of the occurrence of a Pledge Notification Event referred to in the Mortgage Receivables Pledge Agreement relating to the Issuer. It is, however, uncertain whether such waiver and appointment will be effective, mainly because it is unclear whether or not the right to change the appointment can be validly assigned to the Issuer or is included in the rights of a Seller as pledgee or as beneficiary under the Insurance Policies. In view of this, the Seller will undertake to use its best efforts following an Assignment Notification Event to obtain the co-operation of all relevant parties to appoint the Issuer or the Security Trustee, as the case may be, as first beneficiary under the Insurance Policies. It is uncertain whether such co-operation will be forthcoming. In the event that an irrevocable authorisation to apply the insurance proceeds in satisfaction of the Mortgage Receivables as described above exists, the Seller will undertake in the Beneficiary Waiver Agreement, following an Assignment Notification Event, to use its best efforts to change the payment instruction in favour of (i) the Issuer subject to the dissolving condition of the occurrence of a Pledge Notification Event relating to the Issuer and (ii) the Security Trustee under the condition precedent of the occurrence of a Pledge Notification Event relating to the Issuer. If the Issuer or the Security Trustee, as the case may be, has not become beneficiary of the Insurance Policies and the pledge and the waiver of the Beneficiary Rights are not effective, any proceeds under the Insurance Policies will be payable to the Seller or to another beneficiary, instead of the Issuer or the Security Trustee, as the case may be. If the proceeds are paid to the Seller, it will be obliged to pay the amount involved to the Issuer or the Security Trustee, as the case may be. If the proceeds are paid to the Seller and the Seller does not pay the amount involved to the Issuer or the Security Trustee, as the case may be, e.g. in the case of bankruptcy of the Seller or if the proceeds are paid to another beneficiary instead of the Issuer or the Security Trustee, as the case may be, this may result in the amount paid under the Insurance Policies not being applied in reduction of the Mortgage Receivable. This may lead to the Borrower invoking defences against the Issuer or the Security Trustee, as the case may be, for the amounts so received by the Seller as further discussed under *Set-off or defences* below.

Insolvency of the Insurance Companies

If any of the Insurance Companies is no longer able to meet its obligations under the Insurance Policies, e.g. in case it is declared bankrupt or subjected to emergency regulations, this could result in the amounts payable under the Insurance Policies 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 as further discussed under *Set-off or defences* below.

Set-off or defences

If the amounts payable under the Insurance Policies do not serve as a reduction of the Mortgage Receivable (see *Appointment of Beneficiary* and *Insolvency of Insurance Company* above), the Borrower may try to invoke a right of set-off of the amount due under the Mortgage Receivable with amounts payable under or in connection with the relevant Insurance Policy.

As set out in paragraph *Set-off* above, the Mortgage Conditions provide for a waiver by the Borrowers of their set-off rights. It is, however, uncertain whether such waiver is effective. If the waiver is not effective, the Borrowers will, in order to invoke a right of set-off, need to comply with the applicable legal requirements. One of these requirements is that the relevant Borrower should have a claim which corresponds to his debt to the same counterparty. The Insurance Policies are contracts between the Insurance Companies and the Borrowers on the one hand and the Portfolio Mortgage Loans are contracts between the Seller and the Borrowers on the other hand. Therefore, in order to invoke a right of set-off the Borrowers would have to establish that the Seller and the Insurance Companies are to be regarded as one legal entity or that, based upon interpretation of case law, set-off is allowed, even if the Seller and the Insurance Companies are not considered as one legal entity, since the Portfolio Mortgage Loans and the Insurance Policies are to be regarded as one interrelated relationship.

Furthermore, the Borrowers should have a counterclaim. If one of the Insurance Companies is declared bankrupt or is subjected to emergency regulations, the Borrower will have the right to unilaterally terminate the Insurance Policy and to receive a commutation payment (*afkoopsom*). These rights are subject to the Borrower Pledge (see *Pledge* above). However, despite this pledge it may be argued that the relevant Borrower will be entitled to invoke a right of set-off for the commutation payment. Apart from the right to terminate the Insurance Policies, the Borrowers are also likely to have the right to rescind the Insurance Policies and to claim restitution of premiums paid and/or supplementary damages. It is uncertain whether such claim is subject to the Borrower Pledge. If not, the Borrower Pledge would not obstruct a right of set-off with such claim by the Borrowers.

Even if the Borrowers cannot invoke a right of set-off, they may invoke other defences vis-à-vis the Seller, the Issuer and/or the Security Trustee. The Borrowers could, *inter alia*, argue that it was the intention of the parties involved - at least that they could rightfully interpret the mortgage documentation and the promotional materials in such manner - that the Portfolio Mortgage Loan and the relevant Insurance Policy are to be regarded as one interrelated legal relationship, and could on this basis claim a right of annulment or rescission of the Portfolio Mortgage Loan or that the Mortgage

Receivable would be (fully or partially) repaid by means of the proceeds of the Insurance Policy and that, failing such proceeds, the Borrower is not obliged to repay the (corresponding) part of the Mortgage Receivable. On the basis of similar reasoning, Borrowers could also argue that the Portfolio Mortgage Loans and the Insurance Policies were entered into as a result of 'error' (*dwaling*) or that it would be contrary to principles of reasonableness and fairness (*redelijkheid en billijkheid*) for a Borrower to be obliged to repay the Mortgage Receivable to the extent that he has failed to receive the proceeds of the relevant Insurance Policy.

Life Mortgage Loans

Although the possibility cannot be disregarded that the courts will honour any set-off or other defences, as described above, made by the Borrowers, if in the case of bankruptcy or emergency regulations of the relevant Insurance Company the Borrowers are not able to recover their claims under their Life Insurance Policies, the Issuer has been advised in respect of Life Mortgage Loans that, in view of the factual circumstances involved, the risk that the courts will honour such set-off or other defences is unlikely (save in respect of Life Mortgage Loans to which Life Insurance Policies of Cardif are connected). This view is based on the fact that (i) the relevant Insurance Companies and the Seller are not the same entity, therefore, the legal requirement for set-off that both the debt and the claim are owed and due to the same entity is not met, (ii) such Insurance Companies do not form part of the same group of companies to which the Seller belongs (save in respect of Life Mortgage Loans to which Life Insurance Policies of Cardif are connected), (iii) there are no marketing ties between the Seller and the Insurance Companies, (iv) the Life Mortgage Loan and the relevant Life Insurance Policy are not sold as one single package, i.e. the Borrowers do have a free choice as to the Insurance Company with which they will take out a Life Insurance Policy in relation to their mortgage loan to be entered into with the Seller, provided that any such insurance company selected is established in the Netherlands and is included in the list of Insurance Companies forming part of the acceptance guidelines set out by the Seller and (v) there is no connection, whether from a legal or commercial view, between the Life Mortgage Loans and the relevant Life Insurance Policies other than the relevant Borrower Pledge and Beneficiary Rights.

Savings Mortgage Loans and Hybrid Mortgage Loans

In respect of Savings Mortgage Loans and Hybrid Mortgage Loans the Issuer has been advised that there is a considerable risk that the invoking of a right of set-off or other defences, as described above, would be successful in view, *inter alia*, of the close connection between such Mortgage Loans and the relevant Insurance Policies and the fact that these Mortgage Loans and Insurance Policies are sold as one single package. However, the Sub-Participation Agreements entered into between the Issuer and each of the Savings Mortgage Participants in respect of the Savings Mortgage Loans and Hybrid Mortgage Loans will provide that in case of set-off or defences by Borrowers, including but not limited to a right of set-off or defence based upon a default in the performance by the relevant Insurance Company of its obligations under the relevant Savings Insurance Policy or Savings Investment Insurance Policy, as a consequence of which the Issuer has not received any amount due and outstanding, the relevant Savings Participation of the relevant Savings Mortgage Participant will be

reduced by an amount equal to the amount which the Issuer has failed to receive. The amount of the Savings Participation in respect of a Savings Mortgage Loan or Hybrid Mortgage Loan is equal to the amount of Savings Premiums and Savings Investment Premiums, respectively, received by the Issuer plus the accrued yield on such amount (see under *Sub-Participation Agreements* below), provided that the relevant Savings Mortgage Participant will have paid all amounts due under the relevant Sub-Participation Agreement to the Issuer. Therefore, normally the Issuer would not suffer any loss if the Borrower was to invoke any such right of set-off or defence, if and to the extent that the amount for which the Borrower was to invoke set-off or defences did not exceed the amount of the Savings Participation. It is of note, however, that in respect of the Hybrid Mortgage Loans and the Savings Mortgage Loans to which a Savings Investment Insurance Policy or a Savings Insurance Policy of ASR or Cardif is connected, BNP Paribas Personal Finance B.V. and not the relevant Insurance Company (i.e. ASR or Cardif) is the Savings Mortgage Participant which means that there is a risk that an amount equal to the Savings Investments Premiums (in respect of the Hybrid Mortgage Loans) and the Savings Premiums (in respect of the Savings Mortgage Loans) can no longer be paid to the Issuer if BNP Paribas Personal Finance B.V. becomes insolvent. BNP Paribas Personal Finance B.V. has undertaken to use its best efforts upon the occurrence of an Assignment Notification Event to find a substitute savings mortgage participant, provided that the Rating Agency Confirmation has been obtained or, alternatively, to repurchase and accept re-assignment of the Mortgage Receivables resulting from the Hybrid Mortgage Loans and Savings Mortgage Loans to which a Savings Investment Insurance Policy or Savings Insurance Policy of ASR or Cardif is connected. However, if the Seller fails to find a substitute savings mortgage participant or to repurchase and accept re-assignment the above arrangement will not apply to any Savings Premiums or Savings Investment Premiums paid by the Borrower in respect of the relevant Savings Mortgage Loan or Hybrid Mortgage Loan after BNP Paribas Personal Finance B.V. becoming insolvent (and therefore unable to comply with its obligations under the Sub-Participation Agreements) and the accrued yield thereon.

Investment Mortgage Loans

Under the Investment Mortgage Loans the Borrowers do not repay principal prior to maturity of the Mortgage Loans. Instead the Borrowers undertake to invest agreed amounts in certain investment funds. See further under *Description of Portfolio Mortgage Loans*.

The Seller has represented that under the investment mortgage loans (*beleggingshypotheken*) the securities are purchased on behalf of the relevant Borrower by the financial enterprise (*financiële onderneming*) at which the Borrower maintains its Investment Account and these securities are held in custody by an admitted institution of Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V. in accordance with the Securities Giro Act (*Wet Giraal Effectenverkeer*) or, if they do not qualify as such, the securities will be held in accordance with the requirements included in Section 6:14 of the Further Regulation on Conduct Supervision of Financial Enterprises (*Nadere regeling gedragstoezicht financiële ondernemingen Wft*) on the basis of which measures should be taken to sufficiently protect the rights of the Borrower with respect to the securities credited to its Investment Account. However, if this is not the case and the investments were to be lost, this may lead to the borrowers trying to invoke

set-off rights or defences on similar grounds as described under *Insurance Policies* above.

Should any of the Foundations not be able to meet its obligations towards the Borrowers, this could lead to set-off or defences by Borrowers similar to those described under *Insurance Policies* above, except for the set-off or defences described in *Appointment of Beneficiary* in respect of the situation where the Seller is insolvent.

Pledge

All rights of a Borrower in connection with the relevant Investment Account have been pledged to the Seller in order to secure the same liabilities as the relevant Mortgage Right. The observations made above in relation to *Mortgage Rights and Borrower Pledges* apply equally here. Furthermore, any rights of pledge on the rights of the relevant Borrower in connection with the Investment Accounts to the extent the rights of the Borrower qualify as future claims, such as options ("*opties*") will not be effective.

Reduced Value of Investments and incomplete or misleading marketing material

The value of investments made by the Insurance Companies in connection with the Life Insurance Policies and Savings Investment Insurance Policies or made on behalf of the Borrowers under the Investment Mortgage Loans, may not provide the Borrower with sufficient proceeds to fully repay the related Mortgage Receivables at their maturity. Further, if the development of the value of these investments is not in line with the expectations of a Borrower, such Borrower may try to invoke set-off or other defences against the Seller or the Issuer, as the case may be, by arguing that he has not been properly informed of the risks involved in the investments. Apart from the general obligation of contracting parties to provide information, there are several provisions of Dutch law applicable to offerors of financial products, such as Investment Mortgage Loans, Life Mortgage Loans and Hybrid 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 or a Borrower may claim set-off or defences against the Seller or the Issuer (or the Security Trustee). The merits of any such claim will, to a large extent, depend on the manner in which the relevant Portfolio Mortgage Loans have been marketed by the Seller and/or its intermediaries and the promotional material provided to the Borrower. Depending on the relationship between the offeror and any intermediary involved in the marketing and sale of the product, the offeror may be liable for actions of the intermediaries which have led to a claim. The risk of such claims being made increases, if the value of investments made under Investment Mortgage Loans or Life Insurance Policies or Savings Investment Insurance Policies is not sufficient to redeem the relevant Portfolio Mortgage Loans.

In this respect it is further of note that, in the summer of 2006, the Authority for the Financial Markets has published a report on so-called unit-linked or investment insurance policies whereby the premiums are invested in certain investment funds selected by the insured. The proceeds of the insurance policy

are (largely) dependent on the return of such investment funds. According to the report the promotional material provided by some of the insurance companies to its customers was not complete and misleading in some respects (i.e. in respect of transparency of costs). The report was followed by a letter of the Minister of Finance and a report issued by the Committee De Ruiter in December 2006 containing recommendations to the insurance companies to improve the information provided to the customers and to compensate the customers which were misled. This may instigate customers to make claims for compensation against the relevant insurance companies or dissolving or terminating the insurance policies taken out with such insurance companies. In connection therewith, several claimant organisations have been established, such as the *Stichting Woekerpolis Claim* and the *Stichting Verliespolis*, an initiative of, *inter alia*, the Dutch Association of House Owners (*Vereniging Eigen Huis*) and the Dutch Association of Stock Owners (*Vereniging van Effectenbezitters*) which was established in December 2006. *Stichting Woekerpolis Claim* and *Stichting Verliespolis* mainly focus on the shortcomings of the relevant insurance companies in providing the insured with complete and correct (non-misleading) information and prognoses and investigates the possibilities for the insured to commence legal proceedings (individually or through class action law suits) against the relevant insurance company. In July 2008, the Authority for the Financial Markets has published a report on the quality of advice rendered with respect to investment insurance policies. The Authority for the Financial Markets has concluded that there is much room for improvement in the provision of information about investment insurance policies and in the rendering of advice.

Meanwhile, the Dutch Minister of Finance has informed the Parliament that the Dutch Government intends to stimulate a balanced approach for resolving complaints, to prevent a multitude of individual disputes before a complaint institute or in public courts, and has requested the Financial Services Ombudsman and Chairman of the Complaint Institute for Financial Services (*Klachteninstituut Financiële Dienstverlening*) to propose a balanced approach to deal with complaints.¹ This Ombudsman has concluded in its recommendation (published on 4 March 2008) that insurers in general have not provided sufficient transparency concerning the costs of unit-linked insurance products. This may, however, vary per insurer. He recommends insurers to compensate customers of unit-linked insurance products of which the costs over the duration of the policy is higher than an annual rate of 3.5 per cent. of the gross fund output at least for the incremental costs. If all parties would cooperate with these recommendations, this could accelerate a solution and could result in a compromise for an important number of cases.

The Dutch Association of Insurers has in a public communication stated that the recommendation offers a clear framework for a solution in a cumbersome file and that it expects that insurers will take this recommendation seriously. The recommendation addresses primarily individual insurers who should decide on the basis of their portfolio if and to what extent they will adopt this recommendation. It concludes that the recommendation of the Ombudsman makes fast, clear and transparent adaptation possible and prevents lengthy legal procedures which will benefit both insurers and customers. In the

¹ The Dutch Minister of Finance has further instructed the Authority for the Financial Markets to perform a factual research relating to the investment insurance policies. The Authority for the Financial Markets has published its results (in a report called '*Feitenonderzoek Beleggingsverzekeringen*') on 9 October 2008. A copy of this report can be obtained at www.afm.nl.

press some claimant organisations (including *Stichting Verliespolis*) have announced that the recommendations are disappointing and/or do not offer customers sufficient compensation and new class actions have been announced against two insurance companies. A number of insurers announced that they have reached agreement with certain claimant organisations on compensation of their customers for the costs of investment insurance policies entered into with them. Recently, there has been much ado about these agreements because some customers might be in a worse position than they were before.

The above mentioned unit-linked or investment insurance policies may also be linked to Life Mortgage Loans and Hybrid Mortgage Loans sold by the Seller. If Life Insurance Policies or Savings Investment Insurance Policies related to the Portfolio Mortgage Loans would for the reasons described in this paragraph be dissolved or terminated, this will affect the collateral granted to secure these Portfolio Mortgage Loans (e.g. the Beneficiary Rights would cease to exist). The Issuer has been advised that, depending on the circumstances involved, in such case the Portfolio Mortgage Loans connected thereto can possibly also be dissolved or nullified, but that this will be different depending on the particular circumstances involved. Even if the Portfolio Mortgage Loan is not affected, the Borrower/insured may invoke set-off or other defences against the Issuer. The analysis in that situation is similar to the situation in case of insolvency of the insurer, except if the Seller is itself liable, whether jointly with the insurer or separately, vis-à-vis the Borrower/insured. In this situation, which may depend on the involvement of the 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. Any such set-off or defences may lead to losses under the Notes.

Long Leases

The Mortgage Rights securing the Portfolio Mortgage Loans may be vested on a long lease (*erfpacht*), as further described under *Description of Portfolio Mortgage Loans* below.

A long lease will, *inter alia*, end as a result of expiration of the long lease term (in the case of 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 (2) consecutive years or commits a material breach of other obligations under the long lease. If the long lease ends, the landowner will have the obligation to compensate the leaseholder. In such event the mortgage right will, by operation of law, be replaced by a right of pledge on the claim of the (former) leaseholder against 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.

Enforcement of Dutch Security Rights

The Notes will be secured indirectly, through the Security Trustee, by (i) a first ranking undisclosed right of pledge granted by the Issuer to the Security Trustee over the Mortgage Receivables, including

all rights ancillary thereto in respect of the Portfolio Mortgage Loans and the Beneficiary Rights relating thereto, and (ii) a first ranking disclosed pledge by the Issuer to the Security Trustee over the Issuer's rights under or in connection with the Mortgage Receivables Purchase Agreement, the Swap Agreement, the Conditional Deed of Novation, the Servicing Agreement, the Floating Rate GIC, the Sub-Participation Agreements, the Beneficiary Waiver Agreement and in respect of the GIC Accounts. Notification of the undisclosed right of pledge in favour of the Security Trustee can be validly made after bankruptcy or the granting of a suspension of payments in respect of the Issuer. Under Dutch law the Security Trustee can, in the event of bankruptcy or suspension of payments of the Issuer, exercise the rights afforded by law to pledgees as if there were no bankruptcy or suspension of payments. However, 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 Seller or, after notification of the assignment, to the Issuer, prior to notification of the right of pledge over the Mortgage Receivables but after bankruptcy or (preliminary) suspension of payments of the Seller or, as the case may be, the Issuer, will form part of the bankruptcy estate of the Seller or the Issuer, although the pledgee has the right to receive such amounts as a preferential creditor after deduction of certain bankruptcy-related costs, (ii) a mandatory freezing-period of up to four (4) months may apply in the case of bankruptcy or suspension of payments, which, if applicable, would delay the exercise of the right of pledge on the Mortgage Receivables and (iii) the pledgee may be obliged to enforce its right of pledge within a reasonable period as determined by the judge-commissioner (*rechter-commissaris*) appointed by the court in the case of bankruptcy of the Seller or the Issuer, as the case may be.

To the extent that the receivables pledged by the Issuer to the Security Trustee are future receivables, the right of pledge on such future receivable cannot be invoked against the estate of the Issuer, if such future receivable comes into existence after the Issuer has been declared bankrupt or has been granted a suspension of payments. The Issuer has been advised that the assets pledged to the Security Trustee under the Issuer Rights Pledge Agreement and GIC Accounts Pledge Agreement may be regarded as future receivables. This would for example apply to amounts paid to the Issuer Accounts following the Issuer's bankruptcy or suspension of payments.

The Issuer has been advised that as the GIC Accounts are to be held by the Floating Rate GIC Provider in Ireland there is a risk that the Dutch law first ranking disclosed pledge by the Issuer to the Security Trustee in respect of the GIC Accounts may not create a valid and enforceable security interest under Irish law over the GIC Accounts. The Issuer has been advised to enter into an Irish law charge in order to create a valid and enforceable security interest under Irish law over the GIC Accounts in favour of the Security Trustee.

Enforcement of Irish Security Rights

The Irish Charge is expressed to create a fixed charge over the GIC Accounts and the balances standing to the credit of the GIC Accounts. In order to create a fixed charge over a bank account in Ireland, the bank account must be a blocked account and the chargee must remain in control of the

bank account at all times. If this is not the case, any charge constituted by the Irish Charge which is expressed to be fixed in nature may be held by the Irish courts to operate as a floating charge rather than a fixed charge. In order to perfect the security, notice of the Irish Charge must be given to the Floating Rate GIC Provider.

Under Irish law, floating charges have certain weaknesses when compared to fixed charges, including the following:

1. they rank after certain preferential creditors, such as claims of employees and certain taxes on a winding-up;
2. they rank after certain insolvency remuneration expenses and liabilities;
3. they are affected by Section 288 of the Irish Companies Act 1963 which provides that a floating charge can be set aside where the chargor goes into liquidation within 12 months of the floating charge being created unless it is proved that the chargor was solvent immediately after the creation of the floating charge. For these purposes “solvent” means that the chargor is able to pay its debts as they fall due. The floating charge would be invalid to the extent that no new money, goods or services are provided to the chargor after, and in consideration for, the creation of the floating charge, i.e. the risk of invalidity relates to a floating charge put in place to cover historic debts; and
4. they rank after fixed charges.

Interest Rate Reset Rights

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

Risks of Losses associated with declining property values

The security for the Notes created under the Pledge Agreements may be affected by, among other things, a decline in the value of those properties subject to the mortgage rights securing the Mortgage Receivables and investments under the Insurance Policies. No assurance can be given that values of those properties have remained or will remain at the level at which they were on the date of origination of the related Portfolio Mortgage Loans. A decline in value may result in losses to the Noteholders if such security is required to be enforced.

Subordination

To the extent set forth in Conditions 4, 6 and 9 the Junior Class B Notes are subordinated in right of payment to the Senior Class A Notes and the Subordinated Class C Notes are subordinated in right of payment to the Senior Class A Notes and the Junior Class B Notes. With respect to any Class of Notes, such subordination is designed to provide credit enhancement to any Class of Notes with a higher payment priority than such Class of Notes.

If, upon default by the Borrowers and after exercise by the Servicer of all available remedies in respect of the applicable Portfolio Mortgage Loans, the Issuer does not receive the full amount due from such Borrowers, Noteholders may receive by way of principal repayment on the Notes an amount less than the face amount of their Notes and the Issuer may be unable to pay in full interest due on such Notes, to the extent set forth in Condition 9.

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 and the lower ranking Class or, as the case may be, Classes of Noteholders on the other hand. In addition, the Security Trustee shall have regard to the interests of the other Security Beneficiaries, provided that in case of a conflict of interest between the Security Beneficiaries the priority of payments upon enforcement set forth in the Trust Deed determines which interest of which Security Beneficiary prevails.

Modification, authorisation and waiver without consent of Noteholders

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

BNP Paribas Personal Finance B.V. as Noteholder

On the Closing Date, BNP Paribas Personal Finance B.V. will initially purchase all of the Notes to be issued by the Issuer. For so long as these Notes (or part thereof) are held by BNP Paribas Personal Finance B.V., it will be entitled to all of the rights to which the holders of such Notes are entitled (including, without limitation, voting rights). By reason of its roles as, *inter alia*, Seller and Servicer, BNP Paribas Personal Finance B.V.'s interests, with respect to the holding of such Notes, may be

different from that of other Noteholders. So long as BNP Paribas Personal Finance B.V. continues to hold the Notes (or part thereof), in the exercise of the rights to which it is entitled under such Notes, it will be in its interests to minimise any adverse impact or potential adverse impact on BNP Paribas Personal Finance B.V. in its other capacities.

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 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 ("**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 Junior Class B Notes and the Subordinated Class C Notes are not intended to be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem.

Act on the Financial Supervision

Under the Act on the Financial Supervision (*Wet op het financieel toezicht*), a special purpose vehicle which services (*beheert*) and administers (*uitvoert*) loans granted to consumers, such as the Issuer, must have a license under that act. 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 the Financial Supervision. The Issuer has outsourced the servicing and administration of the Portfolio Mortgage Loans to the Servicer. The Servicer holds a license under the Act on the Financial Supervision and the Issuer will thus benefit from the exemption. However, if the Servicing Agreement is terminated, the Issuer will need to outsource the servicing and administration of the Portfolio Mortgage Loans 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 the Financial Supervision. If the Servicing Agreement is terminated and the Issuer has not outsourced the servicing and administration of the Portfolio Mortgage Loans to a licensed entity and, in such case, it will not hold a license itself, the Issuer will have to terminate its activities and settle (*afwickelen*) its existing agreements. There are a number of licensed entities in the Netherlands to which the Issuer could outsource the servicing and administration activities. It remains, however, uncertain whether any of these entities will be willing to perform these activities on behalf of the Issuer.

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, Belgium, 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 Notes become subject to withholding tax.

Changes to the Basle II Capital Accord

Amendments may be made to the current Basle II Capital Accord promulgated by the Basle Committee on Banking Supervision as set forth in the EU Capital Adequacy Directive, 2006/49/EG and the EU Payment Services Directive, 2006/48/EG or in the international, European or Dutch regulations, rules and instructions applicable to credit and financial institutions in Europe. In the Netherlands the above directives have been implemented in the Act on the Financial Supervision. In light of the financial crisis, the European Parliament adopted in 2009 three directives amending the above mentioned directives. Implementation in the legislation of the relevant EU Member States of these amendments shall occur at latest on 31 October 2010 and the Member States shall apply those measures from 31 December 2010. Such amendments may, amongst other things, affect the risk-weighting of the Notes in respect of certain investors if those investors are regulated in a manner which will be affected by these amendments. Consequently, prospective purchasers should consult their own advisers as to the consequences of and the effect on them of any amendments made to the Basle II Capital Accord or the above mentioned regulations, rules and instructions.

The Issuer will not be obliged to gross-up for taxes

As provided for in Condition 7, if any withholding of, or deductions for, or on account of, any present or future taxes, duties or charges of whatever kind is imposed by, or on behalf of, the Netherlands or any other jurisdiction or any political subdivision or any authority of the Netherlands or in the Netherlands having power to tax, the Issuer or the Paying Agents (as applicable) will make the required withholding or deduction of such taxes, duties or charges, as the case may be, and shall not be obliged to pay any additional amount to the Noteholders.

Change of law

The structure of the issue of the Notes and the ratings which are to be assigned to the Notes are based

on Dutch law and, to the extent it relates to the Swap Agreement, English law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible change in Dutch law or English law or administrative practice in the Netherlands and England and Wales after the date of this Prospectus.

Reliance on third parties

Counterparties to the Issuer may not perform their obligations under the Transaction Documents, which may result in the Issuer not being able to meet its obligations. It should be noted that there is a risk that, *inter alia*, either (a) BNP Paribas Personal Finance B.V. in its capacity as Seller, Servicer and Swap Counterparty, (b) BNP Paribas S.A. in its capacity as Back-Up Swap Counterparty, (c) BNP Paribas S.A., Dublin Branch in its capacity as Floating Rate GIC Provider, (d) BNP Paribas S.A., Amsterdam Branch in its capacity as Paying Agent (e) BNP Paribas Securities Services S.A. in its capacity as Listing Agent, (f) BNP Paribas Securities Services S.A., Luxembourg Branch in its capacity as Principal Paying Agent and Reference Agent and (g) Intertrust (Netherlands) B.V. in its capacity as Issuer Administrator will not perform its obligations vis-à-vis the Issuer.

Swap Agreement

The Swap Counterparty will be obliged to make payments under the Swap Agreement without any withholding or deduction of taxes unless required by law. If any such withholding or deduction is required by law, the Swap Counterparty will be required to pay such additional amount as is necessary to ensure that the net amount actually received by the Issuer will equal the full amount that the Issuer would have received had no such withholding or deduction been required. The Swap Agreement will provide, however, that if due to any change in tax law, after the date of the Swap Agreement, the Swap Counterparty will, or there is a substantial likelihood that it will, be required to pay to the Issuer additional amounts for or on account of tax (a "**Tax Event**"), the Swap Counterparty may (with the consent of the Rating Agencies and the Issuer) transfer its rights and obligations to another of its offices, branches or affiliates or any other person that meets the criteria for a swap counterparty as set forth in the Swap Agreement to avoid the relevant Tax Event.

The Swap Agreement will be terminable by one party if – *inter alia* – (i) an event of default occurs in relation to the other party, (ii) it becomes unlawful for either party to perform its obligations under the Swap Agreement or (iii) an Enforcement Notice is served. Events of default in relation to the Issuer will be limited to (i) non-payment under the Swap Agreement and (ii) insolvency events. Upon termination of the Swap Agreement as a result of an event of default relating to the Issuer the interest rate exposure will no longer be hedged and as a result the Issuer may have insufficient funds to make interest payments under the Notes. In case the Swap Counterparty fails to make, when due, any payment to the Issuer under the Swap Agreement or if the Swap Counterparty is declared bankrupt (*failliet*), the Swap Agreement will be novated to the Back-Up Swap Counterparty pursuant to the Conditional Deed of Novation. There is, however, a risk that the Back-Up Swap Counterparty does not perform its obligations vis-à-vis the Issuer.

The Swap Agreement provides that, in the event that any payment by the Issuer to the Swap Counterparty is less than the amount which the Issuer would be required to pay to the Swap Counterparty, the corresponding payment obligation of the Swap Counterparty to the Issuer shall be reduced by an amount equal to such shortfall. See further under *Interest Rate Hedging* in section *Credit Structure* below.

KEY PARTIES AND SUMMARY OF PRINCIPAL FEATURES

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

KEY PARTIES:

Issuer: Phedina Hypotheken 2010 B.V., incorporated under Dutch law as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*), having its corporate seat in Amsterdam, the Netherlands and registered in the trade register of the Chambers of Commerce in the Netherlands (the "**Trade Register**") under number 50679112 (the "**Issuer**"). The entire issued share capital of the Issuer is held by Stichting Phedina Hypotheken 2010 Holding.

Seller: BNP Paribas Personal Finance B.V., incorporated under Dutch law as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*), having its corporate seat in Amsterdam, the Netherlands and registered with the Trade Register under number 3323578 (the "**Seller**"). The shares in BNP Paribas Personal Finance B.V. are held by BNP Paribas Personal Finance S.A.

Issuer

Administrator: Intertrust (Netherlands) B.V., incorporated under Dutch law as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*), having its corporate seat in Amsterdam, the Netherlands and registered with the Trade Register under number 33144202 (the "**Issuer Administrator**"). The shares in the Issuer Administrator are held by Intertrust International Holding B.V.

Servicer: BNP Paribas Personal Finance B.V., incorporated under Dutch law as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*), having its corporate seat in Amsterdam, the Netherlands and registered with the Trade Register under number 3323578 (the "**Servicer**"). The shares in BNP Paribas Personal Finance B.V. are held by BNP Paribas Personal Finance S.A.

Sub-Service

Providers: Stater Nederland B.V., incorporated under Dutch law as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*),

having its corporate seat in Amersfoort, the Netherlands and registered with the Trade Register under number 08716725 ("**Stater**") and Novalink B.V., incorporated under Dutch law as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*), having its corporate seat in Amersfoort, the Netherlands and registered with the Trade Register under number 32138332 ("**Novalink**" and together with Stater, the "**Sub-Service Providers**" and each, a "**Sub-Service Provider**").

Security

Trustee: Stichting Security Trustee Phedina Hypotheken 2010, established under Dutch law as a foundation (*stichting*), having its seat in Amsterdam, the Netherlands and registered with the Trade Register under number 50526014 (the "**Security Trustee**").

Stichting

Phedina Hypotheken

2010 Holding: Stichting Phedina Hypotheken 2010 Holding, established under Dutch law as a foundation (*stichting*), having its seat in Amsterdam, the Netherlands and registered with the Trade Register under number 50525778.

Directors: BNP Paribas Trust B.V., incorporated under Dutch law as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*), having its corporate seat in Amsterdam, the Netherlands and registered with the Trade Register under number 33191041, being the sole managing director of each of the Issuer (the "**Issuer Director**"), Stichting Phedina Hypotheken 2010 Holding (the "**Holding Director**") and the Security Trustee (the "**Trustee Director**" and together with the Issuer Director and the Holding Director, the "**Directors**"). TFS Trust and Fiduciary services S.A., Geneva, Switzerland, holds the shares in BNP Paribas Trust B.V.

Floating Rate

GIC Provider: BNP Paribas S.A., Dublin Branch, incorporated and existing under French law as a public company with limited liability (*société anonyme*), having its corporate seat in Paris, France and registered with the trade register (*registre du commerce et des sociétés*) of Paris under number 662 042 449 acting through its Dublin Branch (the "**Floating Rate GIC Provider**").

Seller Collection

Account Provider: The Royal Bank of Scotland N.V., incorporated under Dutch law as a public company with limited liability (*naamloze vennootschap*), having its official seat in Amsterdam, the Netherlands and registered with the Trade Register under

number 33002587 (the "**Seller Collection Account Provider**")

Swap

Counterparty:

BNP Paribas Personal Finance B.V., incorporated under Dutch law as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*), having its corporate seat in Amsterdam, the Netherlands and registered with the Trade Register under number 3323578 (the "**Swap Counterparty**"). The shares in BNP Paribas Personal Finance B.V. are held by BNP Paribas Personal Finance S.A.

Back-Up Swap

Counterparty:

BNP Paribas S.A., incorporated under French law as a public company with limited liability (*société anonyme*), licensed as a credit institution (*établissement de crédit*), having its registered office at 16 boulevard des Italiens, 75009 Paris, France and registered with the trade register (*registre du commerce et des sociétés*) of Paris under number 662 042 449 (the "**Back-Up Swap Counterparty**").

Principal

Paying Agent:

BNP Paribas Securities Services S.A., Luxembourg, a French credit institution incorporated and existing under French law as a public company with limited liability (*société anonyme*), acting through its Luxembourg Branch whose offices are 33 rue de Gasperich, L5826 Hesperange, Luxembourg and having a postal address L2085 Luxembourg, registered with the Luxembourg trade and companies register under number B.86.862 (the "**Principal Paying Agent**").

Paying Agent:

BNP Paribas S.A., Amsterdam Branch, incorporated and existing under French law as a public company with limited liability (*société anonyme*), having its corporate seat in Paris, France and registered with the trade register (*registre du commerce et des sociétés*) of Paris under number 662 042 449 acting through its Amsterdam Branch (the "**Paying Agent**" and together with the Principal Paying Agent, the "**Paying Agents**").

Reference

Agent:

BNP Paribas Securities Services S.A., Luxembourg, a French credit institution incorporated and existing under French law as a public company with limited liability (*société anonyme*), acting through its Luxembourg Branch whose offices are 33 rue de Gasperich, L5826 Hesperange, Luxembourg and having a postal address L2085 Luxembourg, registered with the Luxembourg trade

and companies register under number B.86.862 (the "**Reference Agent**").

Arranger: Fortis Bank N.V./S.A. incorporated under Belgian law as a public company with limited liability (*naamloze vennootschap/société anonyme*), having its corporate seat in 1000 Brussels, Warandeborg 3, Belgium and registered with the Belgian Crossroads Database for Enterprises under number 0403.199.702 (Register of Legal Entities Brussels) (the "**Arranger**").

Notes Purchaser: BNP Paribas Personal Finance B.V. (the "**Notes Purchaser**").

Clearing Institutions: Euroclear and Clearstream, Luxembourg (the "**Clearing Institutions**").

Listing

Agent: BNP Paribas Securities Services S.A., incorporated and existing under French law as a public company with limited liability (*société anonyme*), having its corporate seat in Paris, France and registered with the trade register (*registre du commerce et des sociétés*) of Paris under number 552 108 011 (the "**Listing Agent**").

Rating Agencies: Moody's Investors Service Limited and Fitch Ratings Ltd. (the "**Rating Agencies**").

Savings Mortgage

Participant: (i) BNP Paribas Personal Finance B.V., incorporated under Dutch law as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*), having its corporate seat in Amsterdam, the Netherlands and registered with the Trade Register under number 3323578, with respect to Savings Mortgage Loans (as defined below) and Hybrid Mortgage Loans (as defined below) to which a Savings Insurance Policy or a Savings Investment Insurance Policy of ASR Levensverzekering N.V. ("**ASR**") or Cardif Levensverzekeringen N.V. ("**Cardif**") is connected and (ii) SRLEV N.V., incorporated under Dutch law as a public company with limited liability (*naamloze vennootschap*), having its corporate seat in Alkmaar, the Netherlands and registered with the Trade Register under number 34297413 ("**SRLEV**") with respect to Savings Mortgage Loans and Hybrid Mortgage Loans to which a Savings Insurance Policy or a Savings Investment Insurance Policy of SRLEV is connected (BNP Paribas Personal Finance B.V. and SRLEV each a "**Savings Mortgage Participant**" and together the "**Savings Mortgage Participants**").

THE NOTES:

- Notes:** The € 4,600,000,000 Senior Class A Mortgage-Backed Notes 2010 due 2048 (the "**Senior Class A Notes**"), the € 400,000,000 Junior Class B Mortgage-Backed Notes 2010 due 2048 (the "**Junior Class B Notes**") and the € 175,000,000 Subordinated Class C Notes 2010 due 2048 (the "**Subordinated Class C Notes**") and together with the Senior Class A Notes and the Junior Class B Notes the "**Notes**") will be issued by the Issuer on 21 October 2010 (or such later date as may be agreed between the Issuer and the Notes Purchaser) (the "**Closing Date**").
- Issue Price:** The issue price of each Class of Notes will be as follows:
- (i) the Senior Class A Notes 100 per cent;
 - (ii) the Junior Class B Notes 100 per cent;
 - (iii) the Subordinated Class C Notes 100 per cent;
- Denomination:** The Notes will be issued in denominations of € 50,000.
- Status and Ranking:** The Notes of each Class (as defined in the Conditions) rank *pari passu* without any preference or priority among Notes of the same Class. In accordance with the Conditions and the Trust Deed (as defined below) (i) payments of principal and interest on the Junior Class B Notes are subordinated to, *inter alia*, payments of principal and interest on the Senior Class A Notes and (ii) payments of principal and interest on the Subordinated Class C Notes are subordinated to, *inter alia*, payments of principal and interest on the Senior Class A Notes and the Junior Class B Notes. See further *Terms and Conditions of the Notes* below. The obligations of the Issuer in respect of the Notes will rank behind the obligations of the Issuer in respect of certain items set forth in the Pre-Enforcement Priority of Payments. See further *Credit Structure* below.
- Interest:** Interest on the Notes will accrue from (and including) the Closing Date by reference to successive interest periods (each a "**Quarterly Interest Period**") and will be payable quarterly in arrear in euro in respect of the Principal Amount Outstanding (as defined in the Conditions) on the 25th day of January, April, July and October of each year or, if such day is not a Business Day (as defined below), the next succeeding Business Day, unless such Business Day falls in the next succeeding calendar month in which event the Business Day immediately preceding such 25th day is the relevant Business Day (each such

day being a "**Quarterly Payment Date**"). A "**Business Day**" means a day on which banks are open for business in Amsterdam, the Netherlands, Paris, France, Dublin, Ireland, Luxembourg, Luxembourg and Brussels, Belgium, provided that such day is also a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer 2 System ("**TARGET 2 System**") or any successor thereto is operating credit or transfer instructions in respect of payments in euro. Each successive Quarterly 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 Quarterly Interest Period which will commence on (and include) the Closing Date and end on (but exclude) the Quarterly Payment Date falling in January 2011. The interest will be calculated on the basis of the actual number of days elapsed in a Quarterly Interest Period divided by 360 days.

Interest on the Notes for the first Quarterly Interest Period will accrue from (and include) the Closing Date at an annual rate equal to the linear interpolation between the Euro Interbank Offered Rate ("**Euribor**") for three-months deposits in Euro and the Euribor for four-months deposits in euro (determined in accordance with Condition 4) plus a margin per annum which will be 0.50 per cent. for the Senior Class A Notes, 0.55 per cent. for the Junior Class B Notes and 0.60 per cent. for the Subordinated Class C Notes.

Interest on the Notes for each successive Quarterly Interest Period will accrue from the first Quarterly Payment Date at an annual rate equal to Euribor for three-months deposits in euro (determined in accordance with Condition 4) plus a margin per annum which will be 0.50 per cent. for the Senior Class A Notes, 0.55 per cent. for the Junior Class B Notes and 0.60 per cent. for the Subordinated Class C Notes.

Interest on the Subordinated Class C Notes shall only be due and payable on any Quarterly Payment Date if and to the extent the Cash Release Conditions (as defined below) are met on such date.

Final Maturity

Date:

Unless previously redeemed as provided below, the Issuer will, subject to and in accordance with the Conditions, redeem any remaining Notes outstanding on the Quarterly Payment Date falling in October 2048 at their respective Principal Amount Outstanding (as defined in Condition 6), subject to and in accordance with the Conditions.

**Payment of
Principal on
the Notes:**

Prior to the delivery of an Enforcement Notice (as defined below), the Issuer shall on each Quarterly Payment Date as from the Quarterly Payment Date falling in October 2015 (the "**First Optional Redemption Date**") apply the Available Amounts (as defined in Condition 6), subject to and in accordance with the Conditions and the Pre-Enforcement Priority of Payments (as defined below), towards redemption, at their respective Principal Amount Outstanding, of (i) *firstly*, the Senior Class A Notes, until fully redeemed (ii) *secondly*, the Junior Class B Notes, until fully redeemed and (iii) *thirdly*, the Subordinated Class C Notes, until fully redeemed, after payment of the amounts to be paid in priority to such Notes.

Prior to the delivery of an Enforcement Notice, the Issuer shall upon the occurrence of an Excess Cash Event (as defined below), on the immediately following Quarterly Payment Date apply the Available Amounts up to an amount equal to the relevant Excess Cash Amount (as defined below), subject to and in accordance with the Conditions and the Pre-Enforcement Priority of Payments, towards redemption, at their respective Principal Amount Outstanding, of (i) *firstly*, the Senior Class A Notes, until fully redeemed, and (ii) *secondly*, the Junior Class B Notes, until fully redeemed, after payment of the amounts to be paid in priority to such Notes.

"Excess Cash Amount" means, on any Quarterly Payment Date, the amount standing to the credit of the Transaction Account (as defined below) which is in excess of an amount equal to 10 per cent. of the Principal Amount Outstanding of the Notes (other than the Subordinated Class C Notes) on such Quarterly Payment Date, after application of the Available Amounts in accordance with the Pre-Enforcement Priority of Payments.

"Excess Cash Event" means the determination of an Excess Cash Amount on any Quarterly Calculation Date.

**Optional
Redemption
of the Notes:**

The Issuer will have the option (the "**Issuer Call Option**") to redeem, subject to Condition 9(b), all (but not only part of) the Notes on the First Optional Redemption Date and on each Quarterly Payment Date thereafter (each an "**Optional Redemption Date**"), subject to and in accordance with the Pre-Enforcement Priority of Payments, at their Principal Amount Outstanding, after payment of the amounts to be paid in priority to such Notes.

**Redemption
following
Noteholders
Put Option:**

As from the First Optional Redemption Date, the Noteholders (other than the Subordinated Class C Noteholders), sanctioned by an Extraordinary Resolution by a meeting of each of the Class A Noteholders and the Class B Noteholders, have the option (the "**Noteholders Put Option**") to request the Issuer, by giving written notice thereof to the Issuer and the Security Trustee, to redeem all (but not only part of) the Notes held by them, in accordance with the Pre-Enforcement Priority of Payments, at their Principal Amount Outstanding, after payment of the amounts to be paid in priority to such Notes.

If the Noteholders Put Option is exercised then the Issuer will be obliged (i) to sell the Mortgage Receivables and/or obtain alternative funding, subject to the condition precedent that the purchase price of the Mortgage Receivables and/or the amount of the alternative funding to be received by the Issuer has been approved by the Noteholders (other than the Subordinated Class C Noteholders) in a meeting or by resolution of each of the Class A Noteholders and the Class B Noteholders and (ii), provided that the conditions under (i) have been met, to redeem all (but not only part of) the Notes (other than the Subordinated Class C Notes), on the Quarterly Payment Date immediately succeeding the date on which the proceeds of the sale of the Mortgage Receivables and/or the alternative funding has/have become available, at an amount equal to (i) the proceeds of the sale of the Mortgage Receivables and/or the alternative funding, divided by (ii) the number of Notes of the relevant Class on such Quarterly Payment Date, after payment of the amounts to be paid in priority to such Notes.

**Redemption
following
clean-up call:**

In addition, on the Quarterly Payment Date following the exercise by the Seller of its Seller Clean-up Call Option (as defined below), the Issuer shall redeem, subject to Condition 9(b), all (but not only part of) the Notes, subject to and in accordance with the Pre-Enforcement Priority of Payments, at their Principal Amount Outstanding, after payment of the amounts to be paid in priority to such Notes.

**Redemption
following
regulatory call:**

In addition, on the Quarterly Payment Date following the exercise by the Seller

of its Regulatory Call Option (as defined below), the Issuer shall redeem, subject to Condition 9(b), all (but not only part of) the Notes, subject to and in accordance with the Pre-Enforcement Priority of Payments, at their Principal Amount Outstanding, after payment of the amounts to be paid in priority to such Notes.

Redemption

for tax reasons:

In the event of certain tax changes affecting any Class of Notes, including in the event that the Issuer is or will be obliged to make any withholding or deduction from payments in respect of any Class of Notes the Issuer (whilst not under any obligation to pay additional amounts in respect of any withholding or deduction) may (but is not obliged to) redeem all of the Notes, in whole but not in part, on any Quarterly Payment Date, subject to and in accordance with the Pre-Enforcement Priority of Payments, at their Principal Amount Outstanding, subject to and in accordance with the Conditions, including, without limitation, Condition 9(b) (the "**Tax Call Option**" and together with the Issuer Call Option, the Seller Clean-up Call Option, the Noteholders Put Option and the Regulatory Call Option, the "**Options**").

Method of

Payment:

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

Withholding

tax:

All payments of, or in respect of, principal and interest on the Notes will be made without withholding of, or deduction for 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 be obliged to pay any additional amounts to such Noteholders.

Use of proceeds:

The Issuer will apply the net proceeds from the issue of the Notes (other than the Subordinated Class C Notes) towards payment of part of the Initial Purchase Price for the Mortgage Receivables (both as described below) purchased by the Issuer on the Closing Date pursuant to the provisions of an agreement (the "**Mortgage Receivables Purchase Agreement**") to be entered into on 19 October 2010 (the "**Signing Date**") and made between the

Seller, the Issuer and the Security Trustee. See further *Mortgage Receivables Purchase Agreement* below.

The net proceeds from the issue of the Subordinated Class C Notes will be used to fund the Reserve Account (as defined below).

**Security for
the Notes:**

The Noteholders will benefit from the security created by the Issuer in favour of the Security Trustee pursuant to the trust deed entered into on the Signing Date between the Issuer, the Security Trustee and Stichting Phedina Hypotheken 2010 Holding (the "**Trust Deed**"), the Pledge Agreements and the Irish Charge (each as defined in *Description of Security* below) (the Irish Charge, the Pledge Agreements and the Trust Deed, collectively, the "**Security Documents**").

Under the Trust Deed, the Issuer will undertake to pay to the Security Trustee, under the same terms and conditions, an amount equal to the aggregate of all its undertakings, liabilities and obligations to the Notes Purchaser as initial Noteholder, the Directors, the Servicer, the Issuer Administrator, the Paying Agents, the Reference Agent, the Savings Mortgage Participants, the Swap Counterparty, the Noteholders and the Seller (the "**Security Beneficiaries**") pursuant to the relevant Transaction Documents (as defined in the Conditions), provided that every payment in respect of such Transaction Documents for the account of or made to the Security Beneficiaries directly shall operate in satisfaction pro tanto of the corresponding covenant in favour of the Security Trustee (such a payment undertaking and the obligations and liabilities resulting from it being referred to as the "**Parallel Debt**").

The Notes will be secured indirectly, through the Security Trustee, by (i) a first ranking Dutch law pledge granted by the Issuer to the Security Trustee over the Mortgage Receivables, including all rights ancillary thereto in respect of the Portfolio Mortgage Loans and the Beneficiary Rights relating thereto, (ii) a first ranking Dutch law pledge by the Issuer to the Security Trustee over the Issuer's rights under or in connection with the Mortgage Receivables Purchase Agreement, the Swap Agreement, the Conditional Deed of Novation, the Servicing Agreement, the Floating Rate GIC, the Sub-Participation Agreements, the Beneficiary Waiver Agreement and in respect of the GIC Accounts and (iii) a first ranking Irish law charge by the Issuer to the Security Trustee over the GIC Accounts (as all defined herein).

The amounts payable by the Security Trustee to the Security Beneficiaries

under the Trust Deed will be limited to the net amounts available for such purpose to the Security Trustee which, for the greater part, will consist of amounts recovered by the Security Trustee from the Mortgage Receivables. Payments to the Security Beneficiaries (other than the Savings Mortgage Participants) will be made in accordance with the Post-Enforcement Priority of Payments (as defined in *Credit Structure* below). See for a more detailed description *Description of Security* below.

MORTGAGE RECEIVABLES AND PRINCIPAL CONTRACTS

Mortgage

Receivables:

Under the Mortgage Receivables Purchase Agreement, the Issuer will purchase and accept the assignment of any and all rights and claims (the **"Mortgage Receivables"**, which will include any Further Advance Receivables and any New Mortgage Receivables (both as defined below) of the Seller against certain borrowers (the **"Borrowers"**)) under or in connection with certain selected mortgage loans (which may consist of one or more loan parts (*leningdelen*)) originated by the Seller and that are secured by a right of mortgage (*hypotheekrecht*) (each such right of mortgage a **"Mortgage Right"** and each such loan a **"Mortgage Loan"**). The Mortgage Receivables resulting from Life Mortgage Loans, Investment Mortgage Loans, Hybrid Mortgage Loans and Savings Mortgage Loans (each as defined below) will hereinafter be referred to as the **"Life Mortgage Receivables"**, **"Investment Mortgage Receivables"**, **"Hybrid Mortgage Receivables"** and **"Savings Mortgage Receivables"**, respectively.

The Seller has the benefit of Beneficiary Rights which entitles the Seller to receive final payment under the relevant Insurance Policies, which payment is to be applied towards redemption of the Mortgage Receivables. Under the Mortgage Receivables Purchase Agreement, the Seller will assign such Beneficiary Rights to the Issuer and the Issuer will accept such assignment.

Further Advances:

A portion of the Mortgage Receivables is secured by Mortgage Rights that will also secure any further advances to be granted by the Seller to the relevant Borrower whereby further advances include: (i) further advances made under a Mortgage Loan which will be secured by the same Mortgage Right as the loan previously disbursed under such Mortgage Loan (*verhoogde inschrijving*) and (ii) further advances made under a Mortgage Loan which will be secured by a

second or sequentially lower ranking Mortgage Right as the loan previously disbursed under such Mortgage Loan (*verhoging*) ((i) and (ii) hereinafter collectively defined a **"Further Advance"**). The Mortgage Receivables Purchase Agreement provides that as from the Closing Date up to and including the Quarterly Payment Date immediately preceding the First Optional Redemption Date, if, subject to the terms and conditions of the relevant Mortgage Loan (the **"Mortgage Conditions"**) the Seller has agreed with a Borrower to grant a Further Advance, the Seller shall offer and the Issuer will purchase and accept assignment of the mortgage receivables resulting from the granting of such Further Advance (the **"Further Advance Receivables"**) and the Beneficiary Rights relating thereto on the next succeeding Quarterly Payment Date provided, however, that the Substitution Conditions are met (as described under *Mortgage Receivables Purchase Agreement* below).

The Issuer will, subject to and in accordance with the Conditions and subject to the Pre-Enforcement Priority of Payments, apply the Available Amounts or part thereof towards payment of the Initial Purchase Price for the Further Advance Receivables (as described in *Mortgage Receivables Purchase Agreement* below).

When a Further Advance is granted to the relevant Borrower and the Issuer purchases and accepts assignment of the relevant Further Advance Receivable and the Beneficiary Rights relating thereto, the Issuer will at the same time create a first right of pledge on such Further Advance Receivable and the Beneficiary Rights relating thereto in favour of the Security Trustee.

If (i) the Substitution Conditions are not met or (ii) a Further Advance is granted by the Seller following the Cut-Off Date immediately preceding the Quarterly Payment Date immediately preceding the First Optional Redemption Date, the Seller shall repurchase and accept the re-assignment of the Mortgage Receivables resulting from the Portfolio Mortgage Loan in respect of which a Further Advance is granted and the Beneficiary Rights relating thereto.

**New Mortgage
Receivables:**

As from the Closing Date up to and including the Quarterly Payment Date immediately preceding the First Optional Redemption Date, the Seller may on each Quarterly Payment Date sell and assign to the Issuer additional mortgage receivables (**"New Mortgage Receivables"**). The Issuer shall then purchase and accept assignment of such New Mortgage Receivables and the Beneficiary Rights relating thereto, provided that certain conditions are met (the **"Substitution Conditions"**), including, without limitation, that each New

Mortgage Receivable and the relevant Portfolio Mortgage Loan meet the Mortgage Loan Criteria and that the Issuer has sufficient funds available for payment of the Initial Purchase Price for the New Mortgage Receivables (as set forth under *Mortgage Receivables Purchase Agreement* below).

The Issuer will, subject to and in accordance with the Conditions and subject to the Pre-Enforcement Priority of Payments, apply the Available Amounts or part thereof towards payment of the Initial Purchase Price for the New Mortgage Receivables (as described in *Mortgage Receivables Purchase Agreement* below).

When the Issuer purchases and accepts assignment of a New Mortgage Receivable and Beneficiary Rights relating thereto, the Issuer will at the same time create a first right of pledge on such New Mortgage Receivable and the Beneficiary Rights relating thereto in favour of the Security Trustee.

**Mandatory
Repurchase of
Mortgage
Receivables:**

In the Mortgage Receivables Purchase Agreement the Seller has undertaken to repurchase and accept re-assignment of a Mortgage Receivable sold by it to the Issuer against a purchase price equal to the outstanding principal amount of such Mortgage Receivable together with accrued interest:

- (i) within thirty-five (35) days following the date on which the Seller becomes aware thereof, or, if applicable, the date on which the relevant remedy period expires, if any of the representations and warranties given by the Seller in respect of the relevant Portfolio Mortgage Loan and/or the relevant Mortgage Receivable, including the representation and warranty that the Portfolio Mortgage Loan or, as the case may be, the Mortgage Receivable meets certain mortgage loan criteria, are untrue or incorrect;
- (ii) within thirty-five (35) days following the Quarterly Payment Date immediately following the Quarterly Calculation Period (as defined below) during which the Seller agreed with a Borrower to grant a New Mortgage Loan or a Further Advance, whether or not under the Portfolio Mortgage Loans, which is secured by the same Mortgage Right or, as the case may be, if a Further Advance is granted, by first and sequentially lower ranking Mortgage Rights on the same Mortgaged Asset, unless such a New Mortgage Receivable or Further Advance Receivable has been purchased by and assigned to the Issuer on the relevant Quarterly Payment Date;

- (iii) within thirty-five (35) days immediately following the date on which an amendment of the terms of the relevant Portfolio Mortgage Loan becomes effective as a result of which such Portfolio Mortgage Loan no longer meets certain criteria set forth in the Mortgage Receivables Purchase Agreement and/or the Servicing Agreement, unless such amendment is made as part of the enforcement procedures to be complied with upon a default by the Borrower under the relevant Portfolio Mortgage Loan or is otherwise made as part of a restructuring or renegotiation of the relevant Portfolio Mortgage Loan due to a deterioration of the credit quality of the Borrower of such Portfolio Mortgage Loan;
- (iv) within thirty-five (35) days immediately following the date on which subject to the terms of an Hybrid Mortgage Loan, a switch by a Borrower of whole or part of the premiums deposited into the Hybrid Savings Account (as defined below) into an investment in one or more Hybrid Investment Funds (as defined below) becomes effective;
- (v) within thirty-five (35) days immediately following the date on which it appears that a NHG Mortgage Loan Part (as defined below) forming part of the relevant Portfolio Mortgage Loan no longer has the benefit of a NHG Guarantee (as defined below) for the full amount of such NHG Mortgage Loan Part, as adjusted in accordance with the NHG Conditions (as defined below) as a result of an action taken or omitted to be taken by the Seller or the Servicer; and
- (vi) within thirty-five (35) days immediately following the date on which the Seller has notified the Issuer that, while it is entitled to make a claim under the NHG Guarantee, will not make such claim.

In addition, the Seller may (without the obligation to do so) repurchase and accept re-assignment of all (but not only part of) the Mortgage Receivables on any Quarterly Payment Date (i) on which the principal amount due on the Mortgage Receivables then outstanding is less than 10 per cent. of the principal amount of the Mortgage Receivables on the Closing Date (the "**Seller Clean-up Call Option**") and (ii) upon the occurrence of a Regulatory Change (the "**Regulatory Call Option**"). The purchase price will be calculated as described in *Sale of Mortgage Receivables* below.

Portfolio Mortgage Loans:

The Mortgage Receivables to be sold by the Seller pursuant to the Mortgage Receivables Purchase Agreement will result from Mortgage Loans which (i) in respect of NHG Mortgage Loan Parts have the benefit of a NHG Guarantee and/or (ii) are secured by a first-ranking mortgage right or, in case of mortgage

loans (for the avoidance of doubt including any Further Advance, as the case may be) secured on the same Mortgaged Asset, first and sequentially lower ranking mortgage rights over (i) real estate (*onroerende zaak*), (ii) an apartment right (*appartementsrecht*), or (iii) a long lease (*recht van erfpacht*) (each such asset, a **"Mortgaged Asset"**) situated in the Netherlands and entered into by the Seller and the Borrowers which meet the criteria for such Mortgage Loans set forth in the Mortgage Receivables Purchase Agreement (the **"Portfolio Mortgage Loans"**). The Portfolio Mortgage Loans, in whole or in part, will consist of (i) Linear Mortgage Loans (*lineaire hypotheken*), (ii) Interest-only Mortgage Loans (*aflossingsvrije hypotheken*), (iii) Annuity Mortgage Loans (*annuïteitenhypotheken*), (iv) Life Mortgage Loans (*universal life hypotheken*), (v) Investment Mortgage Loans (*beleggingshypotheken*), (vi) Savings Mortgage Loans (*spaarhypotheken*) or (vii) Hybrid Mortgage Loans (*hybride hypotheken*) (all as defined below). See further *Description of Portfolio Mortgage Loans* below.

Each Portfolio Mortgage Loan shall have the benefit of a risk insurance policy (i.e. an insurance policy which pays out upon the death of the insured) (a **"Risk Insurance Policy"**) taken out by the Borrower with an insurance company established in the Netherlands (each insurance company so selected and each of ASR, Cardif and SRLEV an **"Insurance Company"** and collectively the **"Insurance Companies"**) in the event and to the extent the relevant Portfolio Mortgage Loan exceeds 75 or 100 per cent (the applicable percentage depends on the type of Mortgage Loan and/or the date of origination) of the foreclosure value of the relevant property (*executiewaarde*). NHG Mortgage Loan Parts will have the benefit of a separate Risk Insurance Policy in the event and to the extent the relevant Portfolio Mortgage Loan exceeds 80 per cent. of the value of the relevant property. In the case of Portfolio Mortgage Loans consisting of more than one loan part including a Life Mortgage Loan, Savings Mortgage Loan or Hybrid Mortgage Loan such Risk Insurance Policy may be included in the relevant Life Insurance Policy, Savings Insurance Policy or Savings Investment Insurance Policy (all as defined below).

NHG Mortgage Loan Parts:

A portion of the Portfolio Mortgage Loans consists of one or more loan parts (*leningdelen*) which have the benefit of a guarantee under the '*Nationale Hypotheek Garantie*' (each a **"NHG Guarantee"**) (hereinafter a **"NHG Mortgage Loan Part"**). See further *Table J* under *Description of Portfolio Mortgage Loans* and under *NHG Guarantee Programme* below.

Linear Mortgage

Loans: A portion of the Portfolio Mortgage Loans or parts thereof will be in the form of linear mortgage loans (hereinafter "**Linear Mortgage Loans**"). Under a Linear Mortgage Loan the Borrower pays a fixed amount of principal each month towards redemption of the relevant Mortgage Loan (or relevant part thereof) until maturity. Interest is payable monthly and is calculated on the outstanding balance of the Mortgage Loan (or relevant part thereof).

Interest-only

Mortgage Loans: A portion of the Portfolio Mortgage Loans or parts thereof will be in the form of interest-only mortgage loans (hereinafter "**Interest-only Mortgage Loans**"). Under an Interest-only Mortgage Loan, the Borrower is not obliged to pay principal towards redemption of the relevant Mortgage Loan (or relevant part thereof) until maturity. Interest is payable monthly and is calculated on the outstanding balance of the Mortgage Loan (or relevant part thereof).

Annuity Mortgage

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

Life Mortgage

Loans: A portion of the Portfolio Mortgage Loans or parts thereof will be in the form of life mortgage loans (hereinafter "**Life Mortgage Loans**"), i.e. mortgage loans which have the benefit of insurance policies combining a risk insurance and a capital insurance (i.e. insurance policies that pay out upon the earlier of the death of the insured and on an agreed date) taken out by a Borrower with an Insurance Company in connection with a Life Mortgage Loan ("**Life Insurance Policies**"). Under a Life Mortgage Loan, no principal is paid until maturity but instead the Borrower pays a premium to the relevant Insurance Company either upfront or on a regular basis. The premiums paid by such Borrower are invested by the relevant Insurance Company in certain investment funds. It is the intention that a Life Mortgage Loan will be fully repaid by means of the proceeds of the relevant Life Insurance Policy. See for more detail *Risk Factors* and *Description of Portfolio Mortgage Loans*.

Investment Mortgage

Loans:

A portion of the Portfolio Mortgage Loans or parts thereof will be in the form of investment mortgage loans (hereinafter "**Investment Mortgage Loans**"), i.e. mortgage loans under which the Borrower does not pay principal prior to the maturity of the mortgage loan, but instead undertakes to invest, on an instalment basis or up front, defined amounts. The amounts invested take the form of participations in the investment funds selected by the Borrower or other securities and are credited to an investment account in the name of the relevant Borrower (the "**Investment Account**"). It is the intention that an Investment Mortgage Loan will be fully repaid with the proceeds of the investments held in the relevant Investment Account. See for more detail *Risk Factors* and *Description of Portfolio Mortgage Loans*.

Savings Mortgage

Loans:

A portion of the Portfolio Mortgage Loans or parts thereof will be in the form of savings mortgage loans (hereinafter "**Savings Mortgage Loans**") which consist of mortgage loans entered into by the Seller and the relevant Borrowers combined with a savings insurance policy (a "**Savings Insurance Policy**"). A Savings Insurance Policy consists of a combined risk and capital insurance policy taken out by a Borrower with ASR, Cardif or SRLEV in connection with the relevant Savings Mortgage Loan. Under a Savings Mortgage Loan no principal is paid by the Borrower prior to the maturity of the loan. Instead, the Borrower pays a premium either upfront or on a regular 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 relevant Insurance Company to the relevant Borrower will be equal to the amount due by the Borrower to the Seller at maturity of the Savings Mortgage Loan. It is the intention that the Savings Mortgage Loans will be fully repaid by means of the proceeds of the Savings Insurance Policies. See for more detail *Risk Factors* and *Description of the Portfolio Mortgage Loans*.

In respect of the Savings Mortgage Loans to which a Savings Insurance Policy of ASR or Cardif is connected, BNP Paribas Personal Finance B.V. will, as Savings Mortgage Participant, agree to use an amount equal to the amount of the Savings Premiums (and the interest received on the Savings Participation) received to acquire a Savings Participation (as defined in *Sub-Participation Agreements* below) in the relevant Savings Mortgage Receivables.

In respect of the Savings Mortgage Loans to which a Savings Insurance Policy

of SRLEV is connected, SRLEV will, as Savings Mortgage Participant, agree to use an amount equal to the amount of the Savings Premiums (and the interest received on the Savings Participation) received to acquire a Savings Participation (as defined in *Sub-Participation Agreements* below) in the relevant Savings Mortgage Receivables.

**Hybrid Mortgage
Loans:**

A portion of the Portfolio Mortgage Loans or parts thereof will be in the form of hybrid mortgage loans (hereinafter "**Hybrid Mortgage Loans**") which are (*inter alia*) offered by the Seller under the name Hybride Hypotheek. Under an Hybrid Mortgage Loan the Borrower does not pay principal prior to maturity of the Mortgage Loan, but instead takes out a combined risk and capital insurance policy (a "**Savings Investment Insurance Policy**") with ASR, Cardif or SRLEV whereby part of the premiums paid is invested in certain investment funds selected by the Borrower (each a "**Hybrid Investment Fund**") and/or deposited into an account held in the name of the relevant Insurance Company with the Seller (a "**Hybrid Savings Account**"). The Borrowers may at any time switch (*omzetten*) their investments among the Hybrid Investment Funds and to and from the Hybrid Savings Account. The premiums (or part thereof) paid by the Borrowers under the Savings Investment Insurance Policies and deposited into an Hybrid Savings Account are hereinafter referred to as "**Savings Investment Premiums**". It is the intention that the Hybrid Mortgage Loans will be fully repaid by means of the proceeds of the Savings Investment Insurance Policies. See for more detail *Risk Factors* and *Description of Portfolio Mortgage Loans*.

In respect of Hybrid Mortgage Loans to which a Savings Investment Insurance Policy of ASR or Cardif is connected, BNP Paribas Personal Finance B.V., as Savings Mortgage Participant, will agree to use an amount equal to the amount of the Savings Investment Premiums (and the interest received on the Savings Participation) received to acquire a Savings Participation in the Hybrid Mortgage Receivables.

In respect of Hybrid Mortgage Loans to which a Savings Investment Insurance Policy of SRLEV is connected, SRLEV, as Savings Mortgage Participant, will agree to use an amount equal to the amount of the Savings Investment Premiums (and the interest received on the Savings Participation) received to acquire a Savings Participation in the Hybrid Mortgage Receivables.

**Sub-
Participation
Agreement:**

The Issuer will enter into a sub-participation agreement with each of the Savings Mortgage Participants (each a "**Sub-Participation Agreement**" and together the "**Sub-Participation Agreements**") under which each of the Savings Mortgage Participant will acquire participations in the relevant Savings Mortgage Receivables and/or in the relevant Hybrid Mortgage Receivables if and to the extent the Borrowers invest part of the premiums paid on the relating Savings Investment Insurance Policy by making a deposit into the Hybrid Savings Account (see further *Savings Mortgage Loans and Hybrid Mortgage Loans* under *Risk Factors* above). In each of the Sub-Participation Agreements the relevant Savings Mortgage Participant will undertake to pay to the Issuer on each Collection Payment Date an amount equal to the sum of all amounts received as Savings Premiums on the relevant Savings Insurance Policies or as Savings Investment Premiums on the relevant Insurance Policies, as well as the amounts switched under Savings Investment Policies from investments in certain investment funds to an Hybrid Savings Account during the Monthly Calculation Period immediately preceding such Collection Payment Date (as defined below) (the "**Switched Savings Participation**").

In return, the Savings Mortgage Participants are entitled to receive the Savings Participation Redemption Available Amount (as defined in *Sub-Participation Agreements* below) from the Issuer. The amount of the Savings Participation with respect to a Savings Mortgage Receivable and an Hybrid Mortgage Receivable consists of (a) the initial participation at the Closing Date, or, in case of the purchase of a Further Advance Receivable or a New Mortgage Receivable to which a Savings Insurance Policy or Savings Investment Insurance Policy is connected, on the relevant Quarterly Payment Date, which is equal to the sum of all amounts due up to such date by the relevant Insurance Company as Savings Premiums or Savings Investment Premiums in respect of such Mortgage Receivables and accrued interest, plus, in case of a Savings Investment Insurance Policy, the Switched Savings Participation, if any, (b) increased on a monthly basis with an amount equal to the sum of (i) the Savings Premiums or Savings Investment Premiums due to the relevant Savings Mortgage Participant and paid to the Issuer and (ii) a pro rata part, corresponding to the Savings Participation in the relevant Savings Mortgage Receivable or Hybrid Mortgage Receivable, of the interest due by the Borrower in respect of such Savings Mortgage Receivable or Hybrid Mortgage Receivable. The aggregate initial Savings Participations with respect to the Savings Mortgage Receivables and Hybrid Mortgage Receivables purchased by the Issuer on the Closing Date amounts to € 37,860,324. See further *Sub-*

Participation Agreements below.

**Sale of
Mortgage
Receivables:**

The Issuer has the right to sell and assign, on any Quarterly Payment Date following the exercise by it of the Tax Call Option and on any Optional Redemption Date, all (but not only part of) the Mortgage Receivables to any party, provided that the Seller has a pre-emption right pursuant to which the Issuer shall first offer the Seller to buy and repurchase the Mortgage Receivables and that the Issuer will be entitled to sell and assign the Mortgage Receivables to any third party if the Seller does not inform the Issuer within a period of fifteen (15) Business Days from the date of the offer was notified to the Seller of its intention to buy and repurchase the Mortgage Receivables. The Issuer shall be required to apply the proceeds of such sale towards payment of certain items set forth in the Pre-Enforcement Priority of Payments, including (without limitation), redemption of the Notes, in accordance with and subject to the Pre-Enforcement Priority of Payments.

The purchase price to be received by the Issuer in respect of the Mortgage Receivables sold shall be at least equal to an amount sufficient to redeem the Senior Class A Notes and the Junior Class B Notes, subject to and in accordance with the Conditions and the Pre-Enforcement Priority of Payments, at their Principal Amount Outstanding.

**Servicing
Agreement:**

Under a servicing agreement to be entered into on the Signing Date between the Issuer, the Servicer and the Security Trustee (the "**Servicing Agreement**"), the Servicer will agree to provide administration and management services in relation to the Portfolio Mortgage Loans on a day-to-day basis, including, without limitation, the collection of payments of principal, interest and all other amounts in respect of the Portfolio Mortgage Loans and the implementation of arrears procedures including, if applicable, the enforcement of Mortgage Rights (see further *Mortgage Loan Underwriting and Servicing* and *Servicing Agreement and Issuer Administration Agreement* below). The Servicer has appointed Stater and Novalink as its sub-service providers under the terms of the Servicing Agreement.

**Issuer
Administration
Agreement:**

Under an administration agreement to be entered into on the Signing Date between the Issuer, the Issuer Administrator and the Security Trustee (the

"Issuer Administration Agreement"), the Issuer Administrator will agree to provide certain administration, calculation and cash management services for the Issuer on a day-to-day basis, including without limitation, all calculations to be made in respect of the Notes pursuant to the Conditions (see further *Servicing Agreement and Issuer Administration Agreement* below).

**Management
Agreements:**

The Issuer, Stichting Phedina Hypotheken 2010 Holding and the Security Trustee will each enter into a management agreement (together the **"Management Agreements"**) with, respectively, the Issuer Director, the Holding Director and the Trustee Director in which the relevant director will undertake to act as a director of the Issuer, Stichting Phedina Hypotheken 2010 Holding and the Security Trustee, respectively, and to perform certain services in connection therewith.

**Security Beneficiaries
Agreement:**

Under a security beneficiaries agreement to be entered into on the Signing Date between the Issuer and each Security Beneficiary (excluding the Noteholders) (the **"Security Beneficiaries Agreement"**) each Security Beneficiary agrees and confirms that the security provided pursuant to the provisions of the Security Documents shall, indirectly, through the Security Trustee, be for the exclusive benefit of the Security Beneficiaries (including for the avoidance of doubt, the Noteholders). Under the Security Beneficiaries Agreement each Security Beneficiary moreover agrees to be bound by the relevant terms and provisions of the Trust Deed including, but not limited to, the limited recourse and non-petition provisions contained therein.

CASH FLOW STRUCTURE:

**Transaction
Account:**

The Issuer shall maintain with the Floating Rate GIC Provider an account (the **"Transaction Account"**) to which, *inter alia*, all amounts of interest, prepayment penalties and principal received under the Mortgage Receivables will be transferred by the Servicer on behalf of the Seller in accordance with the Servicing Agreement.

**Reserve
Account:**

The Issuer shall maintain with the Floating Rate GIC Provider an account (the **"Reserve Account"**) to which the proceeds of the Subordinated Class C Notes will be credited on the Closing Date. The purpose of the Reserve

Account will be to enable the Issuer to meet the Issuer's payment obligations under items (a) up to and including (f) of the Pre-Enforcement Priority of Payments (as defined in *Credit Structure* below) in the event of a shortfall of the Available Amounts (as defined in *Credit Structure* below) on any Quarterly Payment Date. If and to the extent that the Available Amounts calculated on any Quarterly Calculation Date (as defined below) exceed the amounts required to meet items (a) up to and including (f) of the Pre-Enforcement Priority of Payments, such excess amount will be deposited in or, as the case may be, used to replenish the Reserve Account by crediting such amount to the Reserve Account up to the required reserve account target level (the "**Reserve Account Target Level**") on the immediately succeeding Quarterly Payment Date. The Reserve Account Target Level will on any Quarterly Calculation Date be equal to € 175,000,000.00.

Floating Rate

GIC:

The Issuer, the Floating Rate GIC Provider and the Security Trustee will enter into a guaranteed investment contract (the "**Floating Rate GIC**"), under which the Floating Rate GIC Provider will agree to pay a guaranteed rate of interest determined by reference to the Euro Overnight Index Average as published jointly by the European Banking Federation and ACI / The Financial Market Association ("**Eonia**") on the balance standing from time to time to the credit of the Transaction Account and the Reserve Account (the Transaction Account and the Reserve Account being collectively referred to as the "**GIC Accounts**").

Swap

Agreement:

On the Signing Date, the Issuer, the Security Trustee and the Swap Counterparty will enter into a swap agreement (the "**Swap Agreement**") to hedge the risk between the rate of interest to be received by the Issuer on the Mortgage Receivables and the rate of interest payable by the Issuer on the Notes. See further under *Credit Structure* below. If the Swap Counterparty fails to make, when due, any payment to the Issuer under the Swap Agreement or is declared bankrupt (*failliet*), the Swap Agreement shall be novated to the Back-Up Swap Counterparty pursuant to the Conditional Deed of Novation.

OTHER:

Listing:

Application has been made to list the Senior Class A Notes and the Junior Class B Notes on Euronext Amsterdam. Listing is expected to take place on or about 21 October 2010.

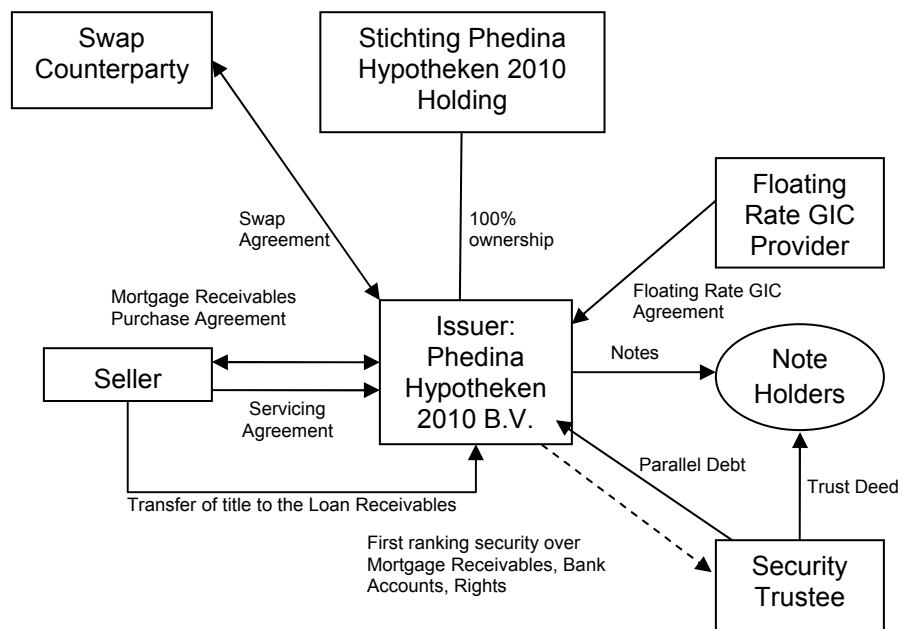
Rating: It is a condition precedent to issuance that, upon issue, the Senior Class A Notes be assigned an 'Aaa (sf)' rating by Moody's and an 'AAA' rating by Fitch and the Junior Class B Notes, upon issue, be assigned a 'Aa3 (sf)' rating by Moody's and a 'BBB+' rating by Fitch. The Subordinated Class C Notes will not be assigned a rating. The identifier “sf” stands for “structured finance”. The addition of the identifier (sf) indicates only that the instrument is deemed to meet the regulatory definition of “structured finance” as referred to in the European regulation n°1060/2009 on credit rating agencies. In no way does it modify the meaning of the rating itself.

Governing

Law: The Notes will be governed by and construed in accordance with the laws of the Netherlands.

Structure

Diagram: The transaction set out in this Prospectus can be depicted as follows:



CREDIT STRUCTURE

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

Use of Proceeds

The Issuer will use the net proceeds from the issue of the Notes (other than the Subordinated Class C Notes) to pay part of the Initial Purchase Price for the Mortgage Receivables purchased by the Issuer on the Closing Date. The net proceeds of the Subordinated Class C Notes will be used to fund the Reserve Account.

Mortgage Loan Interest Rates

The Mortgage Loans pay interest on a floating rate basis or fixed rate basis, which rate may be subject to a reset from time to time. On the Provisional Portfolio Cut-Off Date (as defined below), the weighted average interest rate of the Provisional Pool (as defined below) amounted to 4.73 per cent. Interest rates vary among individual Portfolio Mortgage Loans. The range of interest rates is described further in *Description of Portfolio Mortgage Loans* below.

Cash Collection Arrangements

Payments by the Borrowers under the Portfolio Mortgage Loans are collected by means of direct debit on or about the second Business Day before the end of each calendar month. All payments made by Borrowers will be paid into the collection account (the "**Seller Collection Account**") maintained by the Seller with the Seller Collection Account Provider. On the Closing Date the balance on this account is not pledged to any party, other than to the banks at which the account is established pursuant to the applicable general terms and conditions. The Seller Collection Account will also be used for the collection of monies paid in respect of mortgage loans other than Portfolio Mortgage Loans and in respect of other monies belonging to the Seller.

On the 6th Business Day following the last day of each Monthly Calculation Period (as defined below) (each a "**Collection Payment Date**"), the Seller shall transfer (or procure that the Servicer shall transfer on its behalf) all amounts of principal, interest, interest penalties and prepayment penalties received by the Seller in respect of the Portfolio Mortgage Loans and paid to the Seller Collection Account during the immediately preceding Monthly Calculation Period (being the period commencing on (and including) the first day of each calendar month and ending on (and including) the last day of this calendar month) to the Transaction Account.

If at any time (i) the short-term unsecured, unsubordinated and unguaranteed debt obligations of the Seller Collection Account Provider are assigned a rating of less than P1 by Moody's or F1 by Fitch and (ii) long-term unsecured, unsubordinated and unguaranteed debt obligations of the Seller Collection Account Provider are assigned a rating of less than A by Fitch (the "**Account Bank Required Rating**"), or if such rating is withdrawn by any of the Rating Agencies (each such event, a "**Seller Collection Account Provider Rating Downgrade Event**"), the Seller (or the Servicer on its behalf) will use its best efforts within thirty (30) days of any such event (i) to procure that a third party, having at least the Account Bank Required Rating, guarantees the obligations of the Seller Collection Account Provider, (ii) to find an alternative suitable the seller collection account provider acceptable to the Security Trustee or (iii) find another solution which is suitable in order to maintain the then current ratings assigned to the Notes (other than the Subordinated Class C Notes).

Following an Assignment Notification Event as described under *Mortgage Receivables Purchase Agreement* below, the Borrowers will be required to pay all amounts due by them under the relevant Portfolio Mortgage Loans directly to the Transaction Account.

GIC Accounts

Transaction Account

The Issuer will maintain with the Floating Rate GIC Provider the Transaction Account to which all amounts received (i) in respect of the Portfolio Mortgage Loans and (ii) from the Savings Mortgage Participants under the Sub-Participation Agreements will be paid. The Issuer Administrator will verify all amounts paid into the Transaction Account. Payments received by the Issuer on each Collection Payment Date in respect of the Portfolio Mortgage Loans will be identified as principal, interest or other revenue receipts.

Reserve Account

The Issuer will maintain with the Floating Rate GIC Provider the Reserve Account (see under *Reserve Account* above). The proceeds of the Subordinated Class C Notes will be credited to the Reserve Account on the Closing Date.

Amounts credited to the Reserve Account will be available for drawing on any Quarterly Payment Date to meet items (a) up to and including (f) of the Pre-Enforcement Priority of Payments (see under *Priority of Payments (prior to Enforcement Notice)* below), in the event the Available Amounts are insufficient to meet such items in full.

If and to the extent that the Available Amounts calculated on any Quarterly Calculation Date (as defined below) exceed the amounts required to meet items (a) up to and including (f) in the Pre-Enforcement Priority of Payments, the excess amount will be deposited into the Reserve Account or, as the case may be, applied to replenish the Reserve Account, to the extent required until the balance standing to the credit of the Reserve Account equals the Reserve Account Target Level.

The Reserve Account Target Level will on any Quarterly Calculation Date be equal to € 175,000,000.00.

To the extent that the balance standing to the credit of the Reserve Account on any Quarterly Calculation Date exceeds the Reserve Account Target Level, such excess will be drawn from the Reserve Account on the immediately succeeding Quarterly Payment Date and be deposited in the Transaction Account to form part of the Available Amounts on such Quarterly Payment Date and be applied in accordance with the Pre-Enforcement Priority of Payments.

As from the earlier of (i) the Quarterly Calculation Date upon which all amounts of interest and principal due in respect of the Notes (other than the Subordinated Class C Notes), have been paid on the Quarterly Payment Date immediately preceding such Quarterly Calculation Date or will be available for payment on the Quarterly Payment Date immediately following such Quarterly Calculation Date, (ii) the Quarterly Calculation Date upon which the outstanding principal balances of the Portfolio Mortgage Loans have been reduced to zero and (iii) the Quarterly Payment Date on which the Issuer no longer holds any Mortgage Receivables and there is no balance standing to the credit of the Transaction Account, the Reserve Account Target Level will be reduced to zero and any amount standing to the credit of the Reserve Account will thereafter form part of the Available Amounts and will thus be available among others to redeem or partially redeem the Subordinated Class C Notes until fully redeemed and thereafter towards satisfaction of the Deferred Purchase Price (as defined in *Mortgage Receivables Purchase Agreement* below) to the Seller.

Eligible Investments

Provided that the Seller has given its prior approval, the Issuer may at its option invest, at any time, the balance standing to the credit of the GIC Accounts in Eligible Investments. "**Eligible Investments**" are euro-denominated securities which (i) may not have a maturity beyond the immediately succeeding Quarterly Payment Date and (ii) are assigned a rating that is at least equal to the Eligible Investments Minimum Ratings. "**Eligible Investments Minimum Ratings**" means (A) in respect of securities (i) a rating of (a) Aaa and Prime-1 by Moody's in case of a remaining tenor longer than six (6) months or (b) Aa3 and Prime-1 by Moody's in case of a remaining tenor less than six (6) months but longer than three (3) months or (c) A1 and Prime-1 by Moody's in case of a remaining tenor less than three (3) months but longer than one (1) month or (d) A2 or Prime-1 by Moody's in case of a remaining tenor less than one (1) month, and (ii) a rating of (a) AAA, or the highest rating possible, by Fitch in case of a remaining tenor longer than one year or (b) AA- by Fitch in case of a remaining tenor less than one year but longer than thirty (30) days or (c) F1+ by Fitch in case of a remaining tenor less than thirty (30) days, and (B) in respect of funds for short term debt securities which are regulated under the 1940 Act, the highest possible rating for such funds from Fitch and Moody's.

Rating of the Floating Rate GIC Provider

If at any time the short-term unsecured, unsubordinated and unguaranteed debt obligations of the Floating Rate GIC Provider are assigned a rating of less than the Account Bank Required Rating, or if

such rating is withdrawn (a "**GIC Provider Rating Downgrade Event**"), the Issuer and/or the Issuer Administrator on its behalf will use its best efforts within thirty (30) days of any such event (i) to procure that a third party, having at least the Account Bank Required Rating, guarantees the obligations of the Floating Rate GIC Provider, or (ii) to find an alternative suitable floating rate gic provider acceptable to the Security Trustee or (iii) find another solution which is suitable in order to maintain the then current ratings assigned to the Notes (other than the Subordinated Class C Notes).

Priority of Payments (prior to Enforcement Notice)

Prior to the delivery of an Enforcement Notice by the Security Trustee, the sum of the following amounts, calculated as at each Quarterly Calculation Date as being received or held during the Quarterly Calculation Period (as defined in the Conditions) immediately preceding such Quarterly Calculation Date (items (i) up to and including (xvi) less an amount equal to 25 per cent. of the higher of (A) € 2,500 or (B) 10 per cent. of the amount due and payable per annum by the Issuer to the Issuer Director, pursuant to item (a) of the Pre-Enforcement Priority of Payments, representing taxable income for corporate income tax purposes in the Netherlands, being hereafter referred to as the "**Available Amounts**"):

- (i) interest on the Mortgage Receivables, including penalties interest (*boeterente*), *less*, with respect to each Savings Mortgage Receivable and each Hybrid Mortgage Receivable, an amount equal to the interest amount received multiplied by a fraction which is equal to the relevant Savings Participation divided by the outstanding principal amount of such Savings Mortgage Receivable or, as the case may be, such Hybrid Mortgage Receivable (the "**Participation Fraction**");
- (ii) interest credited to the GIC Accounts;
- (iii) prepayment penalties in respect of the Mortgage Receivables;
- (iv) Net Proceeds (as defined in the Conditions) in respect of any Mortgage Receivables, to the extent such proceeds do not relate to principal, *less*, with respect to each Savings Mortgage Receivable and each Hybrid Mortgage Receivable, an amount equal to the proceeds received multiplied by the Participation Fraction;
- (v) amounts to be drawn from the Reserve Account on the immediately succeeding Quarterly Payment Date;
- (vi) amounts to be received from the Swap Counterparty under the Swap Agreement on the immediately succeeding Quarterly Payment Date, excluding, for the avoidance of doubt, any collateral transferred to the Issuer pursuant to the Swap Agreement;
- (vii) amounts received in connection with a repurchase of Mortgage Receivables pursuant to the

Mortgage Receivables Purchase Agreement or any other amounts received pursuant to the Mortgage Receivables Purchase Agreement to the extent such amounts do not relate to principal, *less*, with respect to each Savings Mortgage Receivable and each Hybrid Mortgage Receivable, an amount equal to the amount received multiplied by the Participation Fraction;

- (viii) amounts received in connection with a sale of Mortgage Receivables pursuant to the Trust Deed to the extent such amounts do not relate to principal, *less*, with respect to each Savings Mortgage Receivable and each Hybrid Mortgage Receivable, an amount equal to the amount received multiplied by the Participation Fraction;
- (ix) amounts received as post-foreclosure proceeds on the Mortgage Receivables, to the extent such amounts are not due and payable to *Stichting Waarborgfonds Eigen Woningen* to satisfy its claim resulting from payment made by it under the NHG Guarantees;
- (x) repayment and prepayment in full of principal under the Mortgage Receivables, from any person, whether by set-off or otherwise, *less*, with respect to each Savings Mortgage Receivable and each Hybrid Mortgage Receivable, the Savings Participation in such Savings Mortgage Receivable or Hybrid Mortgage Receivable;
- (xi) Net Proceeds in respect of any Mortgage Receivables, to the extent such proceeds relate to principal, *less*, with respect to each Savings Mortgage Receivable and each Hybrid Mortgage Receivable, the Savings Participation in such Savings Mortgage Receivable or Hybrid Mortgage Receivable;
- (xii) amounts received in connection with a repurchase of Mortgage Receivables pursuant to the Mortgage Receivables Purchase Agreement, and any other amounts received pursuant to the Mortgage Receivables Purchase Agreement to the extent such amounts relate to principal, *less*, with respect to each Savings Mortgage Receivable and each Hybrid Mortgage Receivable, the Savings Participation in such Savings Mortgage Receivable or Hybrid Mortgage Receivable;
- (xiii) amounts received in connection with a sale of Mortgage Receivables pursuant to the Trust Deed to the extent such amounts relate to principal, *less*, with respect to each Savings Mortgage Receivable and each Hybrid Mortgage Receivable, the Savings Participation in such Savings Mortgage Receivable or Hybrid Mortgage Receivable, if and to the extent such Savings Participation is terminated;
- (xiv) Participation Increase, Switched Savings Participation and Initial Savings Participation received pursuant to the Sub-Participation Agreements (other than the Initial Savings Participation received on the Closing Date);
- (xv) partial prepayment in respect of Mortgage Receivables, excluding prepayment penalties, if any,

less with respect to each Savings Mortgage Receivable and each Hybrid Mortgage Receivable, in case the partial prepayment made in respect thereof exceeds the difference between (a) the Outstanding Principal Amount under such Savings Mortgage Receivable or such Hybrid Mortgage Receivable and (b) the Savings Participation therein, an amount equal to such excess up to the Savings Participation therein; and

- (xvi) any part of the Available Amounts calculated on the immediately preceding Quarterly Calculation Date which has not been applied towards satisfaction of the items set forth in the Pre-Enforcement Priority of Payments on the immediately preceding 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 of a higher order of priority have been made in full) (the "**Pre-Enforcement Priority of Payments**"):

- (a) *First*, in or towards satisfaction, *pro rata*, according to the respective amounts thereof, of fees or other remuneration due and payable to the Directors in connection with the Management Agreements and of the fees or other remuneration and indemnity payments (if any) due and payable to the Security Trustee;
- (b) *Second*, in or towards satisfaction, *pro rata*, according to the respective amounts thereof, of (i) the fees and expenses due and payable to the Issuer Administrator under the Issuer Administration Agreement, (ii) the fees and expenses due and payable to the Servicer under the Servicing Agreement and (iii) the fees and expenses due and payable to the Floating Rate GIC Provider under the Floating Rate GIC;
- (c) *Third*, in or towards satisfaction, *pro rata*, according to the respective amounts thereof, of (i) any amounts due and payable (but not yet paid prior to the relevant Quarterly Payment Date) to third parties under obligations incurred in the Issuer's business (other than under the relevant Transaction Documents), including, without limitation, in or towards satisfaction of amounts or provisions for any payment of the Issuer's liability, if any, to tax, (ii) the fees and expenses due and payable to the Paying Agents, the Reference Agent, the common safekeeper and any other agent designated under any of the relevant Transaction Documents, (iii) the amounts due and payable to the Rating Agencies and, (iv) the fees and expenses due and payable to any legal advisors, tax advisors, accountants and auditors appointed by the Issuer or the Security Trustee;
- (d) *Fourth*, in or towards satisfaction of amounts, if any, due and payable under the Swap Agreement, including a Settlement Amount (as defined therein), except for any termination payment due or payable as a result of the occurrence of an Event of Default (as defined therein) where the Swap Counterparty is the Defaulting Party (as defined therein) or a Swap Counterparty Rating Downgrade Event (as defined below) (a "**Swap Counterparty Default Payment**"), payable under (m) below and excluding, for the avoidance of doubt, the payment to

the Swap Counterparty of any Excess Swap Collateral (as defined below);

- (e) *Fifth*, in or towards satisfaction, of the amounts of interest due or accrued but unpaid in respect of the Senior Class A Notes;
- (f) *Sixth*, in or towards satisfaction, of the amounts of interest due or accrued but unpaid in respect of the Junior Class B Notes, if and to the extent that payment thereof will not result in a debit balance on the Class B Principal Deficiency Ledger;
- (g) *Seventh*, in or towards satisfaction of any sums required to deposit on the Reserve Account or, as the case may be, to replenish the Reserve Account up to the amount of the Reserve Account Target Level;
- (h) *Eighth*, (i) upon the occurrence of an Excess Cash Event up to an amount equal to the Excess Cash Amount and (ii) as from the earlier of (x) the First Optional Redemption Date and (y) the exercise of any of the Options, in or towards satisfaction, of principal amounts due on the Senior Class A Notes, until fully redeemed in accordance with the Conditions;
- (i) *Ninth*, (i) upon the occurrence of an Excess Cash Event up to an amount equal to the Excess Cash Amount and (ii) as from the earlier of (x) the First Optional Redemption Date and (y) the exercise of any of the Options, in or towards satisfaction, of principal amounts due on the Junior Class B Notes, until fully redeemed in accordance with the Conditions;
- (j) *Tenth*, in or towards satisfaction, of the amounts of interest due or accrued but unpaid in respect of the Subordinated Class C Notes, if and to the extent the Cash Release Conditions (as defined below) are met;
- (k) *Eleventh*, as from the earlier of (i) the First Optional Redemption Date and (ii) the exercise of any of the Options, in or towards satisfaction, of principal amounts due on the Subordinated Class C Notes, until fully redeemed in accordance with the Conditions;
- (l) *Twelfth*, until the earlier of (i) the Quarterly Payment Date immediately preceding the First Optional Redemption Date or (ii) the exercise of any of the Options, in or towards satisfaction of the Initial Purchase Price of (i) any Further Advance Receivables and subsequently (ii) in or towards satisfaction of the Initial Purchase Price of any New Mortgage Receivables;
- (m) *Thirteenth*, in or towards satisfaction of the Swap Counterparty Default Payment to the Swap Counterparty under the terms of the Swap Agreement, if and to the extent the Cash Release Conditions are met; and
- (n) *Fourteenth*, in or towards satisfaction of the Deferred Purchase Price to the Seller pursuant to

the Mortgage Receivables Purchase Agreement, if and to the extent the Cash Release Conditions are met.

Any amount due and payable to third parties (other than pursuant to any of the Transaction Documents) under obligations incurred in the Issuer's business at a date which is not a Quarterly Payment Date and any amount due and payable to the Savings Mortgage Participants under the Sub-Participation Agreements may be made on the relevant due date by the Issuer from the Transaction Account to the extent that the funds available on the Transaction Account are sufficient to make such payment.

Priority of Payments upon Enforcement

Following delivery of an Enforcement Notice any amounts to be distributed by the Security Trustee under the Trust Deed will be paid to the Security Beneficiaries (including the Noteholders, but excluding the Savings Mortgage Participants, which shall be entitled outside, and with priority over, this priority of payments upon enforcement to receive an amount equal to the relevant Savings Participation in each of the Savings Mortgage Receivables and Hybrid Mortgage Receivables or if the amount recovered is less than the relevant Savings Participation, then an amount equal to the amount actually recovered) in the following order of priority (and in each case only if and to the extent payments of a higher priority have been made in full) (the "**Post-Enforcement Priority of Payments**"):

- (a) *First*, in or towards satisfaction, *pro rata*, according to the respective amounts thereof, of fees or other remuneration due and payable to the Directors in connection with the Management Agreements and of the fees or other remuneration and indemnity payments (if any) due and payable to the Security Trustee and any costs, charges, liabilities and expenses incurred by the Security Trustee under or in connection with the relevant Transaction Documents (including the fees and expenses payable to any legal advisors, accountants and auditors appointed by the Security Trustee);
- (b) *Second*, in or towards satisfaction, *pro rata*, according to the respective amounts thereof, of (i) the fees and expenses due and payable to the Issuer Administrator under the Issuer Administration Agreement, (ii) the fees and expenses due and payable to the Servicer under the Servicing Agreement and (iii) the fees and expenses due and payable to the Floating Rate GIC Provider under the Floating Rate GIC;
- (c) *Third*, in or towards satisfaction *pro rata*, according to the respective amounts thereof, (i) the fees and expenses due and payable to the Paying Agents, the Reference Agent, the common safekeeper and any other agent designated under any of the relevant Transaction Documents, (ii) the amounts due and payable to the Rating Agencies, and (iii) the fees and expenses due and payable to any legal advisors, tax advisors, accountants and auditors appointed by the Issuer or the Security Trustee;

- (d) *Fourth*, in or towards satisfaction, of amounts, if any, due and payable to the Swap Counterparty under the Swap Agreement including a Settlement Amount (as defined therein), but excluding any Swap Counterparty Default Payment payable under (k) below and excluding, for the avoidance of doubt, any payment to the Swap Counterparty of any Excess Swap Collateral;
- (e) *Fifth*, in or towards satisfaction, of the amounts of interest due or accrued but unpaid in respect of the Senior Class A Notes;
- (f) *Sixth*, in or towards satisfaction, of the amounts of interest due or accrued but unpaid in respect of the Junior Class B Notes;
- (g) *Seventh*, in or towards satisfaction, of principal and other amounts due on the Senior Class A Notes, until fully redeemed in accordance with the Conditions;
- (h) *Eighth*, in or towards satisfaction, of principal and other amounts due on the Junior Class B Notes, until fully redeemed in accordance with the Conditions;
- (i) *Ninth*, in or towards satisfaction, of the amounts of interest due or accrued but unpaid in respect of the Subordinated Class C Notes;
- (j) *Tenth*, in or towards satisfaction, of principal and other amounts due on the Subordinated Class C Notes, until fully redeemed in accordance with the Conditions;
- (k) *Eleventh*, in or towards satisfaction of the Swap Counterparty Default Payment to the Swap Counterparty under the terms of the Swap Agreement and
- (l) *Twelfth*, in or towards satisfaction of the Deferred Purchase Price to the Seller pursuant to the Mortgage Receivables Purchase Agreement.

Cash Release Conditions

The payment of any Swap Counterparty Default Payment, Deferred Purchase Price Instalment and of any interest in respect of the Subordinated Class C Notes as provided for under the relevant item of the Pre-Enforcement Priority of Payments on any Quarterly Payment Date is subject to the following conditions (the "**Cash Release Conditions**") being met in full on such date:

- (i) the aggregate Outstanding Principal Amount of the Mortgage Receivables, *less*, with respect to each Savings Mortgage Receivable and each Hybrid Mortgage Receivable, the Savings Participation in such Savings Mortgage Receivable or Hybrid Mortgage Receivable, that are in arrears for more than sixty (60) days does not exceed 2 per cent. of the Outstanding Principal Amount of the Mortgage Receivables, *less*, with respect to each Savings Mortgage Receivable and each Hybrid Mortgage Receivable, the Savings Participation in such Savings Mortgage Receivable or Hybrid Mortgage Receivable on the last day of the immediately preceding

- Monthly Calculation Period; and
- (ii) the payment of item (m) or item (n) of the Pre-Enforcement Priority of Payments will not result in any Principal Deficiency,

provided that, in case the Outstanding Principal Amount of the Notes (other than the Subordinated Class C Notes) has been reduced to zero, the Cash Release Conditions will be deemed to be satisfied at any time thereafter.

Principal Deficiency and Principal Deficiency Ledger

"Principal Deficiency" means, with respect to any Quarterly Payment Date, the positive difference, if any, between (i) the Principal Amount Outstanding of the Notes after the application of the Available Amounts on such Quarterly Payment Date in accordance with the Pre-Enforcement Priority of Payments and (ii) the sum of (a) the Outstanding Principal Amount of the Mortgage Receivables, *less*, with respect to each Savings Mortgage Receivable and each Hybrid Mortgage Receivable, the Savings Participation in such Savings Mortgage Receivable or Hybrid Mortgage Receivable as of the last day of the immediately preceding Monthly Calculation Period, plus (b) the amount standing to the credit of the GIC Accounts after the application of the Available Amounts on such Quarterly Payment Date in accordance with the Pre-Enforcement Priority of Payments, as the case may be, and less (c) the amount of the collections relating to the principal amount on the Mortgage Receivables transferred to the Transaction Account of the Issuer after the last day of the immediately preceding Monthly Calculation Period, if any.

A principal deficiency ledger (the **"Principal Deficiency Ledger"**), comprising three sub-ledgers known as the **"Class A Principal Deficiency Ledger"**, **"Class B Principal Deficiency Ledger"** and **"Class C Principal Deficiency Ledger"**, will be established by or on behalf of the Issuer in order to record any Principal Deficiency (each respectively the **"Class A Principal Deficiency"**, the **"Class B Principal Deficiency"** and the **"Class C Principal Deficiency"**). Any Principal Deficiency shall, on the relevant Quarterly Payment Date be debited to the Class C Principal Deficiency Ledger so long as the debit balance on such sub-ledger is less than the Principal Amount Outstanding of the Subordinated Class C Notes, and thereafter to the Class B Principal Deficiency Ledger so long as the debit balance on such sub-ledger is less than the Principal Amount Outstanding of the Junior Class B Notes, and thereafter such amounts shall be debited to the Class A Principal Deficiency Ledger.

Interest Rate Hedging

The Mortgage Loan Criteria (as defined under *Mortgage Receivables Purchase Agreement* below) require that all Portfolio Mortgage Loans bear a floating rate of interest or fixed rate of interest, subject to a reset from time to time. The interest rate payable by the Issuer with respect to the Notes is calculated as a margin over Euribor. The Issuer will hedge this interest rate exposure by entering into the Swap Agreement with the Swap Counterparty and the Security Trustee. Under the Swap Agreement, the Issuer will agree to pay on each Quarterly Payment Date the sum of the Swap Loan Interests in respect of the three Monthly Calculation Periods immediately preceding such Quarterly

Payment Date, less certain expenses as described under (a), (b), and (c) of the Pre-Enforcement Priority of Payments. In return, the Swap Counterparty will agree to pay on each Quarterly Payment Date the sum of the Swap Floating Interests in respect of the three Monthly Calculation Periods immediately preceding such Quarterly Payment Date.

"Swap Loan Interests" means, with respect to any Monthly Calculation Period, an amount equal to the product of (i) the aggregate Outstanding Principal Amount of the Mortgage Receivables resulting from the Portfolio Mortgage Loans in respect of which the relevant Borrower has paid all amounts of interest and principal due in respect of such Portfolio Mortgage Loan *less* the Savings Participation at the last day of such Monthly Calculation Period and (ii) the weighted average annual interest rate of such Mortgage Receivables divided by 12.

"Swap Floating Interests" means, with respect to any Monthly Calculation Period, an amount equal to the product of (i) the aggregate Outstanding Principal Amount of the Mortgage Receivables resulting from the Portfolio Mortgage Loans in respect of which the relevant Borrower has paid all amounts of interest and principal due in respect of such Portfolio Mortgage Loan *less* the Savings Participation at the last day of such Monthly Calculation Period and (ii) a rate equal to three-months Euribor plus a margin of 1.65 per. cent, multiplied by the actual number of days during the relevant Monthly Calculation Period divided by 360.

The Swap Agreement provides that, in the event that any payment by the Issuer to the Swap Counterparty is less than the amount which the Issuer would be required to pay to the Swap Counterparty, the corresponding payment obligation of the Swap Counterparty to the Issuer shall be reduced by an amount equal to such shortfall.

If (i) the Swap Counterparty fails to make, when due, any payment to the Issuer under the Swap Agreement or (ii) the Swap Counterparty is declared bankrupt (*failliet*), the Issuer shall promptly give notice thereof to the Back-Up Swap Counterparty in accordance with the conditional deed of novation, dated 19 October 2010, entered into between the Swap Counterparty, the Back-Up Swap Counterparty, the Issuer and the Security Trustee (the **"Conditional Deed of Novation"**). Following such notice, the Swap Agreement shall be novated to the Back-Up Swap Counterparty in accordance with the Conditional Deed of Novation. Upon such novation (i) reference to the Swap Counterparty in respect of the Swap Agreement shall be deemed to be a reference to the Back-Up Swap Counterparty, (ii) the Swap Counterparty shall be released from its obligations under the Swap Agreement towards the Issuer, (iii) the Back-Up Swap Counterparty shall have assumed all obligations of the Swap Counterparty towards the Issuer under the Swap Agreement and (iv) the Back-Up Swap Counterparty shall have acquired all rights of the Swap Counterparty as against the Issuer under the Swap Agreement.

Payments under the Swap Agreement will be netted.

The Swap Agreement will be documented under an ISDA Master Agreement. The Swap Agreement

will be terminable by one party 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 or (iii) an Enforcement Notice is served. Events of Default under the Swap Agreement in relation to the Issuer will be limited to (i) non-payment under the Swap Agreement and (ii) certain insolvency events.

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

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

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

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

If (i) the long-term unsecured, unsubordinated and unguaranteed debt obligations of the Back-Up Swap Counterparty (or its successor) cease to be rated at least as high as A by Fitch (or such rating being put on rating watch negative by Fitch) or A2 by Moody's (or if it is not subject to a short term rating, A1 by Moody's), or (ii) the short-term unsecured, unsubordinated and unguaranteed debt obligations of the Back-Up Swap Counterparty (or its successor) cease to be rated at least as high as Prime-1 by Moody's or F1 by Fitch (or such rating being put on rating watch negative by Fitch) (such ratings together, the "**Swap Required Ratings**") or (iii) any such rating is withdrawn by Moody's or Fitch, or (iv) the Conditional Deed of Novation is terminated (each such event, a "**Swap Counterparty Rating Downgrade Event**"), the Swap Counterparty will be required to take certain remedial measures which may include the provision of collateral for its obligations under the Swap Agreement, arranging for its obligations under the Swap Agreement to be transferred to an entity with the Swap

Required Ratings, procuring another entity with at least the Swap Required Ratings to become co-obligor or guarantor in respect of its obligations under the Swap Agreement, or the taking of such other suitable action as it may then propose to the Rating Agencies. A failure to take such steps, subject to certain conditions, will give the Issuer the right to terminate the Swap Agreement.

The Issuer, the Swap Counterparty and the Security Trustee have entered into a Credit Support Annex to the Swap Agreement on the basis of the standard ISDA documentation (the "**Credit Support Annex**"), which provides for requirements relating to the providing of collateral by the Swap Counterparty if the Back-Up Swap Counterparty (or its successor) ceases to have at least the Swap Required Ratings.

The Issuer will maintain a separate account or accounts, as the case may be, with an entity having at least the Account Bank Required Rating, into which any collateral required to be transferred by the Swap Counterparty in accordance with the provisions set out above will be deposited. Any collateral transferred by the Swap Counterparty which is in excess of its obligations to the Issuer under the Swap Agreement (the "**Excess Swap Collateral**") will be returned to such Swap Counterparty (outside of any priority of payments) prior to the distribution of any amounts due to the Noteholders or the other Security Beneficiaries.

Sale of Mortgage Receivables

Under the terms of the Trust Deed, the Issuer will have the right to sell and assign all (but not only part of) the Mortgage Receivables following the exercise by it of the Tax Call Option and on any Optional Redemption Date to any party, provided that the Seller has a pre-emption right pursuant to which the Issuer shall first offer the Seller to buy and repurchase the Mortgage Receivables, the Issuer being entitled to sell and assign the Mortgage Receivables to any third party if the Seller does not inform the Issuer within a period of fifteen (15) Business Days from the date of the offer was notified to the Seller of its intention to buy and repurchase the Mortgage Receivables. The Issuer shall be required to apply the proceeds of such sale towards payment of the items of the Pre-Enforcement Priority of Payments, including (without limitation), redemption of the Notes, in accordance with and subject to the Pre-Enforcement Priority of Payments.

The purchase price to be received by the Issuer in respect of the Mortgage Receivables sold shall be at least equal to an amount sufficient to redeem the Senior Class A Notes and the Junior Class B Notes, subject to and in accordance with the Conditions and the Pre-Enforcement Priority of Payments, at their Principal Amount Outstanding.

OVERVIEW OF THE DUTCH RESIDENTIAL MORTGAGE MARKET

Historical overview²

Since the 19th century, the Dutch housing market has been predominantly a rental market. The Second World War resulted in serious housing shortage. The government solved this problem by building a considerable number of houses to let over very long periods (30 years or more). As a result home-ownership rates in the Netherlands are still lagging the European average.

In the 1893's the Dutch government decided to make interest payments on mortgage loans tax deductible. Although the introduction of tax deductibility of mortgage interest in 1893 was not meant to increase homeownership, the tax deductibility had a positive effect. Despite some minor changes in recent years, the mortgage interest tax deductibility still increases the percentage of homeownership in The Netherlands.

Furthermore, in 1956, the Dutch government established the municipality guarantee program ("*gemeentegarantie*"), now known as the national guarantee system (NHG). This made it easier for lower income households to qualify for a residential mortgage loan and hence purchase their own home.

Aside from measures taken by the government, the rapid growth of economic activity and the increase in the number of double income families led to an increased demand for houses during the 1970s. Towards the end of the 1970s the housing market slowed as a result of a significant downturn in the economy. While the 1980's were characterised by stable market, the strong economic growth and declining interest rate environment experienced throughout most of the 1990s led to a renewed growth in the demand for properties. Mortgage lenders developed new products in order to optimise borrowing capacity and tax benefit.

All of these measures led to an increase in home ownership from less than thirty (30) percent post Second World War to fifty six (56)³ percent in recent years. This rate is still lower than average for the rest of Europe. Moreover home ownership in the Netherlands is mainly concentrated in rural areas (seventy (70) percent)⁴, while growing, the owner occupation rates in the cities is around forty five (45)⁵ percent. A major hurdle towards the increase of home ownership remains the structural shortage of suitable houses on the market.

Home ownership development in the future

To reduce the structural shortage in Dutch housing market, the government targeted in 2005 to add

² Source: Rabobank Country Profile the Netherlands, February 2008

³ Source: VROM (Ministry for Housing, Spatial Planning and Environment) and the Royal Institute of Chartered Surveyors: RICS European Housing Review (2008)

⁴ Source: VROM (Ministry for Housing, Spatial Planning and Environment)

⁵ Source: VROM (Ministry for Housing, Spatial Planning and Environment)

four hundred forty five thousand (445 000) housing units by 2010, a number which at the current construction pace of around 50,000 dwellings a year⁶ might be difficult to achieve. While some additions in units will result from reconversion projects, it is expected that there will remain a shortage of 1.5 per cent. in suitable housing units relative to the number of households by 2010⁷.

Recent drivers of the demand for housing encompass both demographic and economic factors. Supported by a natural birth surplus the Dutch population continues to grow, albeit at a slower pace than in the past decade. In addition, the increase in the number of one person households and the life expectancy rates, continues to drive the demand for new housing units. Taking all these effects into account, the average person to housing unit ratio is projected to fall to 2.21 in 2010 and 2.07 in 2030 from 2.33 in November 2008⁸

Mortgage Loan types

Mortgage product development in the Netherlands is primarily driven by tax considerations. The typical mortgage loan products offered by Dutch lenders include the following:

- Savings mortgages;
- Interest only mortgages;
- Investment mortgages;
- Life (insurance) mortgages;
- Annuity mortgages.

A common feature of savings and life mortgages is that they have an insurance component included and that no principal is repaid during the life of the loan (the latter motivated by the tax deductibility framework). For savings and life mortgages, premiums are paid into a separate savings or life insurance policy to build up capital for the repayment of the loan at maturity.

One of the main aspects of an investment mortgage is that the borrower can typically select from a wide range of investment funds, some of which are traded on a stock exchange. It is possible to switch from one fund to another. The earnings from the investment might not be sufficient to repay the mortgage loan at maturity. The popularity of investment mortgages has decreased the last couple of years.

Tax deductibility

The mortgage products offered by lenders reflect the (until 2001) full tax deductibility of mortgage interest and have encouraged borrowers to defer repayment of principal for as long as possible. This is evidenced by relatively high loan to value ratios and the extensive use of non-amortising mortgage products, which give full tax benefits for the whole maturity of the mortgage without the need to redeem the mortgage. Borrowers often have considerable investments and savings available but choose not to use such funds to acquire a house or to repay their mortgage but instead to minimise their tax

⁶ Source: the Royal Institute of Chartered Surveyors: RICS European Housing Review (2008)

⁷ Source for paragraph: CBS (Statistics Netherlands) and VROM (Ministry for Housing, Spatial Planning and Environment)

⁸ Source for paragraph: CBS and VROM (Ministry for Housing, Spatial Planning and Environment)

liabilities.

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

On top of the limitations that came into force in 2001, tax deductibility of mortgage interest payments has been further restricted as of 1 January 2004. Under this new regulation (*Bijleenregeling*), tax deductibility is now only granted up to the purchase price, including the purchase costs, of the new house less the realised net profit on the old house. As from 1 January 2004 moving homeowners are encouraged to reinvest increased amounts of any of the net profits they make from the sale of their previous house into their new house. Because of that regulation, 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.

House price development

Following a period of more modest house price growth since 2001, house price growth strengthened between 2004 and 2006, as mortgage interest rates reached their lowest point since the 1950's in mid 2005. In 2007 the growth of house prices decreased from an annual growth in December 2006 of 4.7 per cent. to an annual growth in December 2007 of 2.8 per cent. Due to the economic developments housing prices have experienced a decline of 3.3 per cent. in 2008. This trend continued in 2009, when housing prices further decreased by 2.1 per cent. (Q4, 2009 compared to Q4, 2008)⁹.

Current Status and Expectations¹⁰

From a macroeconomic perspective, The Netherlands has the fourth highest gross domestic product per capita in the EU. This has been achieved over many years and sustained by a strong economy for most of the last ten years. Growth was particularly strong in 2006 and 2007, which helped to keep up demand in the housing market despite rising interest rates, the increase in the value of the Euro and rising labour costs and commodity prices. These unfavourable aspects which may affect the housing market in the short term, are offset by a very tight labour market. By EU standards, unemployment in the Netherlands is low and is expected to stay comparatively low, from 3.2 per cent. in 2007 to 2.7 per cent. in 2008¹¹ and is expected to stay comparatively low at 3.9 per cent. in 2009 and 5.5 per cent. in 2010¹².

⁹ Source: NVM (National Association of Real Estate Brokers)

¹⁰ Rabobank Dutch Housing Market Quarterly Q1 2010

¹¹ Source: Eurostat Newsrelease: Euroindicators 13/2009

¹² Source: Fortis Bank Nederland Economic Research forecast

In conjunction with the cautious recovery of the Dutch economy, the Dutch housing market now also appears to be climbing out of the slump. After a sharp fall in the number of transactions in 2009, there has been a slight increase recently and the number of transactions is expected to rise further this year. Dutch house prices are currently stabilising. A slight increase in house prices in the second half of 2010 is forecasted¹³. Average house prices in the Netherlands will, however, still remain lower throughout 2010 than in 2009. This is the result of the decrease in the price level that occurred in the course of 2009.

The negative development that the Dutch housing market encountered in 2009 appears to have been broken. While the number of transactions is set to increase further this year, the figure will not reach the pre-credit crisis level. Dutch house prices will also not return to the level of the third quarter of 2008 for the time being. Dutch house prices have decreased cumulatively by 6 per cent. since the third quarter of 2008¹⁴.

The affordability of houses in the Netherlands improved considerably in 2009. This development has, however, now peaked. House prices and interest rates are expected to once again begin rising in the course of this year. This will cause new home purchase costs to start rising again. In contrast, gross incomes in the Netherlands will not increase in tandem and are, in fact, expected to stabilise this year. Affordability will decrease further over time due to rising house prices and increasing interest rates. While the effects of the credit crisis are very tangible on the mortgage market, there are also signs of a turnaround in this area. Measured by the amount of mortgages provided, the market shrank by nearly one third in 2009.

The mortgage market in the Netherlands is expected to decrease slightly in 2010.

¹³ Rabobank Dutch Housing Market Quarterly Q1 2010

¹⁴ Price Index of Existing Houses (PBK), a joint publication of Statistics Netherlands and the Dutch Land Registry Office

BNP PARIBAS PERSONAL FINANCE B.V.¹⁵

BNP Paribas

BNP Paribas S.A. (the "**BNP Paribas**") is the head of one of the largest global banking groups in the world, headquartered in Paris with its second global headquarters in London. It was created through the merger of Banque Nationale de Paris (BNP) and Paribas in 2000. In 2010 it was ranked as the 11th largest company in the world by Forbes and the largest in France. In April 2009, BNP Paribas purchased a 75 per cent. stake in Fortis Bank N.V./S.A., making the group of BNP Paribas the Euro zone's largest bank by deposits held.

Present across Europe through all its business lines, the group of BNP Paribas has four domestic retail banking markets in France, Italy, Belgium and Luxembourg. It has one of the largest international networks with operations in 84 countries and 200,900 employees, including 158,700 in Europe, 15,000 in North America and 10,400 in Asia (31 March 2010). BNP Paribas has built up 3 major complementary areas of activity, on which the strategic focus of the group's activities is centered and where its strength lies:

- Retail Banking

Retail banking is BNP Paribas' largest business unit representing 45 per cent. of its 2009 revenues and employing 59 per cent. of the group's headcount. Its operations are concentrated in Europe, especially in the group's three domestic markets of France, Italy (where it operates as Banca Nazionale del Lavoro (BNL)), and Belgium (as BNP Paribas Fortis). BNP Paribas Personal Finance B.V. is part of BNP Paribas' Retail Banking.

- Corporate and Investment Banking

In addition to its retail activities, BNP Paribas is also a leading global investment bank through its Corporate & Investment Banking unit. In 2010 CIB ranked as the 12th largest investment bank in the world according to Bloomberg's annual ranking.

- Investment Solutions

BNP Paribas' Investment Solutions unit contains its asset management, custodial banking, real estate, insurance, online brokerage, and wealth management activities.

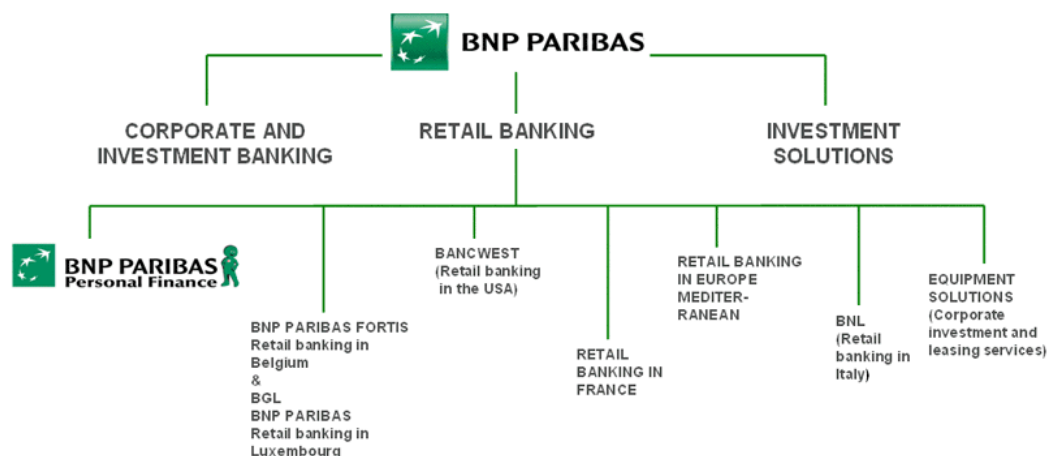
BNP Paribas Personal Finance

In January 2008 Cetelem and UCB, a major player in mortgage lending in France and Europe including the Netherlands, brought together their activities and established BNP Paribas Personal Finance. This was consolidating their operations within BNP Paribas' Retail Banking.

BNP Paribas Personal Finance B.V. covers the entire range of personal lending needs, addressing the growing overlap between consumer lending and mortgage lending. The unit proposes an expanded

¹⁵ Source: BNP Paribas Personal Finance B.V.

portfolio of solutions and distribution channels to leverage shared expertise and resources.



No. 1 in France, BNP Paribas Personal Finance B.V. enjoys a strong presence throughout Europe. The company today ranks among the top 3 personal credit specialists in Italy, Belgium, Spain, Portugal, Hungary, Czech Republic, Rumania and Bulgaria. It represents a workforce of nearly 28,000 people in over 30 countries.

Two major initiatives in 2009

- The BNP Paribas Fortis consumer credit business in Belgium, via its subsidiary Alpha Crédit, was incorporated within BNP Paribas Personal Finance B.V. Alpha Crédit is one of the leaders in consumer finance in Belgium with its 250 employees and €2.5 billion outstanding loans. Alpha Crédit also manages consumer credit for BNP Paribas Fortis in Belgium and BGL BNP Paribas in the Grand Duchy of Luxembourg.
- In 2009, BNP Paribas Personal Finance B.V. also took control over Findomestic, one of the major players in consumer credit in Italy, initially held 50/50 by Intesa Sanpaolo and BNP Paribas.

The activities of BNP Paribas Personal Finance B.V.

- *Consumer credit*

A multi-market player, BNP Paribas Personal Finance B.V. offering consumers a full range of products (conventional loans, car loans, permanent credit lines) and complementary services (retail and non-financial services) both directly and through partnerships. Focusing on multichannel credit solutions, BNP Paribas Personal Finance B.V. became a European leader in internet lending.

- *Mortgage lending*

BNP Paribas Personal Finance B.V. provides advice and support for customers and it offers a full

range of mortgage products, distributed either directly or through intermediaries.

- *Converged consumer credit and mortgage solutions*

To address further consumer expectations, BNP Paribas Personal Finance B.V. has developed a range of hybrid consumer credit/mortgage products. For the moment, these products are only available in France.

BNP Paribas Personal Finance B.V.

BNP Paribas Personal Finance B.V. (previously UCB Hypotheken B.V) is active in the Netherlands since 2003. The principal activity is providing residential mortgages in the Netherlands through independent mortgage advisors. BNP Paribas Personal Finance B.V. is composed (31 December 2009) of 5 line departments:

- Operations (14 FTE)
- Finance & Risk (5 FTE)
- Sales and marketing (6 FTE)
- Compliance (2 FTE)
- HR and office management (2 FTE)

At the end of 2009 the outstanding mortgage loans amounted to a total of € 5.7 billion. For the year 2010 management expects the production level to increase significantly despite the difficult situation on the Dutch mortgage market. In 2009 the company had a market share in new production of 3 per cent.

DESCRIPTION OF PORTFOLIO MORTGAGE LOANS

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

The Portfolio Mortgage Loans (or in case of Portfolio Mortgage Loans consisting of more than one loan part, the aggregate of such loan parts) are secured by a first-ranking, or as the case may be a first and sequentially lower ranking Mortgage Right, evidenced by notarial mortgage deeds (*notariële akten van hypotheekstelling*) entered into by the Seller and the Borrowers and to the extent it relates to the NHG Mortgage Loan Parts only, have the benefit of a NHG Guarantee. The Mortgage Rights secure the relevant Portfolio Mortgage Loan and are vested over property situated in the Netherlands. The Portfolio Mortgage Loans and the Mortgage Rights securing the liabilities arising therefrom are governed by Dutch law.

The Provisional Pool

The Mortgage Loans forming part of the pool from which the Portfolio Mortgage Loans will be selected (the "**Provisional Pool**") have been selected according to the Seller's underwriting criteria, except in the case of NHG Mortgage Loan Parts each of which have been selected according to the criteria of the WEW (see under *Mortgage Loan Underwriting and Servicing* below). The information set out below in relation to the Provisional Pool may not necessarily correspond to that of the Portfolio Mortgage Loans actually sold on the Closing Date. After the Closing Date, the portfolio of Portfolio Mortgage Loans will change from time to time as a result of repayment, prepayment, further advances, substitution and repurchase of Mortgage Receivables. For a description of the representations and warranties given by the Seller reference is made to *Mortgage Receivables Purchase Agreement* below.

The numerical information set out below relates to a pool of the Portfolio Mortgage Loans as of 31 July 2010 (the "**Provisional Portfolio Cut-Off Date**") and has been extracted without material adjustment from the databases relating to the Mortgage Loans originated by the Seller held at the Seller. All amounts mentioned in this section and in the tables below are expressed in euro.

Mortgage types

The Portfolio Mortgage Loans in whole or in part (*leningdelen*) will consist of:

- (i) Linear Mortgage Loans (*lineaire hypotheken*);
- (ii) Interest-only Mortgage Loans (*aflossingsvrije hypotheken*);
- (iii) Annuity Mortgage Loans (*annuïteitenhypotheken*);
- (iv) Life Mortgage Loans (*universal life hypotheken*);
- (v) Investment Mortgage Loans (*beleggingshypotheken*);
- (vi) Savings Mortgage Loans (*spaarhypotheken*); or
- (vii) Hybrid Mortgage Loans (*hybride hypotheken*).

Each Portfolio Mortgage Loan shall have the benefit of a Risk Insurance Policy taken out by the Borrower with an Insurance Company in the event and to the extent the relevant Portfolio Mortgage Loan exceeds 75 or 100 per cent. (the applicable percentage depends on the type of Mortgage Loan and/or the date of origination) of the foreclosure value of the relevant property (*executiewaarde*). NHG Mortgage Loan Parts will have the benefit of a Risk Insurance Policy in the event and to the extent the relevant Portfolio Mortgage Loan exceeds 80 per cent. of the value of the relevant property. In the case of Portfolio Mortgage Loans including a Life Mortgage Loan, Savings Mortgage Loan or a Hybrid Mortgage Loan such Risk Insurance Policy may be included in the relevant Life Insurance Policy, Savings Insurance Policy or Savings Investment Insurance Policy.

Linear Mortgage Loans

Under a Linear Mortgage Loan the Borrower pays a fixed amount of principal each month towards redemption of the relevant Mortgage Loan (or relevant part thereof) until maturity. Interest is payable monthly and is calculated on the outstanding balance of the Mortgage Loan (or relevant part thereof).

Interest-only Mortgage Loans

Under an Interest-only Mortgage Loan, the Borrower is not obliged to pay principal towards redemption of the relevant Mortgage Loan (or relevant part thereof) until maturity. Interest is payable monthly and is calculated on the outstanding balance of the Mortgage Loan (or relevant part thereof).

Annuity Mortgage Loans

Under an Annuity Mortgage Loan, the Borrower pays a fixed monthly instalment, made up of an initially high and thereafter decreasing interest portion and an initially low and thereafter increasing principal portion, and calculated in such manner that the Annuity Mortgage Loan will be fully redeemed at maturity.

Life Mortgage Loans

Under a Life Mortgage Loan, no principal is paid until maturity but instead the Borrower pays a premium either upfront or on a regular basis to the relevant Insurance Company under a Life Insurance Policy taken out with such Insurance Company. The premiums paid by the Borrowers are invested by the relevant Insurance Company in certain investment funds. It is the intention that a Life Mortgage Loan will be fully repaid by means of the proceeds of the Life Insurance Policy.

Investment Mortgage Loans

Under an Investment Mortgage Loan the Borrower does not pay principal prior to the maturity of the mortgage loan, but instead undertakes to invest, on an instalment basis or up front, defined amounts in certain investment funds. The amounts invested take the form of participations in the investment funds selected by the Borrower and are credited to the Investment Account in the name of the relevant Borrower. It is the intention that an Investment Mortgage Loan will be fully repaid with the proceeds of the investments held in the Investment Account.

Savings Mortgage Loans

A Savings Mortgage Loan is combined with a Savings Insurance Policy, which consists of a combined risk and capital insurance policy taken out by the Borrower with SRLEV, ASR or Cardif in connection with the relevant Savings Mortgage Loan. Under a Savings Mortgage Loan no principal is paid by the Borrower prior to the maturity of the loan. Instead, the Borrower pays a premium either upfront or on a regular basis, which consists of a risk element and a savings element. The Savings Premium is calculated in such a manner that, on an annuity basis, the proceeds of the Savings Insurance Policy due by the Insurance Company to the relevant Borrower will be equal to the amount due by the Borrower to the Seller at maturity of the Savings Mortgage Loan.

Hybrid Mortgage Loans

An Hybrid Mortgage Loan is combined with a Savings Investment Insurance Policy, which consists of a combined risk and capital insurance policy taken out by the Borrower with, SRELV, ASR or Cardif in connection with the relevant Hybrid Mortgage Loan. Under an Hybrid Mortgage Loan no principal is paid by the Borrower prior to the maturity of the loan. Instead, the Borrower pays a premium either upfront or on a regular basis, which consists of a risk element and a savings element, which premium is invested in certain investment funds selected by the Borrower and/or deposited into an account held in the name of the relevant Insurance Company with the Seller. The Borrowers may at any time switch (*omzetten*) their investments among such investment funds and to and from said account.

Key Characteristics

The following table is a summary of the key characteristics of the pool of the Portfolio Mortgage Loans as selected on the Provisional Portfolio Cut-Off Date. These characteristics demonstrate the capacity to, subject to the risk factors referred to under the section entitled *Risk Factors* above, produce funds to pay interest and principal on the Notes, provided that each such payment shall be subject to the relevant priority of payments as further described under the section entitled *Credit Structure* above.

All amounts mentioned below are expressed in euro.

TABLE A*Key Characteristics of the Portfolio as of 31 July 2010*

	Number	%
Tot Outstanding (gross of savings)	4,846,385,609.48	
Tot Savings	32,158,176.93	
Tot Outstanding (net of savings)	4,814,227,432.55	
Nb Loan Parts	43,422	
Nb Loans	20,627	
Avg Loan Part Balance	110,870.70	
Avg Loan Balance	233,394.46	
WA Int Rate		4.73%
WA Seasoning	2.56	
WA Rem Mat	26.58	
WA Orig Mat	29.14	
WA LTFV		106.31%
WA LTMV		96.64%
WA DTI		22.95%

Loan to Foreclosure Value Ratio

The following table shows the distribution of the Provisional Pool on 31 July 2010 (both by net outstanding principal balance and number of loans) by reference to their loan to foreclosure value ratio.

TABLE B*Distribution of the pool of Portfolio Mortgage Loans by Loan-to-Foreclosure Value*

LTFV	Outstanding Principal	%	Number	%
< 0.7	376,514,460.96	7.82%	3,693	8.50%
>0.7 and <=0.75	215,320,253.99	4.47%	1,662	3.83%
>0.75 and <=0.8	84,329,280.73	1.75%	853	1.96%
>0.8 and <=0.85	134,600,329.90	2.80%	1,242	2.86%
>0.85 and <=0.9	252,816,629.92	5.25%	2,046	4.71%
>0.9 and <=0.95	159,291,894.83	3.31%	1,494	3.44%
>0.95 and <=1	369,084,237.18	7.67%	3,004	6.92%
>1 and <=1.05	174,670,287.94	3.63%	1,674	3.86%
>1.05 and <=1.1	237,143,151.78	4.93%	2,196	5.06%
>1.1 and <=1.15	345,940,561.90	7.19%	3,152	7.26%
>1.15 and <=1.2	588,100,058.01	12.22%	5,217	12.01%
>1.2 and <=1.25	1,516,993,857.92	31.51%	13,716	31.59%
>1.25 and <=1.3	359,422,427.49	7.47%	3,473	8.00%
TOTAL	4,814,227,432.55	100.00%	43,422	100.00%

Sizes

The following table shows the distribution of the Provisional Pool on 31 July 2010 (both by net outstanding principal balance and number of loans) by loan amounts outstanding per Borrower.

Current Amount (*1000)	Outstanding Principal	%	Number	%
>0 and <=100	1,437,094,903.57	29.85%	23,364	53.81%
>100 and <=200	2,219,231,305.41	46.10%	16,123	37.13%
>200 and <=300	675,211,186.98	14.03%	2,793	6.43%
>300 and <=400	239,162,971.04	4.97%	693	1.60%
>400 and <=500	97,834,050.13	2.03%	220	0.51%
>500 and <=600	67,298,977.61	1.40%	124	0.29%
>600 and <=700	35,128,846.71	0.73%	54	0.12%
>700 and <=800	22,849,018.59	0.47%	31	0.07%
>800 and <=900	4,211,552.51	0.09%	5	0.01%
>900 and <=1000	7,613,495.00	0.16%	8	0.02%
> 1000	8,591,125.00	0.18%	7	0.02%
TOTAL	4,814,227,432.55	100.00%	43,422	100.00%

Weighted Average Interest Rates

The following table shows the distribution of the Provisional Pool on 31 July 2010 (both by net outstanding principal balance and number of loan parts) by interest rates.

TABLE D

Distribution of the pool of Portfolio Mortgage Loans by interest rates (specified on the basis of loan parts)

Interest Rate	Outstanding Principal	%	Number	%
< 2	40,690,626.53	0.85%	474	1.09%
>2 and <=3	740,642,294.26	15.38%	7,398	17.04%
>3 and <=4	2,210,541,685.25	45.92%	19,671	45.30%
>4 and <=5	1,790,760,444.54	37.20%	15,484	35.66%
>5 and <=6	31,592,381.97	0.66%	395	0.91%
TOTAL	4,814,227,432.55	100.00%	43,422	100.00%

Mortgage Type

The following table shows the distribution of the Provisional Pool by loan type on 31 July 2010 (both by net outstanding principal balance and number of loan parts) by mortgage type.

TABLE E

Distribution of the pool of Portfolio Mortgage Loans by Redemption Types (specified on the basis of loan parts)

Loan Type	Outstanding Principal	%	Number	%
Interest Only	2,862,526,532.49	59.46%	24,291	55.94%
Life	855,025,614.90	17.76%	8,335	19.20%
Hybrid	551,160,954.28	11.45%	5,179	11.93%
Savings	435,087,050.86	9.04%	3,881	8.94%
Investment	64,815,417.40	1.35%	724	1.67%
Annuity	40,851,280.27	0.85%	941	2.17%
Linear	4,760,582.35	0.10%	71	0.16%
TOTAL	4,814,227,432.55	100.00%	43,422	100.00%

Origination Date

The following table shows the distribution of the Provisional Pool on 31 July 2010 (both by net outstanding principal balance and number of loan parts) by year of origination.

TABLE F

Distribution of the pool of Portfolio Mortgage Loans by year of origination (specified on the basis of loan parts)

Origination Year	Outstanding Principal	%	Number	%
2003	3,256,777.00	0.07%	32	0.07%
2004	119,722,075.23	2.49%	1,246	2.87%
2005	593,842,752.56	12.34%	5,742	13.22%
2006	747,944,168.15	15.54%	6,959	16.03%
2007	928,666,504.57	19.29%	7,437	17.13%
2008	1,095,250,737.66	22.75%	8,750	20.15%
2009	561,845,644.31	11.67%	5,425	12.49%
2010	763,698,773.07	15.86%	7,831	18.03%
TOTAL	4,814,227,432.55	100.00%	43,422	100.00%

Geographical distribution

The following table shows the distribution of the Provisional Pool on 31 July 2010 (both by net outstanding principal balance and number of loans) by region.

TABLE G

Geographical Distribution of the pool of Portfolio Mortgage Loans

Property Province	Outstanding Principal	%	Number	%
Zuid Holland	1,029,041,424.14	21.38%	9,438	21.74%
Noord Holland	854,128,037.65	17.74%	7,254	16.71%
Noord Brabant	796,553,509.52	16.55%	6,900	15.89%
Gelderland	534,011,874.58	11.09%	4,932	11.36%
Utrecht	430,698,166.69	8.95%	3,503	8.07%
ND ¹⁶	247,725,003.33	5.15%	1,826	4.21%
Overijssel	235,606,230.60	4.89%	2,408	5.55%
Limburg	186,413,021.40	3.87%	1,900	4.38%
Drenthe	129,244,861.97	2.68%	1,411	3.25%
Flevoland	113,433,578.22	2.36%	1,120	2.58%
Friesland	105,784,724.75	2.20%	1,100	2.53%
Groningen	77,353,562.33	1.61%	854	1.97%
Zeeland	74,233,437.37	1.54%	776	1.79%
TOTAL	4,814,227,432.55	100.00%	43,422	100.00%

¹⁶ ND stands for No Data: this is due to the fact that in some cases, newly built properties do not have a postcode. Upon completion, the correct data are updated in Stater systems but not communicated to BNP Paribas Personal Finance B.V. Therefore the data remains missing in the database of BNP Paribas Personal Finance B.V.

Interest Reset Dates

The following table shows the distribution of the Provisional Pool on 31 July 2010 (both by net outstanding principal balance and number of loan parts) by interest reset year.

TABLE H

Distribution of the pool of Portfolio Mortgage Loans by interest reset dates (specified on the basis of loan parts)

Time To Reset	Outstanding Principal	%	Number	%
< 1	306,036,607.73	6.36%	3,290	7.58%
>1 and <=2	423,314,029.43	8.79%	3,965	9.13%
>2 and <=3	95,424,607.42	1.98%	971	2.24%
>3 and <=4	50,943,554.70	1.06%	531	1.22%
>4 and <=5	106,017,632.54	2.20%	1,115	2.57%
>5 and <=6	315,625,031.44	6.56%	3,046	7.01%
>6 and <=7	159,733,401.43	3.32%	1,591	3.66%
>7 and <=8	433,896,334.99	9.01%	3,803	8.76%
>8 and <=9	226,478,098.31	4.70%	2,012	4.63%
>9 and <=10	510,971,365.11	10.61%	5,466	12.59%
>10 and <=11	234,527,276.43	4.87%	2,118	4.88%
>11 and <=12	101,733,536.92	2.11%	898	2.07%
>12 and <=13	73,630,561.13	1.53%	573	1.32%
>13 and <=14	26,786,171.32	0.56%	214	0.49%
>14 and <=15	43,821,655.57	0.91%	477	1.10%
>15 and <=16	0.00	0.00%	0	0.00%
>16 and <=17	400,789,819.87	8.33%	3,026	6.97%
>17 and <=18	712,201,482.14	14.79%	5,003	11.52%
>18 and <=19	158,271,869.86	3.29%	1,170	2.69%
>19 and <=20	379,078,170.95	7.87%	3,631	8.36%
>20	38,582,474.60	0.80%	264	0.61%
Fixed To Maturity	16,363,750.66	0.34%	258	0.59%
TOTAL	4,814,227,432.55	30.27%	43,422	100.00%

Employment type

The following table shows the distribution of the Provisional Pool (both by net outstanding principal balance and by number of loans) by employment type.

TABLE I

Distribution of the pool of Portfolio Mortgage Loans by employment type

Employment Type	Outstanding Principal	%	Number	%
Employed or full loan is guaranteed	4,663,709,903.09	96.87%	42,058	96.86%
Pensioner	66,817,321.44	1.39%	627	1.44%
Unemployed	42,969,642.98	0.89%	406	0.94%
Self employed	40,051,065.04	0.83%	328	0.76%
Other	575,000.00	0.01%	2	0.00%
ND	104,500.00	0.00%	1	0.00%
TOTAL	4,814,227,432.55	100.00%	43,422	100.00%

NHG Guarantee

The following table shows the distribution of the Provisional Pool (both by net outstanding principal balance and by number of loans) by mortgage loan parts with the benefit of a NHG Guarantee.

TABLE J

Distribution of the pool of Portfolio Mortgage Loans by mortgage loan parts with the benefit of a NHG Guarantee (specified on the basis of loan parts).

Guarantee	Outstanding Principal	%	Number	%
N	3,303,844,312.47	68.63%	26,695	61.48%
Y	1,510,383,120.08	31.37%	16,727	38.52%
TOTAL	4,814,227,432.55	100.00%	43,422	100.00%

NHG GUARANTEE PROGRAMME

NHG Guarantee

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

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

Financing of the WEW

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

The NHG Conditions

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

were applicable at the date of origination of the mortgage loan, unless such non-payment is unreasonable towards the lender.

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

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

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

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

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

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

Claiming under the NHG Guarantees

When a borrower is in arrears with payments under the mortgage loan for a period of four (4) months, the Seller within thirty (30) days informs the WEW in writing of the outstanding payments, including the guarantee number, borrower's name and address, information about the underlying security, the date of start of late payments and the total of outstanding payments. The WEW may approach the lender and/or the borrower to attempt to solve the problem and make the borrower aware of the consequences. If an agreement cannot be reached, the WEW reviews the situation with the lender to endeavour to generate the highest possible proceeds from the property. The situation is reviewed to

see whether a private sale of the property, rather than a public auction, would generate proceeds sufficient to cover the outstanding mortgage loan. Permission of the WEW is required in case of a private sale. A forced sale of the mortgaged property is only allowed in case the borrower is in arrears with payments under the mortgage loan for a period of seven (7) or more monthly instalments, unless the WEW has agreed that the forced sale may take place for other reasons or within a period of seven (7) months.

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

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

Woonlastenfaciliteit

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

MORTGAGE LOAN ORIGINATION, UNDERWRITING AND SERVICING

Origination process of BNP Paribas Personal Finance B.V.

This section gives an overview of the entire origination process for loans with a guarantee of the WEW as well as loans without such a guarantee, starting from the distribution of the loans through intermediaries until the mortgage loan becomes active. Furthermore, it provides insight into the division of tasks between the intermediaries and BNP Paribas Personal Finance B.V. in the origination process and the supporting role of Stater Nederland B.V. and its mortgage information system in the origination and arrears management process.

Independent intermediaries

BNP Paribas Personal Finance B.V. distributes its mortgage loans exclusively through independent, professional (Dutch) mortgage advisors varying from franchise organisations, master brokers to so-called institutionals (i.e. banks or insurance companies).

Within BNP Paribas Personal Finance B.V., the Sales and Marketing Department is responsible for the selection of and the relationship with the intermediaries. All intermediaries selected by the account managers have to be licensed according to the Act on the Financial Supervision (*Wet op het financieel toezicht*).

BNP Paribas Personal Finance B.V. and Stater

In order to support its mortgage origination and servicing process, BNP Paribas Personal Finance B.V. has entered into an agreement with Stater. BNP Paribas Personal Finance B.V. is responsible for marketing and sales support. The advisory role lies with the intermediary while client retention contacts fall within the activities and responsibilities of BNP Paribas Personal Finance B.V. In addition, the entire mortgage quote, acceptance, lending and servicing process is in the hands of BNP Paribas Personal Finance B.V., with the exception of collection of regular payments of interest and/or principal under mortgage loans.

This collection of payments falls within the services rendered by Stater, which is authorised to use the account of BNP Paribas Personal Finance B.V. for these collection activities. Stater is also responsible for giving the civil law notary instructions and settling outgoing payments including arranging that the mortgage deed for the loan being extended is drawn up in the name of and for the account and risk of BNP Paribas Personal Finance B.V. BNP Paribas Personal Finance B.V. is responsible for query handling as well as for arrears and default management and client file management. Stater also periodically provides information on the rendered services.

Mortgage offering process

The intermediary initiates the mortgage loan quote process after a client has opted for BNP Paribas Personal Finance B.V. as the lender. The intermediary has all consumer brochures on the BNP Paribas Personal Finance B.V. products as well as an extensive manual outlining BNP Paribas

Personal Finance's underwriting criteria, conditions and application. The intermediary enters the loan application (or change) data and passes this on to BNP Paribas Personal Finance B.V. either electronically via Hypotheken Data Network ("**HDN**") or fax.

At present, approximately 90 per cent. of applications are via HDN. All applications submitted are in principle processed within three (3) business days.

An employee of BNP Paribas Personal Finance B.V. responsible for handling applications ensures that the data received by traditional mail or by fax is entered into the so-called International Stater Hypotheek Systeem (the "**iSHS**"). Applications received by HDN are automatically entered into iSHS, in most cases without interference of an employee of BNP Paribas Personal Finance B.V. iSHS performs acceptance checks automatically on the basis of the underwriting criteria of BNP Paribas Personal Finance B.V., the criteria of the WEW, if applicable, and the general criteria and conditions of mortgage loans. Credit history (see section on Credit Registration Office, 'BKR') and fraud detection checks via Stichting Fraudebestrijding Hypotheken (SHS) (Foundation Anti Fraud Mortgages) are automatically performed to find out whether the applicant has (had) any current or recent credit payment problems and to identify fraud cases.

If iSHS gives a 'stop' advice (i.e. if one of the underwriting criteria is not satisfied) the application will be individually assessed by the underwriting specialist. In this case it is up to this specialist to assess whether the failure to satisfy all the underwriting criteria is material and whether the loan entails an increased risk, and if so, whether this risk is acceptable. If the specialist decides to overrule the system, with or without demanding any additional requirements for the loan application, he/she must provide a written explanation for doing so and store that explanation in the system. These overrules are periodically evaluated by management.

If the non-fulfilment of the underwriting criteria is considered to be more than marginal but the underwriting specialist considers the risk acceptable, he/she will submit a proposal to the Risk Manager, who will deal with the proposal.

In the case of an application of a loan part with an application for an NHG Guarantee, a 'stop' advice resulting from the fact that one or more criteria of the WEW are not met, can not be overruled.

In the case of an approval BNP Paribas Personal Finance B.V. will send a proposal for the mortgage loan and the applicable conditions to the client via the intermediary. This proposal is valid for two weeks. The client has to accept, sign and return the proposal to BNP Paribas Personal Finance B.V. within this timeframe.

Upon acceptance, the proposal is valid for a period of two to four months (depending on the product type, calculated from the date of sending of the proposal) and granting the loan is still subject to the

receipt of all required documents and final acceptance. An extension of the validity of the proposal up to a maximum of nine months is possible (depending on the product type).

All relevant documents received by BNP Paribas Personal Finance B.V. are scanned by Stater into Hyarchis after final approval. A notification is sent to the intermediary in order to inform the applicant that the loan will be granted. As soon as this is done, all relevant data are recorded in iSHS, after which Stater will inform the civil law notary.

Subsequently the civil law notary confirms (by fax or by internet) the transfer date to BNP Paribas Personal Finance B.V. Entering this date into iSHS alerts Stater that it should transfer the amount of the mortgage loan by debiting the account of BNP Paribas Personal Finance B.V. to a separate account of the civil law notary. This so-called third party account is used temporarily until the legal transfer of the collateral has been executed. After the transaction is finalised, the civil law notary will send all relevant documents (such as the mortgage deed) to BNP Paribas Personal Finance B.V. Stater scans the documents into the electronic file. After completion of this filing, Stater will enter the mortgage loan into the administration system. From this moment onwards the status of the mortgage loan is 'active'. As soon as a mortgage loan with an NHG Guarantee is active, the WEW is informed of the new mortgage loan.

Underwriting criteria

For mortgage loans which have the benefit of an NHG Guarantee the criteria of the WEW are applicable. Both these criteria and the underwriting criteria of BNP Paribas Personal Finance B.V. are incorporated in iSHS. As soon as WEW or BNP Paribas Personal Finance B.V. changes the criteria Stater is ordered to update the underwriting criteria in iSHS. The most important criteria in relation to the borrower, the collateral and the loan terms and conditions are explained below.

In order to qualify for an NHG Guarantee the underwriting criteria must comply with all requirements set by the WEW. This therefore means that the criteria described below only apply in respect of the NHG Mortgage Loan Part to the extent permitted under the WEW and to the extent no other requirements set by the WEW apply (see for more information *NHG Guarantee Programme*)

The Collateral

The collateral must in all cases meet the following requirements:

- it is located within the Netherlands;
- it is intended and suitable for permanent occupation by the borrower (no buy-to-let);
- it must be used as a domestic residence; and
- the applicant must hold all of the rights in respect of the property on or before the date on which the mortgage deed is executed (i.e. the applicant must have acquired legal and economic ownership, there must be no social obligations, and no clause or other restrictions that can be linked to the property).

Borrower

The borrower must be a natural person of at least 18 years old and must have full legal capacity. If the mortgage loan is applied for by two persons, they are both jointly and severally liable for the loan and must both sign the mortgage deed.

The income must be of a continuous nature (gross wage or salary, 13th month and holiday allowance, other structural emoluments). Income from self-employment cannot be taken into account. Nevertheless, in case the co-applicant has income from self-employment, annual statements from the last three years must be provided.

The loan amount is calculated on the basis of the so-called 'income ratio', which is the percentage of (gross) annual income available for mortgage loan expenses. The income ratio is established every year by WEW and is applicable for all mortgage loans, including non-NHG mortgage loans. Taking the relevant mortgage interest rate (for interest fixation periods < 10 years a minimum interest rate is applicable) and the relevant income into account, this is then converted into the maximum loan amount. For 2010 the ratio, applicable for borrowers with an age of up to 65 years, ranged from 28.5 per cent. for the lowest income category (< € 18,500) to 43.1 per cent. for the highest income category (> € 100,000). In the case of double-income households, the income of both partners can be counted in full but the applicable ratio is limited to the ratio for the highest income.

Another criterion is that the potential borrower has a sound credit history. A check on credit history is always carried out through the BKR. The standard policy of BNP Paribas Personal Finance B.V. is to deny an application if the BKR check shows that the potential borrower has or had an A-code, indicating that the borrower is or has been in arrears on any of the financial obligations that are monitored by the BKR. In addition BNP Paribas Personal Finance B.V. also checks the identity of the applicants through the identity verification system (*Verificatie Informatie Systeem; VIS*) of the BKR.

Mortgage Loan amount

The minimum principal sums of the mortgage loan (which may consist of different parts) are:

- Initial mortgage loan: € 70,000
- Further advances: no minimum

The maximum loan amount is € 800,000. Above this amount, the upfront approval of the Risk Manager is needed.

The mortgage loan may not exceed 130 per cent. of the forced sale value of the property pledged as security. In case of refinancing or equity release the mortgage loan may not exceed 115 per cent. of the forced sale value. BNP Paribas Personal Finance B.V. may also issue an incremental loan of up to a maximum of 5 per cent. of the forced sale value to finance mortgage protection in the form of occupational disability insurance, redundancy insurance and/or life insurance. The mortgage loan may not exceed 105 per cent. of the forced sale value of a newly built property that is pledged as security.

The interest-only part of the mortgage may not exceed 75 per cent. of the property's forced sale value.

In the case of a further advance in the mortgage loan, the new loan component is added to the existing loan. The new loan component is subject to the current interest rate and an applicable rate differentiation is applied to the entire loan, unless all the loan components in question are guaranteed (NHG). The current general terms and conditions applicable in respect of mortgage loans originated by BNP Paribas Personal Finance B.V. are applicable to both the new loan component and all existing loan components.

In respect of the mortgage loans which have an NHG Guarantee, the maximum loan amount is equal to the sum of the purchase price plus several costs but never more than a maximum established by the WEW year on year (2010: € 350,000).

Documents to be provided by the borrower

Valuation Report

The borrower needs to provide BNP Paribas Personal Finance B.V. with an original valuation report, which must not be older than 6 months. The valuation must be done by a certified appraiser, who is not in any way involved in the sale of the property or the financing of the mortgage loan and who should be a member of one of the following associations:

- Netherlands Association of Real Estate Brokers and Immovable Property Experts (*Nederlandse Vereniging van Makelaars (NVM)*)
- The National Estate Agents Association (*Landelijke Makelaars Vereniging (LMV)*)
- The Netherlands Association of Chartered Property Surveyors (*Nederlandse Vereniging van Beëdigde Taxateurs van Onroerende Zaken*)
- The Netherlands Association of Registered Property Appraisers (*Nederlands Vereniging van Register Vastgoed Taxateurs*)

The valuation report itself must be in a standardised format. In respect of mortgage loans, other than mortgage loans with an NHG Guarantee, the absence of a recent valuation report is only permitted in the case of a mortgage loan:

- (a) on a newly built property;
- (b) on an existing property, if the loan amount does not exceed 60 per cent. of the foreclosure value.

Under (a), a valuation is always required if the cost of additional work exceeds 15 per cent. of the purchase price, in which case the forced sale value is either the calculated forced sale value or the forced sale value based on the valuation of the property, whichever is lower.

With regard to (b), a valuation report is not required if the sum of the first and any additional loans does not exceed 60 per cent. of the value used for the purposes of the Valuation of Immovable Property Act

(the so-called WOZ value). The WOZ value may be increased with the addition of statutory mark-ups. The WOZ value must not have been established more than three years previously and the relevant documents must be presented. For the purposes of credit rating the WOZ value is the same as the forced sale value. A photograph that shows the whole of the front of the property (including front door, house number and location) must be submitted.

Other Documents

In addition to the income data and the valuation report as described above, the applicant shall provide BNP Paribas Personal Finance B.V. with a copy of the signed sale contract or the combined purchase agreement and building contract.

Collection and servicing processes of BNP Paribas Personal Finance B.V.

Computer systems

iSHS is the key computer system in the portfolio servicing activities of BNP Paribas Personal Finance B.V.

Mortgage Information system: International Stater Hypotheek Systeem (iSHS)

By means of its automated mortgage information system iSHS, Stater offers services in relation to the assessment of applications for mortgage loans, including applications for mortgage loans with an NHG Guarantee, initiating the drafting of agreements and other documents required for the execution of mortgage loans, the payment and handling of mortgage loans and/or savings insurances and the collection of whatever is owed on account of mortgage loans and/or the insurances linked to these loans.

All underwriting criteria and standards specified by BNP Paribas Personal Finance B.V. as well as the criteria of the WEW regarding mortgage loans with an NHG Guarantee are entered into iSHS. iSHS is designed in such a way that it can automatically carry out eligibility checks with regard to the loan application after all relevant data are entered. If the loan application is in accordance with all underwriting criteria and all specific requirements are met, iSHS will automatically process a mortgage rate proposal. If the loan application fails one (or more) of the criteria, iSHS will produce a 'warning' by interrupting the process (a so-called 'stop'). During the life/maturity of a mortgage loan, iSHS handles all automated activities and all automated communication with borrowers (e.g. communication regarding approaching of interest reset dates and arrears). BNP Paribas Personal Finance B.V. handles all other (customised) communication with borrowers. All written communication will be stored in the electronic mortgage file.

Back-up facilities and security of iSHS

BNP Paribas Personal Finance B.V. has subscribed to the general ESCROW agreement that Stater has concluded with an ESCROW agent. Under this agreement, the source codes of Stater can continue to be used in the event that Stater goes bankrupt or ceases to exist for some other reason. In

addition, Stater will arrange for on-line, immediate back-ups of applications and all BNP Paribas Personal Finance B.V. data stored in the iSHS. If any data and/or applications of BNP Paribas Personal Finance B.V. are destroyed or are rendered unusable, Stater will restore these data and/or applications. Stater operates a second system in Hoevelaken alongside the primary system in Amersfoort, which duplicates the administration of all data on a real-time basis. iSHS is updated and upgraded regularly resulting in six (6) new releases every year. Changes in relevant legislation are, if necessary, incorporated in iSHS.

Cash flows and bank accounts

BNP Paribas Personal Finance B.V.'s mortgage activities cause certain cash flows between BNP Paribas Personal Finance B.V., Stater and other involved parties, such as the civil law notary, the borrowers, the insurance companies and the intermediaries. BNP Paribas Personal Finance B.V. provides the funding for the mortgage loans. For this purpose BNP Paribas Personal Finance B.V. deposits funds in a bank account. The same account is used as a collection account in which amounts related to interest, prepayments, instalments or principal are paid.

BNP Paribas Personal Finance B.V. has authorised Stater to manage the account and to execute the relevant payments on its behalf. Stater is not responsible for the collection of insurance premiums in relation to the mortgage loans originated by BNP Paribas Personal Finance B.V., if applicable. The borrower pays these premiums directly to the insurance companies. BNP Paribas Personal Finance B.V. also uses this account to pay production fees to the intermediaries and to collect the production fees paid by the insurance companies

Furthermore, BNP Paribas Personal Finance B.V. uses a bank account for all cash flows, which are not related to principal and interest, e.g. payments of the monthly fee to Stater are paid from this account.

BNP Paribas Personal Finance B.V. and Novalink

In order to support its mortgage arrears and default management processes, BNP Paribas Personal Finance B.V. has entered into an agreement with Novalink. Based on this agreement, Novalink is authorized to make arrangements with borrowers for catching up arrears, contracting third parties like appraisers and bailiffs, and managing the forced sale processes. Novalink acts on working agreements predefined by BNP Paribas Personal Finance B.V., the code of conduct and requirements set forth by BKR. Mortgage loans with an NHG Guarantee are managed according to the relevant rules of the WEW.

Certain actions or arrangements must be submitted to the Risk Manager.

BNP Paribas Personal Finance B.V. evaluates the credit management experiences and the findings are reported to the underwriting specialists and management. The experiences are used to improve the acceptance policy and the acceptance process.

Arrears management process

Start of the arrear process and direct debit

Novalink receives on a daily and automated basis updates of contract details and financial records from Stater. Novalink identifies mortgage loans getting into arrear. Usually arrears arise by failure of a direct debit. All mortgage loans are set-up at origination with an authorisation for a direct debiting of the amounts due. The direct debit takes place on the second last working day of the month. Depending on the borrower's bank, storno's (failures of direct debits) are usually received at the same day till about 6 working days later. If payments are not received at the due date or storno's are received, the mortgage loan gets into arrear.

Actions and timelines

If the loan gets into arrear, a reminder letter is sent to the borrower at the same day. A different letter is sent in case the borrower has been in arrear before. If the loan is still in arrear after 9 days, outbound calls are made to the borrower. If no contact could be arranged, 12 days after the start of the arrear a dunning letter is sent out to the borrower. After the dunning letter is sent, a more intense research is being executed and further contacting options are being explored (incl. contacting at work, neighbours, intermediary, etc.). If still no contact is possible after 20 days since the start of the arrear, a default letter is sent. At this stage, databases from the Trade Register and Kadaster are being searched. A collection letter, including the charging of collection fees, is sent at day 24. A house visit is being announced at day 27.

Contacting actions and house visit

Novalink puts much emphasis on getting into contact with the borrower(s). The objective is to be in contact in an early stage. When contact is made, typically a payment settlement (promise to pay or payment arrangement) is agreed. In case the conversation with the borrower indicates more serious problems are present, further questioning takes place to obtain better insight in the (financial) situation of the borrower. The goal here is to work out an adequate solution.

A house visit is being scheduled in case the problems seem more complex and/or structural or in case no contact could be achieved at all. The house visit results in a better observation of the situation and therefore leads a better insight in the possible solution and it results faster in a better indication of next steps. The findings are summarised in a report that is submitted to BNP Paribas Personal Finance B.V. and it includes an advice for next steps.

Enforcement actions

Usually the actions taken do result in co-operation of the borrower. If not, enforcement actions will be started. In case there is an indication that the borrower has income, a bailiff is instructed to arrange an attachment on income elements. In case this does not provide the required level of payments, a forced sale will be advised to BNP Paribas Personal Finance B.V.

Forced sale process

Novalink submits a request to BNP Paribas Personal Finance B.V. to start a forced sale procedure in case the arrears continue to rise and no structural improvement is foreseen. This request is in normal circumstances not made for arrears less than the equivalent of two monthly instalments. After approval, the standard process is to arrange a power of attorney for a private sale with the borrower(s). An appraisal report is requested to determine the minimum (foreclosure value) and expected (free market value) price level. After the power of attorney has been signed at a civil law notary, a real estate agent is contracted to execute the marketing of the property. Bids are being forwarded to BNP Paribas Personal Finance B.V. for final approval.

In case the borrower does not co-operate in a private sale, a civil law notary is instructed to start foreclosure proceedings after the loan has been called. The mortgaged property will then be sold in a public auction within approximately 60 days after the notary is instructed. In case feasible, requests to the court are made to have tenants or owners evicted and obtain management of the property (*huur-, ontruimings, en beheerbeding*) before the auction date. In this way the property will be marketed by a real estate agent with the aim to achieve a price level close to the free market value and to avoid the lower foreclosure outcome at an auction.

Management of deficits after foreclosure

When all the collateral has been executed, it is established whether there is still any remaining outstanding debt. BNP Paribas Personal Finance B.V. notifies the borrower of the outstanding debt, as he will remain liable for the repayment of this amount. Unless the borrower pays or makes arrangements with BNP Paribas Personal Finance B.V. to pay the deficit, BNP Paribas Personal Finance B.V. will ask a bailiff or a firm specialised in collecting this kind of debt to use all his efforts and all the legal means at his disposal to get as much as possible of the deficit paid back by or on behalf of the borrower.

STATER NEDERLAND B.V.

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

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

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

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

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

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

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

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

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

NOVALINK B.V.

Novalink B.V. is specialised in collections and arrears management activities for owners of residential mortgage portfolios.

Founded in 2008 and started its operational business in 2009, Novalink has developed and introduced an improved set of processes to the mortgage market. Novalink supports banks and financial institutions in managing their credit risk by reaching solutions with their clients with payment difficulties.

Communication is the key element in the philosophy of Novalink. By putting high emphasis on contacting activities, creating awareness, and by learning and analysing the borrowers' situation, the start is made of solving the arrear problem.

In an era of increased demands on managing credit risk and responsible lending, the dedicated arrears management processes of Novalink bring added value by preventing and minimizing credit loss events.

The processes of Novalink cover the full arrears cycle from day 1 arrears reminding activities, through collections, litigation processes and managing the forced sale procedures. Novalink also undertakes activities to manage pre-arrears and potential problematic cases and covering all mortgage related claims.

Novalink's processes are supported by a specialised collection system. The interfaces with the banks' source systems enable a timely and continuous flow of data, updating the Novalink system on a daily basis. The system is highly supportive in configuring the required actions in the arrears management cycle including automated tasks and prioritization schemes.

Novalink's management and employees have extensive experience in collections and special servicing of mortgages.

Novalink B.V. is a privately held company. The shares of the company are 100 per cent. owned by the management.

Novalink is located at Spaceshuttle 22 in Amersfoort, the Netherlands.

MORTGAGE RECEIVABLES PURCHASE AGREEMENT

Under the Mortgage Receivables Purchase Agreement the Issuer will purchase and accept from the Seller the assignment of the Mortgage Receivables and the Beneficiary Rights relating thereto by means of a registered deed of assignment as a result of which legal title to the Mortgage Receivables and the Beneficiary Rights relating thereto is transferred to the Issuer. The assignment of the Mortgage Receivables and the Beneficiary Rights relating thereto from the Seller to the Issuer will not be notified to the Borrowers and the relevant Insurance Companies, except in special events as further described hereunder ("**Assignment 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 following the Closing Date and to all amounts of principal in respect of the Portfolio Mortgage Loans, which were received by the Seller as from (and excluding) the date falling on 30 September 2010 (the "**Portfolio Cut-Off Date**") with respect to the Mortgage Receivables purchased on the Closing Date, or, with respect to the Mortgage Receivables purchased thereafter, as from (and excluding) the relevant Cut-Off Date (the "**Cut-Off Date**", being the last calendar day of the calendar month immediately preceding the date on which the relevant Mortgage Receivables are purchased).

Purchase Price

The purchase price for the Mortgage Receivables will consist of (i) an initial purchase price (the "**Initial Purchase Price**"), which in respect of the Mortgage Receivables purchased on the Closing Date will be equal to € 5,037,860,281, which shall be payable on the Closing Date or, in respect of the Further Advance Receivables and New Mortgage Receivables, on the relevant Quarterly Payment Date and (ii) a deferred purchase price (the "**Deferred Purchase Price**"). The Initial Purchase Price for the Mortgage Receivables purchased on the Closing Date will be paid by the Issuer by applying the (i) net proceeds received from the issue of the Notes (other than the Subordinated Class C Notes) and (ii) the amounts received as consideration for the Savings Participations granted to the Savings Mortgage Participants.

The Initial Purchase Price for the Mortgage Receivables purchased by the Issuer pursuant to the Mortgage Receivables Purchase Agreement will be equal to their Outstanding Principal Amount on the relevant the relevant Cut-Off Date. The "**Outstanding Principal Amount**", means at any moment in time, (a) the principal balance (*hoofdsom*) of a Mortgage Receivable and (b) after the occurrence of a Realised Loss (as defined below) in respect of the relevant Mortgage Receivable, zero.

The Deferred Purchase Price for the Mortgage Receivables purchased by the Issuer pursuant to the Mortgage Receivables Purchase Agreement will be equal to the sum of all Deferred Purchase Price Instalments and each such instalment (each a "**Deferred Purchase Price Instalment**") on any Quarterly Payment Date will be equal to (i) any amount remaining after all payments as set forth in the Pre-Enforcement Priority of Payments under (a) up to and including (m) have been made on such date, provided that no Deferred Purchase Price Instalment shall be due and payable to the Seller on any

Quarterly Payment Date if the Cash Release Conditions are not being met on such date and (ii) any amount remaining after all payments as set forth in the Post-Enforcement Priority of Payments under (a) up to and including (k) have been made on such date (see *Credit Structure* above).

The proceeds of the Notes (other than the Subordinated Class C Notes) will be applied by the Issuer to pay part of the Initial Purchase Price (see under *Use of Proceeds* below). The sale and purchase of the Mortgage Receivables is conditional upon, *inter alia*, the issue of the Notes. Hence, the Seller can be deemed to have an interest in the issue of the Notes.

"Realised Losses" means, on the first day of any Monthly Calculation Period, the sum of (a) the aggregate outstanding principal amount of all Mortgage Receivables, excluding the Savings Participations therein, on which the Seller, the Issuer or the Security Trustee (or the Servicer their behalf) has foreclosed and has received the Net Proceeds in the Monthly Calculation Period immediately preceding such date *minus* the Net Proceeds applied to reduce the outstanding principal amount of such Mortgage Receivables, (b) with respect to Mortgage Receivables sold by the Issuer pursuant to the Mortgage Receivables Purchase Agreement or the Trust Deed in the Monthly Calculation Period immediately preceding such date, the amount of the aggregate outstanding principal amount of all such Mortgage Receivables less with respect to Savings Mortgage Receivables or Hybrid Mortgage Receivables, the Savings Participation, minus the purchase price received in respect of such Mortgage Receivables to the extent relating to principal and (c) with respect to Mortgage Receivables which have been extinguished (*teniet gegaan*), in part or in full, in the Monthly Calculation Period immediately preceding such date as a result of (i) a set-off right or defense to payments having been invoked by the relevant Borrower or the Seller, as the case may be, or (ii) a repayment or prepayment of any amounts, the positive difference, if any, between the amount by which the Mortgage Receivables have been extinguished (*teniet gegaan*) and the amount received from the Seller or otherwise received pursuant to any items of the Available Amounts during the immediately Monthly Calculation Period preceding such date.

Representations and warranties

The Seller will represent and warrant on the Closing Date with respect to the Portfolio Mortgage Loans and the Mortgage Receivables that:

- (a) the Mortgage Receivables are duly and validly existing;
- (b) it has full right and title (*beschikkingsbevoegdheid*) to the Mortgage Receivables, and no restrictions on the sale and transfer of the Mortgage Receivables are in effect and the Mortgage Receivables are capable of being transferred;
- (c) it has power to sell and assign the Mortgage Receivables;
- (d) the Mortgage Receivables are free and clear of any rights of pledge or other similar rights (*bepaalde rechten*), encumbrances and attachments (*beslagen*) and no option rights have been granted in favour of any third party with regard to the Mortgage Receivables, other than pursuant to the Transaction Documents;

- (e) each NHG Mortgage Loan Part has the benefit of a NHG Guarantee and each such NHG Guarantee connected to the relevant NHG Mortgage Loan Part (i) is granted for the full amount of the relevant NHG Mortgage Loan Part, (ii) to the best of the Seller's knowledge and belief (having taken all reasonable care to ensure that such is the case), constitutes legal, valid and binding obligations of *Stichting Waarborgfonds Eigen Woningen*, enforceable in accordance with their terms, (iii) all NHG Conditions applicable to the NHG Guarantee at the time of origination of the NHG Mortgage Loan Part were complied with and (iv) the Seller is not aware of any reason why any claim made in accordance with the requirements pertaining thereto under the NHG Guarantee in respect of the NHG Mortgage Loan Part should not be met in full and in a timely manner;
- (f) each Mortgaged Asset was valued by an independent qualified valuer or surveyor when the application for the relevant Portfolio Mortgage Loan was made, except that no valuation is required if (i) the Portfolio Mortgage Loan (or, in the case of Portfolio Mortgage Loans secured on the same Mortgaged Asset, the aggregate of such Portfolio Mortgage Loans) does not exceed 60 per cent. of the value based upon an assessment by the Dutch tax authorities on the basis of the Act on Valuation of Real Estate (*Wet Waardering Onroerende Zaken*), or (ii) the Portfolio Mortgage Loan is secured by a Mortgage on newly built properties (other than constructions under the Borrower's own management (*onder eigen beheer*)) and no re-valuation of the relevant Mortgaged Asset has taken place, except in certain cases where the principal amount of the relevant Portfolio Mortgage Loan was increased or decreased;
- (g) upon creation of each Mortgage Right securing the relevant Portfolio Mortgage Loan, the Mortgage Conditions contained a provision to the effect that, upon assignment of the Mortgage Receivables resulting from such Portfolio Mortgage Loan, in whole or in part, the Mortgage Right will pro rata follow such Mortgage Receivables as an ancillary right;
- (h) each Mortgage Receivable, and each Mortgage Right and Borrower Pledge, if any, securing such receivable, constitutes legal, valid, binding and enforceable obligations of the Borrower;
- (i) each Portfolio Mortgage Loan was originated by the Seller (or any of its legal predecessors) or by an entity from which the Seller has acquired by way of contract assumption (*contractsoverneming*) the Portfolio Mortgage Loan;
- (j) all Mortgage Rights and rights of pledge granted to secure the Mortgage Receivables (i) constitute valid Mortgage Rights (*hypotheekrechten*) and rights of pledge (*pandrechten*), respectively, on the assets which are the subject of such Mortgage Rights and rights of pledge and, to the extent relating to the Mortgage Rights, have been entered into the appropriate public register, (ii) have first priority, or are first and sequentially lower ranking Mortgage Rights and (iii) were vested for a principal sum which is at least equal to the principal sum of the Portfolio Mortgage Loan when originated, increased with an amount in respect of interest, penalties, costs and any insurance premium paid by the Seller on behalf of the Borrower, up to an amount equal to 40 per cent. of such principal sum, therefore in total up to a maximum amount equal to 140 per cent. of at least the principal amount upon origination of the relevant Mortgage Receivables;
- (k) each Portfolio Mortgage Loan has been granted and each Mortgage Right and Borrower Pledge has been vested, subject to the general terms and conditions and in the forms of mortgage

deeds as set out in Schedule 7 to the Mortgage Receivables Purchase Agreement, which is subdivided in (i) Schedule 7-A to which the mortgage deeds relating to each type of Mortgage Loan are attached, (ii) Schedule 7-B to which the general terms and conditions for mortgage loans are attached, and (iii) Schedule 7-C to which a standard offer letter (*offerte*), including all exhibits, is attached;

- (l) it has no Other Claims;
- (m) the particulars of each Portfolio Mortgage Loan (or part thereof) as set out in Schedule 3 to the Mortgage Receivables Purchase Agreement and Schedule 1 to the Deed of Assignment (as defined in the Master Definitions Agreement) are complete, true and accurate in all material respects;
- (n) each of the Portfolio Mortgage Loans meets the Mortgage Loan Criteria (to the extent applicable);
- (o) each of the Portfolio Mortgage Loans has been granted by the Seller (or any of its legal predecessors) or by an entity from which the Seller has acquired by way of contract assumption (*contractsoverneming*) the Portfolio Mortgage Loan in accordance with all applicable legal requirements and the Code of Conduct on Mortgage Loans (*Gedragscode Hypothecaire Financieringen*) and met its standard underwriting criteria and procedures prevailing at the time of origination and such underwriting criteria and procedures are in a form as may be expected from a reasonably prudent lender of residential mortgage loans in the Netherlands;
- (p) it (or any of its legal predecessors) or an entity from which the Seller has acquired by way of contract assumption (*contractsoverneming*) the Portfolio Mortgage Loan has undertaken all reasonable efforts to (i) comply, and procure that each of its intermediaries complies, with its duty of care (*zorgplicht*) vis-à-vis the Borrowers applicable under Dutch law to, *inter alia*, offerors of mortgage loans, including but not limited to, *inter alia*, an investigation to the risk profile of the customer and the appropriateness of the product offered in relation to such risk profile, and (ii) provide, and procure that each of its intermediaries provide, each Borrower with accurate, complete and non misleading information about the relevant Portfolio Mortgage Loan and the relevant Insurance Policy linked thereto and the risks, including particularities of the product, involved;
- (q) 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 Policies, upon the terms of the Savings Mortgage Loans and the Savings Insurance Policies, 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;
- (r) with respect to each Mortgage Receivable resulting from a Savings Mortgage Loan a valid pledge agreement has been entered into by the Seller and the relevant Borrower with respect to the relevant Savings Insurance Policies and the right of pledge is valid and has been notified to the relevant Insurance Company;
- (s) with respect to Life Mortgage Loans (save in respect of Life Mortgage Loans to which Life Insurance Policies of Cardif are connected), (i) there are no marketing ties between the Seller

and the relevant Insurance Companies with respect to the Life Mortgage Loans, (ii) the Life Mortgage Loans and the Insurance Policies relating thereto are not sold as one single package, which means that the Borrowers of the Life Mortgage Loans do have a free choice as to the insurance company with which they will take out an Insurance Policy in relation to their Life Mortgage Loan, provided that any such insurance company elected is established in the Netherlands and is included in the list of Insurance Companies forming part of the acceptance guidelines set out by the Seller and (iii) there is no connection, whether from a legal or commercial view, between the Life Mortgage Loans and the relevant Life Insurance Policies other than the relevant Borrower Pledge and Beneficiary Rights;

- (t) 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 Life Mortgage Loans and the relevant Life 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 Life Mortgage Receivable;
- (u) with respect to each Mortgage Receivable resulting from a Life Mortgage Loan, a valid pledge agreement has been entered into by the Seller and the relevant Borrower with respect to the relevant Life Insurance Policies and the right of pledge is valid and has been notified to the relevant Insurance Company;
- (v) each of the Investment Mortgage Receivables has the benefit of a Risk Insurance Policy and either (i) the Seller has been validly appointed as beneficiary (*begunstigde*) under such Risk Insurance Policy, upon the terms of the Investment Mortgage Loans and the relevant Risk 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 Investment Mortgage Receivable;
- (w) with respect to each of the Mortgage Receivables resulting from an Investment Mortgage Loan, a valid pledge agreement has been entered into by the Seller and the relevant Borrower with respect to the relevant Risk Insurance Policies and the relevant Investment Accounts and the right of pledge is valid and has been notified to the entity at which the Investment Accounts are held;
- (x) each of the Hybrid Mortgage Receivables has the benefit of a Savings Investment Insurance Policy and either (i) the Seller has been validly appointed as beneficiary (*begunstigde*) under such Savings Investment Insurance Policy, upon the terms of the Hybrid Mortgage Loans and the relevant Savings Investment 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 Hybrid Mortgage Receivable;
- (y) with respect to each of the Hybrid Mortgage Receivables resulting from an Hybrid Mortgage Loan, a valid pledge agreement has been entered into by the Seller and the relevant Borrower with respect to the relevant Savings Investment Insurance Policies and the right of pledge is valid and has been notified to the entity at which the Hybrid Savings Accounts are held;
- (z) it has not been notified and is not aware of anything affecting its title to the Mortgage

Receivables;

- (aa) the notarial mortgage deeds (*minuut*) relating to the Portfolio Mortgage Loans are held by a civil law notary (*notaris*) in the Netherlands, while scanned copies of such deeds and of the other mortgage documents are held by the Seller;
- (bb) to the best of its knowledge, the Borrowers are not in any material breach of any provision of the Portfolio Mortgage Loans;
- (cc) each Portfolio Mortgage Loan constitutes the entire loan granted to the relevant Borrower and not merely one or more loan parts (*leningdelen*);
- (dd) each Mortgage Receivable resulting from the Portfolio Mortgage Loans that is secured by the same Mortgage Right or, as the case may be, if a Further Advance is granted, by first and sequentially lower ranking Mortgage Rights on the same Mortgaged Asset is sold and assigned to the Issuer pursuant to the Mortgage Receivables Purchase Agreement;
- (ee) each of the Mortgage Assets on which a Mortgage Right has been vested to secure the Mortgage Receivable had, at the time the Portfolio Mortgage Loan was originated, the benefit of buildings insurance (*opstalverzekering*) for the full reinstatement value (*herbouwwaarde*);
- (ff) the Mortgage Conditions provide that all payments by the Borrowers should be made without any deduction or set-off;
- (gg) it has not accepted any deposits from the Borrowers, and it does not have any current account relationship with the Borrowers;
- (hh) with respect to each Portfolio Mortgage Loan to which an Insurance Policy is attached, the Insurance Policy (other than a Risk Insurance Policy) is in the form of a combined risk and capital policy which as far as the capital element is concerned, pays upon maturity of the Insurance Policy and that each of the Insurance Policies has a term not exceeding thirty (30) years from the date the relevant Portfolio Mortgage Loan was granted; and
- (ii) the aggregate Outstanding Principal Amount of all Mortgage Receivables as at the Portfolio Cut-off Date is equal to € 5,037,860,281.

Mandatory Repurchase

If at any time after the Closing Date any of the representations and warranties relating to the Portfolio Mortgage Loans and the Mortgage Receivables proves to have been untrue or incorrect, the Seller shall within thirty-five (35) days after it becoming aware thereof, or, if applicable, the date on which any remedy period expires, at the Seller's expense, repurchase and accept assignment of the relevant Mortgage Receivable for a price equal to the outstanding principal amount of such Mortgage Receivable together with interest and reasonable costs relating thereto (including any costs incurred by the Issuer in effecting and completing such purchase and assignment) accrued up to but excluding the date of repurchase and re-assignment of the Mortgage Receivable.

Within thirty-five (35) days following the Quarterly Payment Date immediately following the Quarterly Calculation Period during which the Seller agreed with a Borrower to grant a New Mortgage Loan or a Further Advance, whether or not under the Portfolio Mortgage Loans, which is secured by the same Mortgage Right or, as the case may be, if a Further Advance is granted, by first and sequentially lower

ranking Mortgage Rights on the same Mortgaged Asset, the Seller shall repurchase and accept re-assignment of the Mortgage Receivable relating to such Borrower, unless such a New Mortgage Receivable or Further Advance Receivable has been purchased by and assigned to the Issuer on the relevant Quarterly Payment Date, subject to the terms and conditions set forth above (see also paragraph *Purchase of Further Advance Receivables and Substitution* below).

The Seller shall also repurchase and accept re-assignment of a Mortgage Receivable within thirty-five (35) days immediately following the date on which an amendment of the terms of the relevant Portfolio Mortgage Loan becomes effective, in the event that such amendment is not in accordance with the conditions set out in the Mortgage Receivables Purchase Agreement and/or the Servicing Agreement, which include the condition that such amendment does not adversely affect the position of the Issuer or the Security Trustee and that after such amendment the relevant Mortgage Loan continues to meet each of the Mortgage Loan Criteria (as set out below) and the representations and warranties contained in the Mortgage Receivables Purchase Agreement (as set out above). However, the Seller shall not be required to repurchase such Portfolio Mortgage Loan if the relevant amendment is made as part of the enforcement procedures to be complied with upon a default by the Borrower under the relevant Portfolio Mortgage Loan or is otherwise made as part of a restructuring or renegotiation of the relevant Portfolio Mortgage Loan due to a deterioration of the credit quality of the Borrower of such Portfolio Mortgage Loan.

Furthermore, the Seller shall within thirty-five (35) days immediately following the date on which subject to the terms of an Hybrid Mortgage Loan, a switch by a Borrower of whole or part of the premiums deposited into the Hybrid Savings Account into an investment in one or more Hybrid Investment Funds (the "**Policy Switch**") becomes effective, repurchase and accept re-assignment of the relevant Mortgage Receivables against a purchase price equal to the outstanding principal amount of such Mortgage Receivables together with accrued interest.

Finally, the Seller shall within thirty-five (35) days immediately following the date on which (i) it appears that a NHG Mortgage Loan Part no longer has the benefit of a NHG Guarantee for the full amount of such NHG Mortgage Loan Part, as adjusted in accordance with the NHG Conditions as a result of an action taken or omitted to be taken by the Seller or the Servicer or (ii) it has notified the Issuer that the Seller, while it is entitled to make a claim under the NHG Guarantee, will not make such claim, repurchase and accept re-assignment of the relevant Mortgage Receivables against a purchase price equal to the outstanding principal amount of such Mortgage Receivables together with accrued interest.

Subordination

If, for any reasons, a Mortgage Receivable is co-owned by the Seller and the Issuer, or if a Mortgage Asset covers in the same rank a Mortgage Receivable and any other receivable held by the Seller, any amount collected in respect of such Mortgage Receivable or recovered from such Mortgage Asset will first be allocated to the Issuer, and thereafter to the Seller.

Seller Clean-up Call Option

On each Quarterly Payment Date, the Seller may, but is not obliged to, repurchase and accept re-assignment of all (but not only part of) the Mortgage Receivables if on the Quarterly Calculation Date immediately preceding such Quarterly Payment Date the aggregate principal amount due on the Mortgage Receivables then outstanding is less than 10 per cent. of the Outstanding Principal Amount of the Mortgage Receivables on the Closing Date. The purchase price will be at least equal to an amount sufficient to redeem the Senior Class A Notes and the Junior Class B Notes, subject to and in accordance with the Conditions and the Pre-Enforcement Priority of Payments, at their Principal Amount Outstanding.

Regulatory Call Option

The Seller has the option to repurchase and accept re-assignment of all (but not only part of) the Mortgage Receivables on each Quarterly Payment Date upon the occurrence of a Regulatory Change (the "**Regulatory Call Option**"). A regulatory change (the "**Regulatory Change**") is a change in the Basle Capital Accord promulgated by the Basle Committee on Banking Supervision (the "**Basle Accord**") or in the international, European or Dutch regulations, rules and instructions (the "**Bank Regulations**") applicable to the Seller or BNP Paribas S.A. (including any change in the Bank Regulations enacted for purposes of implementing a change to the Basle Accord) or a change in the manner in which the Basle Accord or such Bank Regulations are interpreted or applied by the Basle Committee on Banking Supervision or by any relevant competent international, European or national body (including any relevant international, European or Dutch Central Bank or other competent regulatory or supervisory authority) which, in the opinion of the Seller or BNP Paribas S.A., has the effect of adversely affecting the rate of return on capital of the Seller or BNP Paribas S.A. or increasing the costs or reducing the benefit to the Seller or BNP Paribas S.A. with respect to the transaction contemplated by the Transaction Documents.

The Issuer has undertaken in the Mortgage Receivables Purchase Agreement to sell and assign all (but not only part of) the Mortgage Receivables to the Seller, or any third party appointed by the Seller at its sole discretion, in the case the Seller exercises the Regulatory Call Option. The purchase price will be at least equal to an amount sufficient to redeem the Senior Class A Notes and the Junior Class B Notes, subject to and in accordance with the Conditions and the Pre-Enforcement Priority of Payments, at their Principal Amount Outstanding. The Issuer has undertaken to apply the proceeds of any such sale towards redemption of the Notes subject to and in accordance with the Conditions and the Pre-Enforcement Priority of Payments at their Principal Amount Outstanding.

Mortgage Loan Criteria

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

- (a) the Portfolio Mortgage Loan includes one or more of the following loan types:

- (i) a Life Mortgage Loan (*universal life hypotheek*);
 - (ii) a Savings Mortgage Loan (*spaarhypotheek*);
 - (iii) an Hybrid Mortgage Loan (*hybride hypotheek*);
 - (iv) an Investment Mortgage Loan (*beleggingshypotheek*);
 - (v) an Annuity Mortgage Loan (*annuïteiten hypotheek*);
 - (vi) an Interest-only Mortgage Loan (*aflossingsvrije hypotheek*); or
 - (vii) a Linear Mortgage Loan (*lineaire hypotheek*).
- (b) the Borrower is a resident of the Netherlands;
 - (c) the Portfolio Mortgage Loan is secured by a first ranking Mortgage Right or, in the case of Portfolio Mortgage Loans (including, as the case may be, any Further Advance) secured on the same Mortgaged Asset, first and sequentially lower ranking rights of mortgage over (i) real estate (*onroerende zaak*), (ii) an apartment right (*appartementsrecht*) or (iii) a long lease (*erfpacht*), in each case situated in the Netherlands;
 - (d) the Portfolio Mortgage Loan is fully disbursed (i.e. does not qualify as a construction mortgage (*bouwhypotheek*));
 - (e) pursuant to the applicable Mortgage Conditions, (i) the Mortgaged Asset may not be the subject of residential letting at the time of origination and (ii) the Mortgaged Asset is for residential use and has to be occupied by the relevant Borrower at and after the time of origination;
 - (f) the interest rate on the Portfolio Mortgage Loan (or, if the Portfolio Mortgage Loan consists of more than one loan part, on each loan part) is a floating rate or fixed rate, subject to an interest reset, if any, from time to time;
 - (g) interest payments on the Portfolio Mortgage Loan are scheduled to be made monthly by means of direct debit;
 - (h) the Outstanding Principal Amount of the Mortgage Receivable resulting from a Portfolio Mortgage Loan less any Savings Participation therein (or, in the case of Portfolio Mortgage Loans (including, as the case may be, any Further Advance), secured on the same Mortgaged Asset, the aggregate Outstanding Principal Amount of the Mortgage Receivables resulting therefrom, less any Savings Participation therein), does not exceed 130 per cent. of the

foreclosure value (*executiewaarde*) of the Mortgaged Asset;

- (i) the aggregate Outstanding Principal Amount of the Mortgage Receivable resulting from a Portfolio Mortgage Loan (or, in the case of Portfolio Mortgage Loans (including, as the case may be, any Further Advance) secured on the same Mortgaged Asset, the aggregate Outstanding Principal Amount of the Mortgage Receivables resulting therefrom) does not exceed € 2,000,000 with respect to the Mortgage Receivables sold and assigned to the Issuer on the Closing Date and € 1,000,000 with respect to the New Mortgage Receivables sold and assigned to the Issuer thereafter;
- (j) no amounts due under any of the Mortgage Receivables were overdue and unpaid for more than thirty one (31) days with respect to the Mortgage Receivables sold and assigned to the Issuer on the Closing Date and no amounts due under any of the Mortgage Receivables were overdue and unpaid with respect to the New Mortgage Receivables sold and assigned to the Issuer thereafter;
- (k) where compulsory under the applicable Mortgage Conditions, the Portfolio Mortgage Loan has an Insurance Policy attached to it;
- (l) the Borrower, at the time of origination, did not self certify his/her income; and
- (m) the Portfolio Mortgage Loan will not have a legal maturity beyond October 2045.

The same criteria apply to the selection of Further Advance Receivables and New Mortgage Receivables.

Assignment Notification Events

If:

- (a) a default is made by the Seller in the payment on the due date of any amount due and payable by it under the Mortgage Receivables Purchase Agreement or any other Transaction Document to which it is a party and such failure is not remedied within ten (10) Business Days after notice thereof has been given by the Issuer or the Security Trustee to the Seller; or
- (b) the Seller fails duly to perform or comply with any of its material obligations under the Mortgage Receivables Purchase Agreement or under any other Transaction Document to which it is a party and, if such failure is capable of being remedied, such failure is not remedied within ten (10) Business Days after notice thereof has been given by the Issuer or the Security Trustee to the Seller; or
- (c) any representation, warranty or statement made or deemed to be made by the Seller in the

Mortgage Receivables Purchase Agreement or under any of the Transaction Documents to which the Seller is a party or if any notice or other document, certificate or statement delivered by it pursuant thereto proves to have been, and continues to be after the expiration of any applicable grace period provided for in any Transaction Document, untrue or incorrect in any material respect; or

- (d) the Seller takes any corporate action or other steps are taken or legal proceedings are started or threatened against it for its dissolution (*ontbinding*) and liquidation (*vereffening*) or legal demerger (*juridische splitsing*) involving the Seller or any of 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 its entering into a suspension of payments (*surseance van betaling*) or for bankruptcy or for any analogous insolvency proceedings under any applicable law or for the appointment of a receiver or a similar officer of it or of any or all of its assets; or
- (f) at any time it becomes unlawful for the Seller to perform all or a material part of its obligations under any Transaction Document to which it is a party; or
- (g) the Seller ceases to be part of the BNP Paribas S.A. group of companies; 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 Transaction Documents,

then, the Seller shall (x) notify the Issuer and the Security Trustee thereof and (y), unless the Security Trustee instructs otherwise, (A) forthwith notify or ensure that the relevant Borrower, the relevant Insurance Companies and any other related party indicated by the Issuer and/or the Security Trustee are forthwith notified of the assignment of the Mortgage Receivables and the Beneficiary Rights relating thereto, all this substantially in accordance with the form of the relevant notification letter attached to the Mortgage Receivables Purchase Agreement and containing, *inter alia*, new payment instructions, and (B) make the appropriate entries in the relevant mortgage register with regard to the assignment of the Mortgage Receivables. The Issuer or the Security Trustee, on behalf of the Issuer, shall be entitled to effect such notification and entry itself for which the Seller, to the extent required, will grant an irrevocable power of attorney to the Issuer and the Security Trustee in the Mortgage Receivables Purchase Agreement. The Security Trustee shall only instruct the Seller not to give notice of the assignment as describe above, if Rating Agency Confirmation (as defined below) has been obtained.

"Rating Agency Confirmation" means, in respect of a Rating Agency which at such time has

assigned a rating to the Notes outstanding, if such Rating Agency is notified of a certain event or matter, the earlier of (i) a statement in writing from such Rating Agency that the then current ratings of the Notes will not be adversely affected by or withdrawn as a result of such event or matter and (ii) if such Rating Agency neither provides such statement nor indicates (a) which conditions should be met before it is in a position to grant such statement or (b) that the then current ratings of the Notes will be adversely affected by or withdrawn as a result of such event or matter, the passage of 14 days after such notification.

Purchase of Further Advance Receivables and Substitution

Further Advance Receivables

The Mortgage Receivables Purchase Agreement provides that as from the Closing Date up to and including the Quarterly Payment Date immediately preceding the First Optional Redemption Date, the Issuer shall use, subject to and in accordance with the Pre-Enforcement Priority of Payments, the Available Amounts to purchase and accept assignment of any Further Advance Receivables (and relating Beneficiary Rights) resulting from Further Advances granted by the Seller to a Borrower in accordance with the underwriting criteria and procedures prevailing at that time and which may be expected from a reasonably prudent mortgage lender in the Netherlands. The Initial Purchase Price payable by the Issuer in respect of the purchase and assignment of any Further Advance Receivables shall be equal to the Outstanding Principal Amount of such Further Advance Receivables on the relevant Cut-Off Date.

The purchase by the Issuer of any Further Advance Receivables will be subject to a number of conditions, which include that at the relevant date of completion of the sale and purchase of such Further Advance Receivables:

- (a) the Seller will represent and warrant to the Issuer and the Security Trustee the matters set out in the clauses providing for the representations and warranties relating to the Portfolio Mortgage Loans, the Mortgage Receivables and the Seller in the Mortgage Receivables Purchase Agreement with respect to the Further Advance Receivables sold and relating to the Seller;
- (b) the relevant Portfolio Mortgage Loan (including the Further Advance) meets the Mortgage Loan Criteria;
- (c) the Available Amounts are sufficient to pay, in accordance with the Pre-Enforcement Priority of Payments, the Initial Purchase Price for the relevant Further Advance Receivables; and
- (d) item (d) up to including item (w) of the Substitution Conditions (as described below) are met.

If either (i) any of the above conditions is not met, or (ii) the Further Advance is granted following the Cut-Off Date immediately preceding the Quarterly Payment Date immediately preceding the First

Optional Redemption Date, the Seller shall repurchase and accept the re-assignment of the Mortgage Receivables resulting from the Portfolio Mortgage Loan in respect of which a Further Advance is granted and the Beneficiary Rights relating thereto.

When Further Advances are granted to the relevant Borrower and the Issuer purchases and accepts assignment of the relevant Further Advance Receivable and the Beneficiary Rights relating thereto, the Issuer will at the same time create a right of pledge on such Further Advance Receivable and the Beneficiary Rights relating thereto in favour of the Security Trustee.

New Mortgage Receivables and Substitution Conditions

The Mortgage Receivables Purchase Agreement provides that as from the Closing Date up to and including the Quarterly Payment Date immediately preceding the First Optional Redemption Date, the Issuer shall apply, subject to and in accordance with the Pre-Enforcement Priority of Payments, the Available Amounts to purchase and accept assignment of any New Mortgage Receivables, to the extent offered by the Seller, and the Beneficiary Rights relating thereto. The Initial Purchase Price payable by the Issuer in respect of the purchase and assignment of any New Mortgage Receivables shall be equal to the Outstanding Principal Amount of such New Mortgage Receivables on the relevant Cut-Off Date.

The purchase by the Issuer of any New Mortgage Receivables will be subject to a number of conditions (the "**Substitution Conditions**"), which include that at the relevant date of completion of the sale and purchase of such New Mortgage Receivables:

- (a) the Seller will represent and warrant to the Issuer and the Security Trustee the matters set out in the clauses providing for the representations and warranties relating to the Portfolio Mortgage Loans, the Mortgage Receivables and the Seller in the Mortgage Receivables Purchase Agreement with respect to the New Mortgage Receivables sold and relating to the Seller;
- (b) the relevant Portfolio Mortgage Loan meets the Mortgage Loan Criteria;
- (c) the Available Amounts are sufficient to pay, in accordance with the Pre-Enforcement Priority of Payments, the Initial Purchase Price for the relevant New Mortgage Receivables;
- (d) no Assignment Notification Event has occurred and is continuing;
- (e) not more than 2% per cent. of the aggregate Outstanding Principal Amount of the Mortgages Receivables resulting from the Portfolio Mortgage Loans is in arrear for an amount exceeding two scheduled monthly payments of interest and principal;
- (f) the weighted average LTFV of all Portfolio Mortgage Loans from which the Mortgage Receivables to be purchased by the Issuer result, does not exceed the weighted average LTFV

of the Portfolio Mortgage Loans as at the Closing Date by more than 1 per cent.;

- (g) the weighted average seasoning of Portfolio Mortgage Loans from which the Mortgage Receivables to be purchased by the Issuer result is at least 2 years;
- (h) the aggregate Outstanding Principal Amount of the Mortgage Receivables purchased by the Issuer since the Quarterly Payment Date immediately preceding the relevant date of completion of the sale and purchase does not exceed twenty (20) per cent. of the aggregate Principal Amount Outstanding of the Notes on such Quarterly Payment Date;
- (i) there has been no failure by the Seller to repurchase any Mortgage Receivable which it is required to repurchase pursuant to the Mortgage Receivables Purchase Agreement;
- (j) the purchase of the relevant Mortgage Receivables does not, in the Security Trustee's reasonable opinion, adversely affect the then current ratings assigned to the Notes;
- (k) up to the Quarterly Payment Date falling in October 2013, the cumulative Realised Losses minus the cumulative post-foreclosure proceeds do not exceed 0.50 per cent. of the Outstanding Principal Amount of the Mortgage Receivables at the Portfolio Cut off Date;
- (l) the aggregate Outstanding Principal Amount of the Mortgage Receivables resulting from all the Interest-only Mortgage Loans does not exceed 75 per cent. of the aggregate Outstanding Principal Amount of the Mortgage Receivables resulting from all the Portfolio Mortgage Loans;
- (m) the aggregate Outstanding Principal Amount of the Mortgage Receivables resulting from all the Investment Mortgage Loans does not exceed 2 per cent. of the aggregate Outstanding Principal Amount of the Mortgage Receivables resulting from all the Portfolio Mortgage Loans;
- (n) the aggregate Outstanding Principal Amount of the Mortgage Receivables resulting from all the NHG Mortgage Loans Parts will not be lower than 25 per cent. of the aggregate Outstanding Principal Amount of the Mortgage Receivables resulting from all the Portfolio Mortgage Loans;
- (o) there is no debit balance standing to the Principal Deficiency Ledger;
- (p) the aggregate Outstanding Principal Amount of the Mortgage Receivables resulting from Portfolio Mortgage Loans granted to employees of the Seller in the Netherlands does not exceed 0.5 per cent of the aggregate Outstanding Principal Amount of all Mortgage Receivables at that date;
- (q) the Reserve Account is at the Reserve Account Target Level;

- (r) the aggregate Outstanding Principal Amount of the Mortgage Receivables due from permanently employed Borrowers, or temporary employed Borrowers for whom the employer has given notification that he intends to turn the temporary contract into a permanent contract, (excluding, *inter alia*, self-employed Borrowers and retired Borrowers) is at least 95 per cent. of the aggregate Outstanding Principal Amount of all Mortgage Receivables at that time, provided that in the event such Mortgage Receivables are due by two or more Borrowers, jointly and severally, only one Borrower needs to be permanently employed or temporary employed with such employer notification;
- (s) the weighted average debt to income ratio (DTI) of the Borrowers does not exceed 25 per cent.;
- (t) the aggregate Outstanding Principal Amount of the Mortgage Receivables secured by a Mortgaged Asset situated in the provinces Limburg, Friesland, Groningen, Flevoland or Zeeland will not exceed 17% of the aggregate Outstanding Principal Amount of all Mortgage Receivables at that time;
- (u) the aggregate Outstanding Principal Amount of the Mortgage Receivables whose interest rate reset period is less than 1 year does not exceed 4 per cent. of the aggregate Outstanding Principal Amount of all Mortgage Receivables at that time;
- (v) the aggregate Outstanding Principal Amount of the Mortgage Receivables resulting from Mortgage Loans that are Life Mortgage Loans or Hybrid Mortgage Loans does not exceed 40 per cent. of the aggregate Outstanding Principal Amount of all Mortgage Receivables at that time; and
- (w) the aggregate Outstanding Principal Amount of the Mortgage Receivables resulting from Mortgage Loans that are Life Mortgage Loans or Hybrid Mortgage Loans to which a Life Insurance Policy or Savings Investment Insurance Policy taken out with Cardif is connected, will not exceed 15 per cent. of the aggregate Outstanding Principal Amount of all Mortgage Receivables at that time.

When the Issuer purchases and accepts assignment of the relevant New Mortgage Receivables and relating Beneficiary Rights, the Issuer will at the same time create a first right of pledge on such New Mortgage Receivable and relating Beneficiary Rights in favour of the Security Trustee.

SERVICING AGREEMENT AND ISSUER ADMINISTRATION AGREEMENT

Servicing Agreement

In the Servicing Agreement the Servicer will agree to provide payment transactions and management services to the Issuer on a day-to-day basis in relation to the Portfolio Mortgage Loans and the Mortgage Receivables, including, without limitation, the collection of payments of principal, interest and other amounts in respect of the Mortgage Receivables, all administrative actions in relation thereto and the implementation of arrears procedures including the enforcement of Mortgage Rights (see further *Mortgage Loan Underwriting and Servicing* above). The Servicer will be obliged to manage the Portfolio Mortgage Loans and the Mortgage Receivables with the same level of skill, care and diligence as mortgage loans in its own or, as the case may be, the Seller's portfolio.

The Servicer which holds a license under the Act on the Financial Supervision (*Wet op het financieel toezicht*) has, in accordance with the terms of the Servicing Agreement, appointed Stater and Novalink as its sub-service providers to carry out (part of) the activities described above. The Issuer and the Security Trustee have consented to the appointment of Stater and Novalink as sub-service providers.

The Servicing Agreement may be terminated by the Issuer and the Security Trustee, acting jointly, upon the occurrence of certain termination events, including but not limited to, a failure by the Servicer to comply with its obligations (unless remedied within the applicable grace period), dissolution or liquidation of the Servicer or the Servicer being declared bankrupt or granted a suspension of payments or if the Servicer no longer holds a licence under the Act on the Financial Supervision (*Wet op het financieel toezicht*). In addition the Servicing Agreement may be terminated by the Servicer upon the expiry of not less than six (6) months' notice, subject to (i) written approval of the Issuer and the Security Trustee, which approval may not be unreasonably withheld and (ii) Rating Agency Confirmation having been obtained. A termination of the Servicing Agreement by either the Issuer and the Security Trustee or the Servicer will only become effective if a substitute servicer is appointed.

Upon the occurrence of a termination event as set forth above, the Security Trustee and the Issuer shall use their best efforts to appoint a substitute servicer and such substitute servicer shall enter into an agreement with the Issuer and the Security Trustee substantially on the terms of the Servicing Agreement, provided that such substitute servicer shall have the benefit of a servicing fee at a level to be then determined. Any such substitute servicer must have experience of handling mortgage loans and mortgages of residential property in the Netherlands and hold a licence under the Act on the Financial Supervision (*Wet op het financieel toezicht*). The Issuer shall, promptly following the execution of such agreement, pledge its interest in such agreement in favour of the Security Trustee on the terms of the Issuer Rights Pledge Agreement, *mutatis mutandis*, to the satisfaction of the Security Trustee.

The Servicer does not have any liability whatsoever to the Noteholders in respect of any failure by the Issuer to pay any amounts due under the Notes. The Notes will be solely the obligations and

responsibilities of the Issuer and not of any other entity or person involved in the transaction, including, without limitation, the Servicer, except for certain limited obligations of the Security Trustee under the Trust Deed.

Issuer Administration Agreement

The Issuer Administrator will in the Issuer Administration Agreement agree to provide certain administration, calculation and cash management services to the Issuer in accordance with the relevant Transaction Documents, including, *inter alia*, (a) the application of amounts received by the Issuer to the GIC Accounts and the production of quarterly reports in relation thereto, (b) procuring that all drawings (if any) to be made by the Issuer from the Reserve Account are made, (c) procuring that all payments to be made by the Issuer under the Swap Agreement are made, (d) procuring that all payments to be made by the Issuer under the Notes are made in accordance with the Paying Agency Agreement and the Conditions, (e) the maintaining of all required ledgers in connection with the above, (f) all administrative actions in relation thereto, and (g) procuring that all calculations to be made pursuant to the Conditions under the Notes are made.

The Issuer Administration Agreement may be terminated by the Issuer and the Security Trustee, acting jointly, upon the occurrence of certain termination events, including but not limited to, a failure by the Issuer Administrator to comply with its obligations (unless remedied within the applicable grace period), dissolution or liquidation of the Issuer Administrator or the Issuer Administrator being declared bankrupt or granted a suspension of payments. In addition the Issuer Administration Agreement may be terminated by the Issuer Administrator upon the expiry of not less than six (6) months' notice, subject to (i) written approval by the Issuer and the Security Trustee, which approval may not be unreasonably withheld and (ii) Rating Agency Confirmation having been obtained. A termination of the Issuer Administration Agreement by either the Issuer and the Security Trustee or the Issuer Administrator will only become effective if a substitute administrator is appointed.

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

SUB-PARTICIPATION AGREEMENTS

Under each of the Sub-Participation Agreements the Issuer will grant to the relevant Savings Mortgage Participants a sub-participation in the relevant Savings Mortgage Receivables or Hybrid Mortgage Receivables, as the case may be.

Savings Participation

In each of the Sub-Participation Agreements the relevant Savings Mortgage Participant undertakes to pay to the Issuer:

- (a) at the Closing Date or, in the case of the purchase and assignment of New Receivables or Further Advance Receivables to which a Savings Insurance Policy or Savings Investment Insurance Policy is connected, at the relevant Quarterly Payment Date, an amount equal to the sum of the amounts received up to and including 30 September 2010 or, as the case may be, the last day of the calendar month immediately preceding the relevant Quarterly Payment Date, by the relevant Insurance Company from the relevant Borrowers as Savings Premiums or Savings Investment Premiums and accrued interest thereon under the respective Savings Mortgage Loans and Hybrid Mortgage Loans, respectively (the "**Initial Savings Participation**");
- (b) on each Collection Payment Date an amount equal to the amounts switched under the Savings Investment Insurance Policies from investments in one or more Hybrid Investment Funds into investments being made in the form of a deposit into the Hybrid Savings Account during the Monthly Calculation Period immediately preceding such Collection Payment Date (the "**Switched Savings Participation**"); and
- (c) on each Collection Payment Date an amount equal to the amount received by the relevant Insurance Company during the Monthly Calculation Period immediately preceding such Collection Payment Date, as Savings Premium in respect of the relevant Savings Insurance Policies or as Savings Investment Premium in respect of the relevant Savings Investment Insurance Policies,

provided that in respect of each Savings Mortgage Receivable and Hybrid Mortgage Receivable no amounts will be paid to the extent that as a result thereof the Savings Participation in such Savings Mortgage Receivable or Hybrid Mortgage Receivable would exceed the outstanding principal amount of such Savings Mortgage Receivable or Hybrid Mortgage Receivable at such time (the "**Maximum Savings Participation Amount**").

As a consequence of such payments each of the Savings Mortgage Participants will acquire a sub-participation (the "**Savings Participation**") in the relevant Savings Mortgage Receivables or Hybrid Mortgage Receivables, which is equal to the Initial Savings Participation and the Switched Savings Participation in respect of the relevant Hybrid Mortgage Receivables, if any, increased during each

Monthly Calculation Period with the amount calculated on the basis of the following formula (the "**Participation Increase**"):

$[P/H] \times R + S$, whereby

- P = the Savings Participation on the first day of the relevant Monthly Calculation Period in the Savings Mortgage Receivable or Hybrid Mortgage Receivable, as the case may be;
- S = the amount actually received by the Issuer from the relevant Savings Mortgage Participant under the relevant Sub-Participation Agreement in the relevant Monthly Calculation Period in respect of the relevant Savings Mortgage Receivable or Hybrid Mortgage Receivable, as the case may be;
- R = in respect of the relevant Savings Mortgage Receivable or Hybrid Mortgage Receivable, as the case may be, the amount (i) of interest due, but not overdue, and actually received from the relevant Borrower in the relevant Monthly Calculation Period and/or (ii) of interest due, but unpaid, by the Borrower, but received from the relevant Savings Mortgage Participant under the relevant Sub-Participation Agreement;
- H = the principal sum outstanding on the Savings Mortgage Receivable or Hybrid Mortgage Receivable, as the case may be, on the first day of the relevant Monthly Calculation Period.

In consideration for the undertaking of each of the Savings Mortgage Participants described above, the Issuer will undertake to pay to the relevant Savings Mortgage Participant on each Collection Payment Date an amount up to the Savings Participation in each of the Savings Mortgage Receivables and Hybrid Mortgage Receivables in respect of which amounts have been received during the immediately preceding Monthly Calculation Period (i) by means of repayment and prepayment under such Mortgage Receivables from any person, whether by set-off or otherwise, but, for the avoidance of doubt, excluding prepayment penalties, if any, and, furthermore, excluding amounts paid as partial prepayments on such Mortgage Receivables to the extent such partial prepayment does not exceed the difference between (a) the Outstanding Principal Amount under the relevant Mortgage Receivable and (b) the Savings Participation therein, (ii) in connection with a repurchase of such Mortgage Receivables pursuant to the Mortgage Receivables Purchase Agreement and any other amounts received pursuant to the Mortgage Receivables Purchase Agreement to the extent such amounts relate to principal, (iii) in connection with a sale by the Issuer of such Mortgage Receivables pursuant to the Mortgage Receivables Purchase Agreement or the Trust Deed to the extent such amounts relate to principal and (iv) as Net Proceeds on such Mortgage Receivables to the extent such amounts relate to principal (the "**Savings Participation Redemption Available Amount**").

Reduction of Participation

If:

- (i) a Borrower invokes a right of set-off or any other defence against any person in respect of the relevant Savings Mortgage Receivables or Hybrid Mortgage Receivables based upon a default in the performance, whether in whole or in part and for any reason, by the relevant Insurance Company of its payment obligations under the relevant Savings Insurance Policy or Savings Investment Insurance Policy, as the case may be; or
- (ii) a Savings Mortgage Participant fails to pay any amount due by it to the Issuer under or in connection with the relevant Sub-Participation Agreement in respect of the relevant Savings Mortgage Receivables or Hybrid Mortgage Receivables, as the case may be,

and, as a consequence thereof, the Issuer will not have received any amount which it would have received if such defence or failure to pay would not have been made in respect of such Savings Mortgage Receivables or Hybrid Mortgage Receivables, the Savings Participation of the relevant Savings Mortgage Participant in respect of such Savings Mortgage Receivables or Hybrid Mortgage Receivables will be reduced by an amount equal to the amount which the Issuer has failed to so receive and the calculation of the Savings Participation Redemption Available Amount shall be adjusted accordingly.

Enforcement Notice

If an Enforcement Notice is given by the Security Trustee to the Issuer, then and at any time thereafter the Security Trustee on behalf of each of the Savings Mortgage Participants may, and if so directed by a Savings Mortgage Participant shall, by notice to the Issuer:

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

Termination

If one or more of the Savings Mortgage Receivables and/or Hybrid 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 Mortgage Receivables Purchase Agreement or the Trust Deed, the Savings Participation in such Savings Mortgage Receivables and/or Hybrid Mortgage Receivables will terminate and the Savings Participation Redemption Available Amount in

respect of such Savings Mortgage Receivables and/or Hybrid Mortgage Receivables will be paid by the Issuer to the relevant Savings Mortgage Participant. If so requested by a Savings Mortgage Participant, the Issuer will use its best efforts to ensure that the acquiror of the Savings Mortgage Receivables and/or Hybrid Mortgage Receivables will enter into a sub-participation agreement with the relevant Savings Mortgage Participant in a form similar to the Sub-Participation Agreement entered into with such Savings Mortgage Participant. Furthermore, the Savings Participation envisaged in each of the Sub-Participation Agreements shall terminate if at the close of business on the relevant calculation date the relevant Savings Mortgage Participant has received in full the Savings Participation in respect of the relevant Savings Mortgage Receivables and/or Hybrid Mortgage Receivables.

PHEDINA HYPOTHEKEN 2010 B.V.

The Issuer was incorporated as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) under Dutch law on 25 August 2010 under number BV 1610973. The corporate seat (*statutaire zetel*) of the Issuer is in Amsterdam, the Netherlands and its registered office is at Reguliersdwarstraat 90 (1017 BN) Amsterdam, the Netherlands and its telephone number is +31 (0)20 5214545. The Issuer is registered with the Trade Register under number 50679112.

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

The Issuer was established for the limited purposes of the issue of the Notes, the acquisition of the Mortgage Receivables and certain related transactions described elsewhere in this Prospectus. The Issuer operates under Dutch law, provided that it may enter into contracts which are governed by the laws of another jurisdiction than the Netherlands.

The Issuer has an authorised share capital of € 18,000 of which € 18,000 has been issued and is fully paid. All shares of the Issuer are held by Stichting Phedina Hypotheken 2010 Holding.

Stichting Phedina Hypotheken 2010 Holding is a foundation (*stichting*) incorporated under Dutch law on 3 August 2010. Stichting Phedina Hypotheken 2010 Holding is registered with the Trade Register under number 50525778. The objectives of Stichting Phedina Hypotheken 2010 Holding are to, *inter alia*, acquire and hold shares in the share capital of the Issuer and to exercise all rights attached to such shares and to dispose of and encumber such shares. Pursuant to the articles of association of Stichting Phedina Hypotheken 2010 Holding an amendment of the articles of association of Stichting Phedina Hypotheken 2010 Holding requires the prior written consent of the Stichting Security Trustee Phedina Hypotheken 2010. Moreover, the Holding Director shall only be authorised to dissolve the Stichting Phedina Hypotheken 2010 Holding, (i) after receiving the prior written consent of the Stichting Security Trustee Phedina Hypotheken 2010 and (ii) after the Issuer has been fully discharged for all its obligations by virtue of the Transaction Documents.

The Issuer has elected domicile at the registered office of BNP Paribas Trust B.V. at Reguliersdwarstraat 90, 1017 BN Amsterdam, telephone +31 (0) 20 5215 645. The managing

directors of BNP Paribas Trust B.V. are Messrs A. Boulanger, C. Bijloos, N. Didier and H. Sijlsling.

The objectives of BNP Paribas Trust B.V. are to act as trust company and to provide a seat, management and administration to Dutch legal entities.

BNP Paribas Trust B.V. is the sole managing director of each of the Issuer, Stichting Phedina Hypotheken 2010 Holding and the Security Trustee and belongs to the same group as the Seller. Therefore, a conflict of interest may arise. In this respect it is of note that in the management agreements entered into by each of the Directors with the entity of which it has been appointed managing director (*statutair directeur*), each of the Directors agrees and undertakes to, *inter alia*, (i) do all that an adequate managing director (*statutair directeur*) should do or should refrain from doing, and (ii) refrain from taking any action detrimental to the obligations under any of the Transaction Documents or the then current rating assigned to the Notes outstanding. In addition, each of the Directors agrees in the relevant management agreement that it will not enter into any agreement in relation to Phedina Hypotheken 2010 B.V., and/or Stichting Phedina Hypotheken 2010 Holding and/or Stichting Security Trustee Phedina Hypotheken 2010 other than the Transaction Documents to which it is a party, subject to there being no adverse effect on the then current ratings assigned to the Notes.

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

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

The financial year of the Issuer coincides with the calendar year. The first financial year shall end on December 2011.

Capitalisation

The following table shows the capitalisation of the Issuer as of 25 August 2010 as adjusted to give effect to the issue of the Notes. Copies of the deed of incorporation and the articles of association of the Issuer may be obtained at the specified offices of the Issuer and at the specified offices of the Paying Agents during normal business hours.

Share Capital

Authorised Share Capital	€ 18,000
Issued Share Capital	€ 18,000

Borrowings

Senior Class A Notes	€ 4,600,000,000.00
Junior Class B Notes	€ 400,000,000.00
Subordinated Class C Notes	€ 175,000,000.00
Initial Savings Participation	€ 37,860,324

Act on the Financial Supervision

The Issuer is not subject to any licence requirement under Section 2:11 of the Act on the Financial Supervision (*Wet op het financieel toezicht*) as amended, due to the fact that the Notes will be offered solely to professional market parties (*professionele marktpartijen*) within the meaning of Section 1.1 of the Act on the Financial Supervision (*Wet op het financieel toezicht*), as amended from time to time and Section 3 of the Decree Definitions Act on the Financial Supervision (*Besluit Definitiebepalingen Wet op het financieel toezicht*) (each a "PMP").

The Issuer is not subject to any licence requirement under Section 2:60 of the Act on the Financial Supervision (*Wet op het financieel toezicht*), as the Issuer has outsourced the servicing and administration of the Portfolio Mortgage Loans to the Servicer. The Servicer holds a license under the Financial Services Act and the Issuer will thus benefit from the exemption.

Auditor's Confirmation

The following is the text of a report received by the board of managing directors of the Issuer from Mazars Paardekooper Hoffman Accountants N.V., the accountants of which are a member of the Royal Dutch Institute for registered accountants (*Koninklijk Nederlands Instituut voor register accountants*) and the auditors to the Issuer. The information below has been accurately reproduced. As far as the Issuer is aware and is able to ascertain from information provided by Mazars Paardekooper Hoffman Accountants N.V., no facts have been omitted which would render the reproduced information inaccurate or misleading.

To the director of Phedina Hypotheken 2010 B.V.

Dear Sirs,

Phedina Hypotheken 2010 B.V. (the "**Issuer**") was incorporated on 25 August 2010 under number BV 1610973 with an issued share capital of € 18,000. The Issuer has not yet prepared any financial statements. Since its incorporation, the Issuer has not traded, no profits and losses have been made or incurred and it has not declared or paid any dividends nor made any distributions, save for the activities related to its establishment and the securitisation transaction included in the Prospectus dated 19 October 2010.

Yours faithfully,

Mazars Paardekooper Hoffman Accountants N.V., 19 October 2010

signed by drs. C.A. Harteveld RA

ISSUER ADMINISTRATOR

Intertrust (Netherlands) B.V. will be appointed as Issuer Administrator in accordance with and under the terms of the Issuer Administrator Agreement (see further under *Servicing Agreement and Issuer Administration Agreement* above). Intertrust (Netherlands) B.V. is a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*), incorporated under Dutch law on 7 November 1975. It has its corporate seat (*statutaire zetel*) in Amsterdam, the Netherlands and its registered office at Prins Bernhardplein 200, (1097 JB) Amsterdam, the Netherlands. The Issuer Administrator is registered with the Trade Register under number 33144202.

The objects of the Issuer Administrator are (a) to represent financial, economic and administrative interests in the Netherlands and other countries; (b) to act as trust company, as well as to participate in, manage and administer other enterprises, companies and legal entities, and (c) to perform any and all acts which are related, incidental or which may be conducive to the above.

The managing directors of the Issuer Administrator are Mr. O.J.A. van der Nap, Mr. P. de Langen, Mr. R.W. Bakker and Mr. C.P.M. Roelofs. The sole shareholder of the Issuer Administrator is Intertrust International Holding B.V., a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*), incorporated under Dutch law, registered with the Trade Register under number 32158895 and having its corporate seat (*statutaire zetel*) in, Amsterdam, the Netherlands. The managing director of Intertrust International Holding B.V. is D.P.W. de Buck.

USE OF PROCEEDS

The aggregate proceeds of the Notes to be issued on the Closing Date amount to € 5,175,000,000.00. The net proceeds of the issue of the Notes (other than the Subordinated Class C Notes) will be applied on the Closing Date to pay part of the Initial Purchase Price for the Mortgage Receivables purchased under the Mortgage Receivables Purchase Agreement on the Closing Date. Furthermore, the Issuer will receive an amount of € 37,860,324 as consideration for the Savings Participation granted to the Savings Mortgage Participants in the Savings Mortgage Receivables and Hybrid Mortgage Receivables. The Issuer will apply this amount towards payment in part of the Initial Purchase Price for the Mortgage Receivables purchased by the issuer on the Closing Date. The proceeds of the issue of the Subordinated Class C Notes will be used to fund the Reserve Account.

DESCRIPTION OF SECURITY

The Notes will be secured indirectly, through the Security Trustee, by the Trust Deed to be entered into by the Issuer and the Security Trustee, acting as security trustee for (i) the Notes Purchaser as initial Noteholder, (ii) the Directors, (iii) the Issuer Administrator, (iv) the Servicer, (v) the Paying Agents, (vi) the Reference Agent, (vii) the Swap Counterparty, (viii) the Savings Mortgage Participants, (ix) the Seller and (x) the Noteholders (together the **"Security Beneficiaries"**). The Issuer will agree in the Trust Deed, to the extent necessary in advance, to pay to the Security Trustee any amounts equal to the aggregate of all its liabilities to all the Security Beneficiaries from time to time due in accordance with the terms and conditions of the relevant Transaction Documents, including, without limitation, the Notes (the **"Principal Obligations"**), which payment undertaking and the obligations and liabilities resulting therefrom is herein referred to as the **"Parallel Debt"**.

The Parallel Debt of the Issuer to the Security Trustee will be secured by (i) a first ranking Dutch law pledge by the Issuer to the Security Trustee over the Mortgage Receivables pursuant to the Mortgage Receivables Pledge Agreement, including all rights ancillary thereto in respect of the Portfolio Mortgage Loans and the rights as beneficiary under the Savings Insurance Policies, the Life Insurance Policies, the Savings Investment Insurance Policies and the Risk Insurance Policies which were assigned to it by the Seller (the **"Beneficiary Rights"**), (ii) a first ranking Dutch law pledge by the Issuer to the Security Trustee over the Issuer's rights under or in connection with the Mortgage Receivables Purchase Agreement, the Swap Agreement, the Conditional Deed of Novation, the Servicing Agreement, the Floating Rate GIC, the Beneficiary Waiver Agreement, the Sub-Participation Agreements and in respect of the GIC Accounts, and (iii) a first ranking Irish law charge over the GIC Accounts.

The Issuer and the Security Trustee will enter into a Dutch law pledge agreement (the **"Mortgage Receivables Pledge Agreement"**) pursuant to which a first ranking undisclosed right of pledge (*stil pandrecht eerste in rang*) will be granted by the Issuer to the Security Trustee over the Mortgage Receivables and the Beneficiary Rights in order to create security for all liabilities of the Issuer to the Security Trustee in connection with the Trust Deed, including the Parallel Debt and any of the other Transaction Documents. Pursuant to the Mortgage Receivables Pledge Agreement, the Issuer further undertakes, in respect of any Further Advance Receivables or New Mortgage Receivables, to grant to the Security Trustee a first ranking undisclosed right of pledge on the relevant Further Advance Receivables (unless the Mortgage Receivables resulting from a Portfolio Mortgage Loan in respect of which a Further Advance is granted are being repurchased and re-assigned by the Seller) or New Mortgage Receivables and any associated Beneficiary Rights on the relevant purchase date. In this respect, the Issuer and the Security Trustee acknowledge that (i) the Parallel Debt constitutes undertakings, obligations and liabilities of the Issuer to the Security Trustee which are separate and independent from and without prejudice to the Principal Obligations of the Issuer to any Security Beneficiary and (ii) the Parallel Debt represents the Security Trustee's own claim (*vordering*) to receive payment of the Parallel Debt from the Issuer, provided that the aggregate amount that may become

due under the Parallel Debt will never exceed the aggregate amount that may become due under all of the Principal Obligations to the Security Beneficiaries.

The pledge over the Mortgage Receivables provided in the Mortgage Receivables Pledge Agreement will not be notified to the Borrowers except in the case of certain Pledge Notification Events. These Pledge Notification Events will, to a large extent, be similar to the Assignment Notification Events defined in the Mortgage Receivables Purchase Agreement. Prior to notification of the pledge to the Borrowers, the pledge will be an undisclosed right of pledge (*stil pandrecht*) within the meaning of section 3:239 of the Dutch Civil Code. The pledge of the Beneficiary Rights will also be an undisclosed right of pledge until notification thereof to the relevant Insurance Companies.

In addition, the Issuer will vest a Dutch law right of pledge on any and all existing and future rights and claims that are owed and will be owed to the Issuer (the "**Issuer Rights**") under (i) the Mortgage Receivables Purchase Agreement, (ii) the Servicing Agreement, (iii) the Swap Agreement, (iv) the Conditional Deed of Novation, (v) the Sub-Participation Agreements, (vi) the Beneficiary Waiver Agreement (the "**Issuer Rights Pledge Agreement**") in favour of the Security Trustee. This right of pledge secures any and all liabilities of the Issuer to the Security Trustee resulting from or in connection with the Parallel Debt. Furthermore, on the Closing Date, the Issuer will vest, in favour of the Security Trustee, a Dutch law right of pledge in respect of any and all current and future monetary claims of the Issuer against the Floating Rate GIC Provider, in respect of the Floating Rate GIC and the GIC Accounts (the "**GIC Accounts Pledge Agreement**"). The pledge pursuant to each of the Issuer Rights Pledge Agreement and the GIC Accounts Pledge Agreement will be notified to the relevant obligors and will therefore be a disclosed right of pledge (*openbaar pandrecht*). Finally, on the Closing Date, the Issuer will vest, in favour of the Security Trustee, an Irish law fixed charge in respect of any and all its rights, title and interest in and to the GIC Accounts (the "**Irish Charge**"). The charge pursuant to the Irish Charge will be notified to the Floating Rate GIC Provider.

Upon enforcement of the pledges created pursuant to the Security Documents (which is after delivery of an Enforcement Notice), the Security Trustee shall apply the net proceeds received or recovered towards satisfaction of the Parallel Debt. The Security Trustee shall distribute such net proceeds (after deduction of the amounts due and payable to the Savings Mortgage Participants under the Sub-Participation Agreements which amounts will be paid in priority to all other amounts due and payable by the Issuer at that time under any of the other Transaction Documents) to the Security Beneficiaries (other than the Savings Mortgage Participants). All amounts to be so distributed by the Security Trustee will be paid in accordance with the Post-Enforcement Priority of Payments (as set forth in *Credit Structure* above).

The security provided pursuant to the provisions of the Security Documents shall indirectly, through the Security Trustee, serve as security for the benefit of the Security Beneficiaries, including, without limitation, each of the holders of the Senior Class A Notes (the "**Senior Class A Noteholders**"), the holders of the Junior Class B Notes (the "**Junior Class B Noteholders**") and the holders of the

Subordinated Class C Notes (the "**Subordinated Class C Noteholders**"), but amounts owing to the Junior Class B Noteholders will rank junior to Senior Class A Noteholders and amounts owing to the Subordinated Class C Noteholders will rank junior to the Senior Class A Noteholders and the Junior Class B Noteholders (see *Credit Structure* above).

THE SECURITY TRUSTEE

Stichting Security Trustee Phedina Hypotheken 2010 is a foundation (*stichting*) incorporated under Dutch law on 3 August 2010. It has its corporate seat (*statutaire zetel*) in Amsterdam, the Netherlands and its registered office at Reguliersdwarsstraat 90 (1017 BN) Amsterdam, the Netherlands. The Security Trustee is registered with the Trade Register under number 50526014.

The objects of the Security Trustee are (a) to act as agent and/or trustee of the Noteholders and certain other creditors of the Issuer; (b) to acquire security rights as agent and/or trustee and/or for itself; (c) to hold, administer and enforce the security rights mentioned under (b) for the benefit of the Noteholders and certain other creditors of the Issuer and to perform acts and legal acts (including the acceptance of a parallel debt obligation from, *inter alia*, the Issuer) which are or may be related, incidental or conducive to the holding of the above security rights and (d) to perform any and all acts which are related, incidental or which may be conducive to the above.

The sole managing director of the Security Trustee is BNP Paribas Trust B.V., a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*), incorporated under Dutch law and having its corporate seat (*statutaire zetel*) in Amsterdam, the Netherlands. The managing directors of BNP Paribas Trust B.V. are Messrs A. Boulanger, C. Bijloos, N. Didier and H. Sijsling.

TERMS AND CONDITIONS OF THE NOTES

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

The issue of the € 4,600,000,000 Senior Class A Mortgage-Backed Notes 2010 due 2048 (the "**Senior Class A Notes**"), the € 400,000,000 Junior Class B Mortgage-Backed Notes 2010 due 2048 (the "**Junior Class B Notes**") and the € 175,000,000 Subordinated Class C Notes 2010 due 2048 (the "**Subordinated Class C Notes**") and together with the Senior Class A Notes and the Junior Class B Notes the "**Notes**") was authorised by a resolution of the managing director of Phedina Hypotheken 2010 B.V. (the "**Issuer**") passed on 7 October 2010. The Notes have been issued on 21 October 2010 under a trust deed (the "**Trust Deed**") dated 19 October 2010 (the "**Signing Date**") between the Issuer, Stichting Phedina Hypotheken 2010 Holding and Stichting Security Trustee Phedina Hypotheken 2010 (the "**Security Trustee**").

Under a paying agency agreement (the "**Paying Agency Agreement**") dated the Signing Date by and between the Issuer, the Security Trustee, and BNP Paribas Securities Services S.A., Luxembourg Branch as principal paying agent (the "**Principal Paying Agent**"), BNP Paribas Securities Services S.A., Amsterdam Branch as paying agent (the "**Paying Agent**") and, together with the Principal Paying Agent, the "**Paying Agents**") and BNP Paribas Securities Services S.A., Luxembourg Branch as reference agent (the "**Reference Agent**" and, together with the Principal Paying Agent and the Paying Agent, the "**Agents**") provision is made for, among other things, the payment of principal and interest in respect of the Notes.

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 Paying Agency Agreement, (ii) the Trust Deed, which will include the form of the Notes and the interest coupons appertaining to the Notes (the "**Coupons**"), the forms of the Temporary Global Notes and the Permanent Global Notes, (iii) a mortgage receivables purchase agreement (the "**Mortgage Receivables Purchase Agreement**") dated the Signing Date between BNP Paribas Personal Finance B.V., as seller (the "**Seller**"), the Issuer and the Security Trustee, (iv) a servicing agreement (the "**Servicing Agreement**") dated the Signing Date between the Issuer, BNP Paribas Personal Finance B.V., as servicer (the "**Servicer**") and the Security Trustee, (v) an administration agreement (the "**Issuer Administration Agreement**") dated the Signing Date between the Issuer, Intertrust (Netherlands) B.V., as administrator (the "**Issuer Administrator**") and the Security Trustee, (vi) a Dutch law mortgage receivables pledge agreement (the "**Mortgage Receivables Pledge Agreement**") dated the Signing Date between the Issuer and the Security Trustee, (vii) a Dutch law issuer rights pledge agreement (the "**Issuer Rights Pledge Agreement**") dated the Signing Date between, *inter alia*, the Issuer and the Security Trustee, (viii) a Dutch law gic accounts pledge agreement (the "**GIC Accounts Pledge Agreement**") dated the

Signing Date between, *inter alia*, the Issuer and the Security Trustee (jointly with the two pledge agreements referred to under (vi) and (vii) above, the "**Pledge Agreements**"), and (ix) an Irish law mortgage of deposit account with third party bank (the "**Irish Charge**") dated the Signing Date between the Issuer and the Security Trustee (together with the Pledge Agreements and the Trust Deed, the "**Security Documents**") and together with certain other agreements, including all aforementioned agreements and the Notes, the "**Transaction Documents**"). A reference to a Transaction Document shall be construed as a reference to such Transaction Document as the same may have been, or may from time to time be, replaced, amended or supplemented and a reference to any party to a Transaction Document shall include references to its successors, assigns and any person deriving title under or through it.

Certain words and expressions used below are defined in a master definitions agreement (the "**Master Definitions Agreement**") dated the Signing Date and signed by the Issuer, the Security Trustee, the Seller and certain other parties. Such words and expressions shall, except where the context requires otherwise, have the same meanings in these Conditions. As used herein, "**Class**" means the Senior Class A Notes, the Junior Class B Notes or the Subordinated Class C Notes, as the case may be.

Copies of the Mortgage Receivables Purchase Agreement, the Trust Deed, the Security Beneficiaries Agreement, the Paying Agency Agreement, the Servicing Agreement, the Pledge Agreements, the Irish Charge, the Master Definitions Agreement and certain other agreements are available for inspection free of charge by holders of the Notes at the specified office of the Paying Agents and the current office of the Security Trustee, being at the date hereof Reguliersdwaarsstraat 90 (1017 BN) Amsterdam, the Netherlands. The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed, the Paying Agency Agreement, the Pledge Agreements, the Irish Charge and the Master Definitions Agreement.

1. Form, Denomination and Title

The Notes will be in bearer form serially numbered with Coupons attached on issue in denominations of € 50,000 each. Under Dutch law, the valid transfer of Notes requires, *inter alia*, delivery (*levering*) thereof. The Issuer, the Security Trustee and the Paying Agents may, to the fullest extent permitted by law, treat the holder of any Note and of the Coupons appertaining thereto as its absolute owner for all purposes (whether or not payment under such Note or Coupon shall be overdue and notwithstanding any notice of ownership or writing thereon or any notice of previous loss or theft thereof), 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) Status

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.

In accordance with the provisions of Conditions 4, 6 and 9 and the Trust Deed (i) payments of principal and interest on the Junior Class B Notes are subordinated to, *inter alia*, payments of principal and interest on the Senior Class A Notes and (ii) payments of principal and interest on the Subordinated Class C Notes are subordinated to, *inter alia*, payments of principal and interest on the Senior Class A Notes and the Junior Class B Notes.

(b) Security

The Security Beneficiaries, including, *inter alia*, the Noteholders, benefit from the security for the obligations of the Issuer towards the Security Trustee (the "**Security**"), which will be created pursuant to, and on the terms set out in, the Security Documents, which will create, *inter alia*, the following security rights:

- (i) a first ranking Dutch law pledge by the Issuer to the Security Trustee over the Mortgage Receivables and the rights as beneficiary under the Insurance Policies (the "**Beneficiary Rights**") and all ancillary rights;
- (ii) a first ranking Dutch law pledge by the Issuer to the Security Trustee over the Issuer's rights (a) against the Seller under or in connection with the Mortgage Receivables Purchase Agreement; (b) against the Floating Rate GIC Provider under or in connection with the Floating Rate GIC; (c) against the Servicer under or in connection with the Servicing Agreement; (d) against the Swap Counterparty and the Back-Up Swap Counterparty under or in connection with the Swap Agreement and the Conditional Deed of Novation; (e) against the Savings Mortgage Participants under the Sub-Participation Agreements; and (f) against the Seller under or in connection with the Beneficiary Waiver Agreement;
- (iii) a first ranking Dutch law pledge by the Issuer to the Security Trustee over the Issuer's claims in respect of the GIC Accounts; and
- (iv) a first ranking Irish law charge by the Issuer to the Security Trustee over all its rights, title and interest in and to the GIC Accounts.

The Trust Deed contains provisions requiring the Security Trustee to have regard to the interests of each of the holders of the Senior Class A Notes (the "**Senior Class A**

Noteholders"), the holders of the Junior Class B Notes (the "**Junior Class B Noteholders**") and the holders of the Subordinated Class C Notes (the "**Subordinated Class C Noteholders**") each as a Class as regards all powers, trust, authorities, duties and discretions of the Security Trustee (except where expressly provided otherwise) and the Security Trustee need not to have regard to the consequences of such exercise for individual Noteholders but is required in any such case to have regard only to the interests of the Senior Class A Noteholders if, in the Security Trustee's opinion, there is a conflict between the interests of the Senior Class A Noteholders on the one hand and the Junior Class B Noteholders or the Subordinated Class C Noteholders on the other hand and, if no Senior Class A Notes are outstanding, to have regard only to the interests of the Junior Class B Noteholders if, in the Security Trustee's opinion, there is a conflict between the interests of the Junior Class B Noteholders on the one hand and the Subordinated Class C Noteholders on the other hand. In addition, the Security Trustee shall have regard to the interests of the other Security Beneficiaries, provided that, in the case of a conflict of interest between the Security Beneficiaries, the relevant priority of payments set forth in the Trust Deed determines which interest of which Security Beneficiary prevails.

3. Covenants of the Issuer

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

- (a) carry out any business other than as described in the prospectus issued in relation to the Notes dated 19 October 2010 and as contemplated in the Transaction Documents;
- (b) incur or permit to subsist any indebtedness in respect of borrowed money whatsoever or give any guarantee or indemnity in respect of any indebtedness, except as contemplated in the Transaction Documents;
- (b) create, promise to create or permit to subsist any mortgage, charge, pledge, lien or other security interest whatsoever over any of its assets, or use, invest, sell, transfer or otherwise dispose of any part of its assets, except as contemplated in the Transaction Documents;
- (c) consolidate or merge with any other person or convey or transfer its assets substantially or as an entirety to one or more persons;
- (d) permit the validity or effectiveness of the Trust Deed or the other Security Documents, and the priority of the security created thereby or pursuant thereto to be amended, terminated, postponed or discharged, or permit any person whose obligations form part of such security rights to be released from such obligations except as contemplated in the Transaction

Documents;

- (e) have any employees or premises or have any subsidiary or subsidiary undertaking;
- (f) have an interest in any bank account other than the GIC Accounts and an account into which collateral under the Swap Agreement is transferred, unless all rights in relation to such account (other than the account(s) into which collateral under the Swap Agreement is transferred) will have been pledged and/or charged to the Security Trustee as provided in Condition 2(b)(iii);
- (g) amend, supplement or otherwise modify its articles of association or other constitutive documents;
- (h) pay any dividend or make any other distribution to its shareholder(s) or issue any further shares; or
- (i) engage in any activity whatsoever which is not incidental to or necessary in connection with any of the activities which the Transaction Documents provide or envisage that the Issuer will engage in.

4. Interest

(a) *Period of Accrual*

The Notes shall bear interest on their Principal Amount Outstanding (as defined in Condition 6) from and including the date the Notes are issued (the "**Closing Date**"). Each Note (or, in the case of the redemption of only part 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 Agents to the holder thereof (in accordance with Condition 13) that upon presentation thereof, such payments will be made, provided that upon such presentation payment is in fact made. Whenever it is necessary to compute an amount of interest in respect of any Note for any period, such interest shall be calculated on the basis of the actual number of days elapsed in the Quarterly Interest Period divided by 360 days.

(b) *Interest Periods and Payment Dates*

Interest on the Notes shall be payable by reference to successive interest periods (each a "**Quarterly Interest Period**") and will be payable in arrear in euro in respect of the Principal

Amount Outstanding (as defined in Condition 6) of the Notes, respectively, on the 25th day of January, April, July and October in each year, or if such day is not a Business Day (as defined below), the next succeeding Business Day, unless such Business Day falls in the next succeeding calendar month in which event the Business Day immediately preceding such 25th day is the relevant Business Day (each such day being a "**Quarterly Payment Date**"), subject to Condition 9(a). A "**Business Day**" means a day on which banks are open for business in Amsterdam, the Netherlands, Paris, France, Dublin, Ireland, Luxembourg, Luxembourg and Brussels, Belgium, provided that such day is also a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer 2 System (the "**TARGET 2 System**") or any successor thereto is operating credit or transfer instructions in respect of payments in euro. Each successive Quarterly 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 Quarterly Interest Period which will commence on (and include) the Closing Date and end on (but exclude) the Quarterly Payment Date falling in January 2011.

Interest on the Notes

Except for the first Quarterly Interest Period whereby interest will accrue from (and including) the Closing Date until but excluding the first Quarterly Payment Date at an annual rate equal to the linear interpolation between the Euro Interbank Offered Rate ("**Euribor**") for three-months deposits in euro and the Euribor for four-months deposits in euro (determined in accordance with Condition 4) plus the margin as set out below, interest on the Notes for each Quarterly Interest Period will accrue at an annual rate equal to Euribor for three-months deposits in euro, plus:

- (i) for the Senior Class A Notes, a margin of 0.50 per cent. per annum;
- (ii) for the Junior Class B Notes, a margin of 0.55 per cent. per annum; and
- (iii) for the Subordinated Class C Notes, a margin of 0.60 per cent. per annum.

Interest on the Subordinated Class C Notes shall only be due and payable on any Quarterly Payment Date if and to the extent the Cash Release Conditions are met on such date.

(c) Euribor

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

- (i) the Reference Agent will obtain for each Quarterly Interest Period the rate equal to Euribor for three-months deposits in euro. The Reference Agent shall use the Euribor rate as determined and published jointly by the European Banking Federation and ACI - The Financial Market Association and which appears for information purposes on the Reuters Screen EURIBOR01 (or, if not available, any other display page on any screen service maintained by any registered information vendor for the display of the

Euribor rate selected by the Reference Agent) at or about 11:00 a.m. (Central European time) on the day that is two (2) Business Days preceding the first day of each Quarterly Interest Period (each an "**Interest Determination Date**").

- (ii) if, on the relevant Interest Determination Date, such Euribor rate is not determined and published jointly by the European Banking Federation 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 (4) major banks in the euro-zone interbank market to provide a quotation for the rate at which three-months euro deposits are offered by it in the euro-zone interbank market at approximately 11.00 a.m. (Central European time) on the relevant Interest Determination Date to prime banks in the euro-zone interbank market in an amount that is representative for a single transaction at that time; and

- (B) determine the arithmetic mean (rounded, if necessary, to the fifth decimal place with 0.000005 being rounded upwards) of such quotations as are provided; and

- (iii) if fewer than two (2) such quotations are provided as requested, the Reference Agent will determine the arithmetic mean (rounded, if necessary to the fifth decimal place with 0.000005 being rounded upwards) of the rates quoted by major banks, of which there shall be at least two in number, in the euro-zone, selected by the Reference Agent, at approximately 11.00 a.m. (Central European time) on the relevant Interest Determination Date for three-months deposits to leading euro-zone banks in an amount that is representative for a single transaction in that market at that time,

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

(d) Determination of Floating Rate of Interest and Calculation of the Floating Interest Amount

The Reference Agent will, as soon as practicable after 11.00 a.m. (Central European Time) on each relevant Interest Determination Date, determine the floating rates of interest referred to in paragraphs (b) and (c) above for each relevant Class of Notes (the "**Floating Rate of Interest**") and calculate the amount of interest payable, subject to Condition 9(a), on each such Class of Notes for the following Quarterly Interest Period (the "**Floating Interest Amount**") by applying the relevant Floating Rate of Interest to the Principal Amount Outstanding of the relevant Class of Notes. The determination of the relevant Floating Rate

of Interest and the Floating Interest Amount by the Reference Agent shall (in the absence of manifest error) be final and binding on all parties.

(e) Notification of the Floating Rate of Interest and the Floating Interest Amount

The Reference Agent will cause the relevant Floating Rate of Interest and the relevant Floating Interest Amount and the Quarterly Payment Date applicable to each relevant Class of Notes to be notified to the Issuer, the Security Trustee, the Paying Agents, the Issuer Administrator and to the holders of such Class of Notes. As long as the Notes are admitted to listing, trading and/or quotation on Euronext Amsterdam by NYSE Euronext ("**Euronext Amsterdam**") or by any other competent authority, stock exchange and/or quotation system, notice shall also be published in such other place as may be required by the rules and regulations of such competent authority, stock exchange and/or quotation system, as soon as possible after the determination. The Floating Interest Amount and 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 Quarterly Interest Period.

(f) Determination or Calculation by Security Trustee

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

(g) Reference Agent

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

5. Payment

(a) Payment of principal and interest in respect of Definitive Notes will be made upon presentation of the Definitive Note and against surrender of the relevant Coupon appertaining thereto at any specified office of the Paying Agents in cash or by transfer to a euro account maintained by the payee with a bank in the Netherlands, as the holder may specify. All such payments are subject to any fiscal or other laws and regulations applicable in the place of payment.

(b) On the Final Maturity Date (as defined in Condition 6), or such earlier date on which the Notes become due and payable, the Definitive 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 (5) years following the due date for payment of such principal (whether or not such Coupons would have become unenforceable pursuant to Condition 8).

(c) If the relevant Quarterly Payment Date is not a day on which banks are open for business in the place of presentation of the relevant Note or Coupon ("**Local Business Day**"), the holder thereof shall not be entitled to payment until the next following Local Business Day, or to any interest or other payment in respect of such delay, provided that in the case of payment by transfer to an euro account as referred to above, the Paying Agents shall not be obliged to credit such account until the Local Business Day immediately following the day on which banks are open for business in the Netherlands, France, Ireland, Luxembourg and Belgium. The name of the Paying Agents and details of its office are set out below.

(d) The Issuer reserves the right at any time to vary or terminate the appointment of the Principal Paying Agent or 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 in the European Union which, for as long as the Notes are listed on Euronext Amsterdam, shall be located in the Netherlands, and provided further that the Issuer will maintain 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. Notice of any termination or appointment of a Principal Paying Agent or a Paying Agent and of any changes in the specified offices of the Paying Agents will be given to the Noteholders in accordance with Condition 13.

6. Redemption

(a) Definitions

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

The "**Principal Amount Outstanding**" on any Quarterly Calculation Date of any Note shall be the principal amount of that Note upon issue less the aggregate amount of all Principal Redemption Amounts (as defined in Condition 6(c) below) in respect of that Note that have become due and payable prior to such Quarterly Calculation Date.

"**Available Amounts**" shall mean, on any Quarterly Calculation Date, the sum of the following amounts received or held by the Issuer during the Quarterly Calculation Period immediately preceding such Quarterly Calculation Date *less* an amount equal to 25 per cent. of the higher of (A) € 2,500 or (B) 10 per cent. of the amount due and payable per annum by the Issuer to the Issuer Director, pursuant to item (a) of the Pre-Enforcement Priority of Payments, representing taxable income for corporate income tax purposes in the Netherlands:

- (i) interest on the Mortgage Receivables, including penalties interest (*boeterente*), *less*, with respect to each Savings Mortgage Receivable and each Hybrid Mortgage Receivable, an amount equal to the interest amount received multiplied by a fraction which is equal to the relevant Savings Participation divided by the outstanding principal amount of such Savings Mortgage Receivable or, as the case may be, such Hybrid Mortgage Receivable (the "**Participation Fraction**");
- (ii) interest credited to the GIC Accounts;
- (iii) prepayment penalties in respect of the Mortgage Receivables;
- (iv) Net Proceeds in respect of any Mortgage Receivables, to the extent such proceeds do not relate to principal, *less*, with respect to each Savings Mortgage Receivable and each Hybrid Mortgage Receivable, an amount equal to the proceeds received multiplied by the Participation Fraction;
- (v) amounts to be drawn from the Reserve Account on the immediately succeeding Quarterly Payment Date;
- (vi) amounts to be received from the Swap Counterparty under the Swap Agreement on the immediately succeeding Quarterly Payment Date, excluding, for the avoidance of doubt, any collateral transferred to the Issuer pursuant to the Swap Agreement;

- (vii) amounts received in connection with a repurchase of Mortgage Receivables pursuant to the Mortgage Receivables Purchase Agreement or any other amounts received pursuant to the Mortgage Receivables Purchase Agreement to the extent such amounts do not relate to principal, *less*, with respect to each Savings Mortgage Receivable and each Hybrid Mortgage Receivable, an amount equal to the amount received multiplied by the Participation Fraction;
- (viii) amounts received in connection with a sale of Mortgage Receivables pursuant to the Trust Deed to the extent such amounts do not relate to principal, *less*, with respect to each Savings Mortgage Receivable and each Hybrid Mortgage Receivable, an amount equal to the amount received multiplied by the Participation Fraction;
- (ix) amounts received as post-foreclosure proceeds on the Mortgage Receivables, to the extent such amounts are not due and payable to *Stichting Waarborgfonds Eigen Woningen* to satisfy its claim resulting from payment made by it under the NHG Guarantees;
- (x) repayment and prepayment in full of principal under the Mortgage Receivables, from any person, whether by set-off or otherwise, *less*, with respect to each Savings Mortgage Receivable and each Hybrid Mortgage Receivable, the Savings Participation in such Savings Mortgage Receivable or Hybrid Mortgage Receivable;
- (xi) Net Proceeds in respect of any Mortgage Receivables, to the extent such proceeds relate to principal, *less*, with respect to each Savings Mortgage Receivable and each Hybrid Mortgage Receivable, the Savings Participation in such Savings Mortgage Receivable or Hybrid Mortgage Receivable;
- (xii) amounts received in connection with a repurchase of Mortgage Receivables pursuant to the Mortgage Receivables Purchase Agreement, and any other amounts received pursuant to the Mortgage Receivables Purchase Agreement to the extent such amounts relate to principal, *less*, with respect to each Savings Mortgage Receivable and each Hybrid Mortgage Receivable, the Savings Participation in such Savings Mortgage Receivable or Hybrid Mortgage Receivable;
- (xiii) amounts received in connection with a sale of Mortgage Receivables pursuant to the Trust Deed to the extent such amounts relate to principal, *less*, with respect to each Savings Mortgage Receivable and each Hybrid Mortgage Receivable, the Savings Participation in such Savings Mortgage Receivable or Hybrid Mortgage Receivable, if and to the extent such Savings Participation is terminated;
- (xiv) Participation Increase, Switched Savings Participation and Initial Savings Participation

received pursuant to the Sub-Participation Agreements (other than the Initial Savings Participation received on the Closing Date);

- (xv) partial prepayment in respect of Mortgage Receivables, excluding prepayment penalties, if any, *less* with respect to each Savings Mortgage Receivable and each Hybrid Mortgage Receivable, in case the partial prepayment made in respect thereof exceeds the difference between (a) the Outstanding Principal Amount under such Savings Mortgage Receivable or such Hybrid Mortgage Receivable and (b) the Savings Participation therein, an amount equal to such excess up to the Savings Participation therein; and
- (xvi) any part of the Available Amounts calculated on the immediately preceding Quarterly Calculation Date which has not been applied towards satisfaction of the items set forth in the Pre-Enforcement Priority of Payments on the immediately preceding Quarterly Payment Date.

"Net Proceeds", shall, in relation to a Mortgage Receivable, mean (i) the proceeds of a foreclosure on the relevant Mortgage Right, (ii) the proceeds of foreclosure on any other collateral securing the Mortgage Receivable, (iii) the proceeds, if any, of collection of any Insurance Policies or other insurance policies in connection with the Mortgage Receivable, including but not limited to fire insurance, (iv) the proceeds of any guarantees or sureties, including any NHG Guarantee, and (v) the proceeds of foreclosure on any other assets of the relevant debtor, after deduction of foreclosure costs in respect of such Mortgage Receivable. The term "foreclosure" shall include any lawful manner of generating proceeds from collateral, whether by public auction, by private sale or otherwise.

"Quarterly Calculation Date" means, in relation to a Quarterly Payment Date, the third Business Day prior to such Quarterly Payment Date.

"Quarterly Calculation Period" means, in relation to a Quarterly Calculation Date, the three (3) successive Monthly Calculation Periods immediately preceding such Quarterly Calculation Date;

"Monthly Calculation Period" means the period commencing on (and including) the first day of each calendar month and ending on (and including) the last day of this calendar month.

"Realised Losses" means, on the first day of any Monthly Calculation Period, the sum of (a) the aggregate outstanding principal amount of all Mortgage Receivables, excluding the Savings Participations therein, on which the Seller, the Issuer or the Security Trustee (or the Servicer on their behalf) has foreclosed and has received the Net Proceeds in the Monthly

Calculation Period immediately preceding such date *minus* the Net Proceeds applied to reduce the outstanding principal amount of such Mortgage Receivables, (b) with respect to Mortgage Receivables sold by the Issuer pursuant to the Mortgage Receivables Purchase Agreement or the Trust Deed in the Monthly Calculation Period immediately preceding such date, the amount of the aggregate outstanding principal amount of all such Mortgage Receivables less with respect to Savings Mortgage Receivables or Hybrid Mortgage Receivables, the Savings Participation, minus the purchase price received in respect of such Mortgage Receivables to the extent relating to principal and (c) with respect to Mortgage Receivables which have been extinguished (*teniet gegaan*), in part or in full, in the Monthly Calculation Period immediately preceding such date as a result of (i) a set-off right or defense to payments having been invoked by the relevant Borrower or the Seller, as the case may be, or (ii) a repayment or prepayment of any amounts, the positive difference, if any, between the amount by which the Mortgage Receivables have been extinguished (*teniet gegaan*) and the amount received from the Seller or otherwise received pursuant to any items of the Available Amounts during the immediately Monthly Calculation Period preceding such date.

"Excess Cash Amount" means, on any Quarterly Payment Date, the amount standing to the credit of the Transaction Account which is in excess of an amount equal to 10 per cent. of the Principal Amount Outstanding of the Notes (other than the Subordinated Class C Notes) on such Quarterly Payment Date, after application of the Available Amounts in accordance with the Pre-Enforcement Priority of Payments.

"Excess Cash Event" means the determination of an Excess Cash Amount on any Quarterly Calculation Date.

"Cash Release Conditions" means:

- (i) the aggregate Outstanding Principal Amount of the Mortgage Receivables, *less*, with respect to each Savings Mortgage Receivable and each Hybrid Mortgage Receivable, the Savings Participation in such Savings Mortgage Receivable or Hybrid Mortgage Receivable, that are in arrears for more than sixty (60) days does not exceed 2 per cent. of the Outstanding Principal Amount of the Mortgage Receivables, *less*, with respect to each Savings Mortgage Receivable and each Hybrid Mortgage Receivable, the Savings Participation in such Savings Mortgage Receivable or Hybrid Mortgage Receivable on the last day of the immediately preceding Monthly Calculation Period; and
- (ii) the payment of item (m) or item (n) of the Pre-Enforcement Priority of Payments will not result in any Principal Deficiency,

provided that, in case the Outstanding Principal Amount of the Notes (other than the Subordinated Class C Notes) has been reduced to zero, the Cash Release Conditions will be deemed to be satisfied at any time thereafter.

(b) Final Redemption

Unless previously redeemed as provided below, the Issuer will, subject to Condition 9(b), redeem any remaining Notes at their Principal Amount Outstanding, on the Quarterly Payment Date falling in October 2048 (the "**Final Maturity Date**").

(c) Redemption prior to delivery of an Enforcement Notice

(i) Provided that no Enforcement Notice has been served in accordance with Condition 10, the Issuer shall on each Quarterly Payment Date as from the First Optional Redemption Date apply the Available Amounts, subject to and in accordance with the Pre-Enforcement Priority of Payments towards redemption, at their respective Principal Amount Outstanding, of (i) *firstly*, the Senior Class A Notes, until fully redeemed (ii) *secondly*, the Junior Class B Notes, until fully redeemed and (iii) *thirdly* the Subordinated Class C Notes, until fully redeemed, after payment of the amounts to be paid in priority to such Notes.

(ii) Provided that no Enforcement Notice has been served in accordance with Condition 10, the Issuer shall upon the occurrence of an Excess Cash Event, on the immediately following Quarterly Payment Date apply the Available Amounts up to an amount equal to the relevant Excess Cash Amount, subject to and in accordance with the Conditions and the Pre-Enforcement Priority of Payments, towards redemption, at their respective Principal Amount Outstanding, of (i) *firstly*, the Senior Class A Notes, until fully redeemed, and (ii) *secondly*, the Junior Class B Notes, until fully redeemed, after payment of the amounts to be paid in priority to such Notes.

(iii) The principal amount so redeemable in respect of each Note (each a "**Principal Redemption Amount**") on the relevant Quarterly Payment Date shall be the Available Amounts on the Quarterly Calculation Date relating to that Quarterly Payment Date (less the amounts applied towards payment of the items to be paid in priority to such Notes) divided by the number of Notes of the relevant Class subject to such redemption (rounded down to the nearest euro), provided always that the Principal Redemption Amount may never exceed the Principal Amount Outstanding of the relevant Note. Following application of the Principal Redemption Amount to redeem a Note, the Principal Amount Outstanding of such Note shall be reduced accordingly.

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

(i) On each Quarterly Calculation Date, the Issuer shall determine (or cause the Issuer Administrator to determine) (a) the Principal Redemption Amount and (b) the Principal Amount Outstanding of the relevant Note on the first day following the relevant Quarterly Payment Date. Each determination by or on behalf of the Issuer of any Principal Redemption Amount or the Principal Amount Outstanding of a Note shall in each case (in the absence of manifest error) be final and binding on all persons.

- (ii) The Issuer will cause each determination of a Principal Redemption Amount and Principal Amount Outstanding of Notes to be notified forthwith to the Security Trustee, the Paying Agents, the Reference Agent, Euroclear, Clearstream, Luxembourg, Euronext Amsterdam and to the holders of Notes. As long as the Notes are admitted to listing, trading and/or quotation on Euronext Amsterdam or by any other competent authority, stock exchange and/or quotation system, notice shall also be published in such other place as may be required by the rules and regulations of such competent authority, stock exchange and/or quotation system, as soon as possible after the determination. If no Principal Redemption Amount is due to be made on the Notes on any applicable Quarterly Payment Date a notice to this effect will be given to the Noteholders in accordance with Condition 13.
- (iii) If the Issuer does not at any time for any reason determine (or cause the Issuer Administrator to determine) the Principal Redemption Amount or the Principal Amount Outstanding of a Note, such Principal Redemption Amount or such Principal Amount Outstanding shall be determined by the Security Trustee in accordance with this paragraph (d) and paragraph (c) above (but based upon the information in its possession as to the Available Amounts) and each such determination or calculation shall be deemed to have been made by the Issuer.

(e) Optional redemption

The Issuer may, at its option, on giving not more than sixty (60) nor less than thirty (30) days written notice to the Security Trustee and the Noteholders in accordance with Condition 13, on the Quarterly Payment Date falling in October 2015 (the "**First Optional Redemption Date**") and on each Quarterly Payment Date thereafter (each an "**Optional Redemption Date**") redeem, subject to Condition 9(b), all (but not only part of) the Notes, subject to and in accordance with the Pre-Enforcement Priority of Payment, at their Principal Amount Outstanding plus accrued but unpaid interest thereon, after payment of the amounts to be paid in priority to redemption of the Notes.

(f) Redemption following clean-up call

The Seller has the option to repurchase and accept re-assignment of all (but not only part of) the Mortgage Receivables on any Quarterly Payment Date on which the principal amount due on the Mortgage Receivables then outstanding is less than 10 per cent. of the aggregate principal amount of the Mortgage Receivables on the Closing Date (the "**Seller Clean-up Call Option**"). On the Quarterly Payment Date following the exercise by the Seller of its Seller Clean-up Call Option the Issuer shall redeem, subject to Condition 9(b), all (but not only part of) the Notes, subject to and in accordance with the Pre-Enforcement Priority of Payments, at their Principal Amount Outstanding plus accrued but unpaid interest thereon, after payment of the amounts to be paid in priority to redemption of the Notes.

(g) Redemption for tax reasons

The Issuer may (but is not obliged to) redeem, on any Quarterly Payment Date, all of the Notes, in whole but not in part, at their Principal Amount Outstanding plus accrued but unpaid interest thereon up to and including the date of redemption, subject to and in accordance with the Conditions, including, without limitation, Condition 9(b), if (a) the Issuer or any of the Paying Agents has become or would become obligated to make any withholding or deduction from payments in respect of any of the Notes (although the Issuer will not have any obligation to pay additional amounts in respect of any such withholding or deduction) and/or (b) the Issuer has become or would become subject to any limitation of the deductibility of interest on any of the Notes as a result of (i) a change in any laws, rules or regulations or in the interpretation or administration thereof, or (ii) any act taken by any taxing authority on or after the issue date of the Notes. No redemption pursuant to sub-clause (ii) may be made unless the Issuer receives an opinion of independent counsel that there is a probability that the act taken by the taxing authority leads to one of the events mentioned at (a) or (b).

(h) Redemption following the regulatory call

On the Quarterly Payment Date following the exercise by the Seller of its regulatory call option (the "**Regulatory Call Option**"), the Issuer shall redeem, subject to Condition 9(b), all (but not only part of) the Notes, subject to and in accordance with the Pre-Enforcement Priority of Payments, at their Principal Amount Outstanding, plus accrued but unpaid interest thereon, less in the case of the Junior Class B Notes and the Subordinated Class C Notes an amount equal to the balance on the relevant sub-ledger of the Principal Deficiency Ledger divided by the number of Notes outstanding in the relevant Class of Notes, after payment of the amounts to be paid in priority to the Notes. A Regulatory Call Option exists following the occurrence of a change in the Basle Capital Accord promulgated by the Basle Committee on Banking Supervision (the "**Basle Accord**") or in the international, European or Dutch regulations, rules and instructions (which includes the solvency regulation on securitisation of the Dutch Central Bank) (the "**Bank Regulations**") applicable to the Seller or BNP Paribas S.A. (including any change in the Bank Regulations enacted for purposes of implementing a change to the Basle Accord) or a change in the manner in which the Basle Accord or such Bank Regulations are interpreted or applied by the Basle Committee on Banking Supervision or by any relevant competent international, European or national body (including any relevant international, European or Dutch Central Bank or other competent regulatory or supervisory authority) which, in the opinion of the Seller or BNP Paribas S.A. has the effect of adversely affecting the rate of return on capital of the Seller or BNP Paribas S.A. or increasing the costs or reducing the benefit to the Seller or BNP Paribas S.A. with respect to the transaction contemplated by the Transaction Documents (a "**Regulatory Change**").

(i) *Redemption following Noteholders Put Option*

As from the First Optional Redemption Date, the Noteholders (other than the Subordinated Class C Noteholders), sanctioned by an Extraordinary Resolution by a meeting of each of the Class A Noteholders and the Class B Noteholders, have the option (the "**Noteholders Put Option**") to request the Issuer, by giving written notice thereof to the Issuer and the Security Trustee, to redeem all (but not only part of) the Notes held by them, in accordance with the Pre-Enforcement Priority of Payments, at their Principal Amount Outstanding, after payment of the amounts to be paid in priority to such Notes. If the Noteholders Put Option is exercised then the Issuer will be obliged (i) to sell the Mortgage Receivables and/or obtain alternative funding, subject to the condition precedent that the purchase price of the Mortgage Receivables and/or the amount of the alternative funding to be received by the Issuer has been approved by the Noteholders (other than the Subordinated Class C Noteholders) in a meeting or by resolution of each of the Class A Noteholders and the Class B Noteholders and (ii), provided that the conditions under (i) have been met, to redeem all (but not only part of) the Notes (other than the Subordinated Class C Notes), on the Quarterly Payment Date immediately succeeding the date on which the proceeds of the sale of the Mortgage Receivables and/or the alternative funding has/have become available, at an amount equal to (i) the proceeds of the sale of the Mortgage Receivables and/or the alternative funding, divided by (ii) the number of Notes of the relevant Class on such Quarterly Payment Date, after payment of the amounts to be paid in priority to such Notes.

7. Taxation

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

8. Prescription

Claims against the Issuer for payment in respect of the Notes and Coupons shall become prescribed unless made within five (5) years from the date on which such payment first becomes due.

9. Principal Deficiency, Principal Shortfall and Interest Shortfall

(a) *Interest*

Interest on the Junior Class B Notes and the Subordinated Class C Notes shall be payable in accordance with the provisions of Conditions 4 and 5, subject to the terms of this

Condition and subject to the provisions of the Trust Deed.

On each Quarterly Payment Date the Issuer shall apply the funds available to it to satisfy its obligations in respect of amounts of interest due on the Junior Class B Notes, if and to the extent application thereof will not result in a debit balance on the Class B Principal Deficiency Ledger. In case the available funds are insufficient or if application of the available funds in whole will result in a debit balance on the Class B Principal Deficiency Ledger, the available funds (if any) or the amount as reduced in order to prevent a debit balance on the Class B Principal Deficiency Ledger shall be applied pro rata to the amount of interest due on such Quarterly Payment Date to the holders of the Junior Class B Notes. In the event as a result the interest due on the Junior Class B Notes on the relevant Quarterly Payment Date is not paid in full, the Issuer shall credit the Junior Class B Notes Interest Shortfall Ledger (as defined in the Master Definitions Agreement), with an amount equal to the amount by which the aggregate amount of interest paid on the Junior Class B Notes, on any Quarterly Payment Date in accordance with this Condition falls short of the aggregate amount of interest payable on the Junior 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 Junior 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 Junior Class B Note on the next succeeding Quarterly Payment Date.

On each Quarterly Payment Date the Issuer shall apply the funds available to it to satisfy its obligations in respect of amounts of interest due on the Subordinated Class C Notes, if and to the extent the Cash Release Conditions are met. In case the available funds are insufficient or if and to the extent the Cash Release Conditions are not met, the available funds (if any) or the amount as reduced in order to meet the Cash Release Conditions shall be applied pro rata to the amount of interest due on such Quarterly Payment Date to the holders of the Subordinated Class C Notes. In the event as a result the interest due on the Subordinated Class C Notes on the relevant Quarterly Payment Date is not paid in full, the Issuer shall credit the Subordinated Class C Notes Interest Shortfall Ledger (as defined in the Master Definitions Agreement), with an amount equal to the amount by which the aggregate amount of interest paid on the Subordinated Class C Notes, on any Quarterly Payment Date in accordance with this Condition falls short of the aggregate amount of interest payable on the Subordinated 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 Subordinated 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

Subordinated Class C Note on the next succeeding Quarterly Payment Date.

(b) Principal

Until the date on which the Principal Amount Outstanding of all Senior Class A Notes is reduced to zero, the holders of the Junior Class B Notes will not be entitled to any repayment of principal in respect of the Junior Class B Notes. As from that date the Principal Amount Outstanding of the Junior Class B Notes will be redeemed in accordance with the provisions of Condition 6, provided that 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 Junior Class B Note on such Quarterly Payment Date shall not exceed its Principal Amount Outstanding less the relevant Principal Shortfall on such date. The Junior Class B Noteholders shall have no further claim against the Issuer for the Principal Amount Outstanding on the Junior Class B Notes after the earlier of (i) the Final Maturity Date and (ii) the date on which the Issuer no longer holds any Mortgage Receivables and there are no balances standing to the credit of the GIC Accounts.

Until the date on which the Principal Amount Outstanding of the Senior Class A Notes is reduced to zero and the Principal Amount Outstanding of the Junior Class B Notes is reduced to zero, the Subordinated Class C Noteholders will not be entitled to any repayment of principal in respect of the Subordinated Class C Notes. As from that date the Principal Amount Outstanding of the Subordinated Class C Notes will be redeemed in accordance with the provisions of Condition 6, provided that 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 Subordinated Class C Note on such Quarterly Payment Date shall not exceed its Principal Amount Outstanding less the relevant Principal Shortfall on such date. The Subordinated Class C Noteholders shall have no further claim against the Issuer for the Principal Amount Outstanding on the Subordinated Class C Notes after the earlier of (i) the Final Maturity Date and (ii) the date on which the Issuer no longer holds any Mortgage Receivables and there are no balances standing to the credit of the GIC Accounts.

In these Conditions, the "**Principal Shortfall**" means, with respect to any Quarterly Payment Date, an amount equal to (i) the balance of the relevant sub-ledger of the Principal Deficiency Ledger for the relevant Class of Notes, divided by (ii) the number of Notes of the relevant Class on such Quarterly Payment Date.

As from the earlier of (i) the Quarterly Calculation Date upon which all amounts of interest and principal due in respect of the Notes (other than the Subordinated Class C Notes), have been paid on the Quarterly Payment Date immediately preceding such Quarterly Calculation Date or will be available for payment on the Quarterly Payment Date immediately following

such Quarterly Calculation Date, (ii) the Quarterly Calculation Date upon which the outstanding principal balances of the Portfolio Mortgage Loans have been reduced to zero and (iii) the Quarterly Payment Date on which the Issuer no longer holds any Mortgage Receivables and there is no balance standing to the credit of the Transaction Account, the Reserve Account Target Level will be reduced to zero and any amount standing to the credit of the Reserve Account will thereafter form part of the Available Amounts and will thus be available among others to redeem or partially redeem the Subordinated Class C Notes until fully redeemed and thereafter towards satisfaction of the Deferred Purchase Price.

(c) *General*

In the event that the Security in respect of the Notes and the Coupons appertaining thereto has been fully enforced and the proceeds of such enforcement, after payment of all other claims ranking under the Trust Deed in priority to the Subordinated Class C Notes or, as the case may be, the Junior Class B Notes, are insufficient to pay in full all principal and interest and other amounts whatsoever due in respect of the Subordinated Class C Notes or, as the case may be, the Junior Class B Notes, then the Subordinated Class C Noteholders or, as the case may be, the Junior Class B Noteholders shall have no further claim against the Issuer or the Security Trustee in respect of any such unpaid amounts.

10. Events of Default

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

- (a) the Issuer is in default for a period of fifteen (15) days or more in the payment on the due date of any amount due in respect of the Notes of the Relevant Class; or
- (b) the Issuer fails to perform any of its other obligations binding on it under the Notes of the Relevant Class, the Trust Deed, the other Security Documents or the Paying Agency Agreement 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 winding-up of the Issuer or for the appointment of a liquidator or receiver of the Issuer in respect of all or substantially all of its assets; or
- (e) the Issuer makes an assignment for the benefit of, or enters into any general assignment (*akkoord*) with, its creditors; or
- (f) the Issuer files a petition for a suspension of payments (*surseance van betaling*) or for bankruptcy (*faillissement*) or is declared bankrupt or becomes subject to any other regulation having a similar effect,

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

11. Enforcement

(a) Enforcement

At any time after the Notes of any Class become due and payable, the Security Trustee may, at its discretion and without further notice, take such steps and/or institute such proceedings as it may think fit to enforce the Security pursuant to the terms of the Trust Deed and the other Security Documents, including the making of a demand for payment thereunder, but it need not take any such proceedings unless (i) it shall have been directed by an Extraordinary Resolution of the Senior Class A Noteholders or, if all amounts due in respect of the Senior Class A Notes have been fully paid, the Junior Class B Noteholders or, if all amounts due in respect of the Senior Class A Notes and the Junior Class B Notes have been fully paid, the Subordinated Class C Noteholders and (ii) it shall have been indemnified to its satisfaction. The Security Trustee will enforce the security created by the Issuer in favour of the Security Trustee pursuant to the terms of the Security Documents for the benefit of all Security Beneficiaries, including, but not limited to, the Noteholders, and will apply the net proceeds received or recovered towards satisfaction of the Parallel Debt.

The Security Trustee shall distribute such net proceeds (after deduction of the amounts due and payable to the Savings Mortgage Participants) to the Security Beneficiaries (other than the Savings Mortgage Participants) in accordance with the Post-Enforcement Priority of Payments set forth in the Trust Deed.

(b) No Action against Issuer by Noteholders

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) Undertaking Noteholders and Security Trustee

The Noteholders and the Security Trustee may not institute against, or join any person in instituting against, the Issuer any bankruptcy, winding-up, reorganisation, arrangement, insolvency or liquidation proceeding until the expiry of a period of at least one (1) year after the last maturing Note is paid in full.

(d) Limitation of Recourse

The Noteholders accept and agree that the only remedy of the Security Trustee against the Issuer after any of the Notes have become due and payable pursuant to Condition 10 above is to enforce the Security.

12. Indemnification of the Security Trustee

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

13. Notices

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

14. Meetings of Noteholders; Modification; Consents; Waiver

The Trust Deed contains provisions for convening meetings of Noteholders of any Class or one

or more Classes jointly to consider matters affecting the interests, including the sanctioning by Extraordinary Resolution, of such Noteholders of the relevant Class of a change of any of these Conditions or any provisions of the Transaction Documents. Instead of at a general meeting, a resolution of the Noteholders of the relevant Class may be passed in writing – including by e-mail, facsimile or electronic transmission, or in the form of a message transmitted by any accepted means of communication and received or capable of being produced in writing – provided that all Noteholders with the right to vote have voted in favour of the proposal.

(a) Meeting of Noteholders

The Trust Deed contains provisions for convening meetings of the Senior Class A Noteholders, the Junior Class B Noteholders and the Subordinated Class C Noteholders to consider matters affecting the interests, including the sanctioning by Extraordinary Resolution, of such Noteholders of the relevant Class of a change of any of these Conditions or any provisions of the Transaction Documents, provided that no change of certain terms by the Noteholders of any Class including the date of maturity of the Notes of the relevant Class, or a change which would have the effect of postponing any day for payment of interest in respect of such Notes, reducing or cancelling the amount of principal payable in respect of such Notes or altering the majority required to pass an Extraordinary Resolution or any alteration of the date or priority of redemption of such Notes (any such change in respect of any such class of Notes referred to below as a "**Basic Terms Change**") shall be effective except that, if the Security Trustee is of the opinion that such a Basic Terms Change is being proposed by the Issuer as a result of, or in order to avoid, an Event of Default, such Basic Terms Change may be sanctioned by an Extraordinary Resolution of the Noteholders of the relevant Class of Notes as described below.

A meeting as referred to above may be convened by the Issuer or by Noteholders of any Class holding not less than 10 per cent. in Principal Amount Outstanding of the Notes of such Class. The quorum for any meeting convened to consider an Extraordinary Resolution for any Class of Notes will be two-thirds of the Principal Amount Outstanding of the Notes of the relevant Class, as the case may be, and at such a meeting an Extraordinary Resolution shall be adopted with not less than a two-third majority of the validly cast votes, except that the quorum required for an Extraordinary Resolution including the sanctioning of a Basic Terms Change shall be at least 75 per cent. of the amount of the Principal Amount Outstanding of the Notes of the relevant Class and the majority required shall be at least 75 per cent. of the validly cast votes in respect of that Extraordinary Resolution. If at such meeting the aforesaid quorum is not represented, a second meeting of Noteholders will be held within one month, with due observance of the same formalities for convening the meeting which governed the convening of the first meeting; at such second meeting an Extraordinary Resolution can be adopted with not less than a two-thirds majority of the validly cast votes, except that for an Extraordinary Resolution including a sanctioning of a Basic Terms Change the majority required shall be 75 per cent. of the validly cast votes,

regardless of the Principal Amount Outstanding of the Notes of the relevant Class then represented, except if the Extraordinary Resolution relates to the appointment, removal and replacement of any or all of the managing directors of the Security Trustee, in which case at least 30 per cent. of the Notes of the relevant Class should be represented at such second meeting.

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

An Extraordinary Resolution passed at any meeting of the Senior Class A Noteholders shall be binding on all other Classes of Noteholders, irrespective of its effect upon them, except in case of an Extraordinary Resolution to sanction a Basic Terms Change, which shall not take effect unless it shall have been sanctioned by an Extraordinary Resolution of the lower ranking Classes of Noteholders or the Security Trustee is of the opinion that it will not be materially prejudicial to the respective interests of the lower ranking Classes of Noteholders.

Without prejudice to the paragraph below, an Extraordinary Resolution (other than a sanctioning Extraordinary Resolution referred to in the previous paragraph) passed at any meeting of a Class of Noteholders (other than the Senior Class A Noteholders) or, as the case may be, Classes of Noteholders (other than the Senior Class A Noteholders) shall not be effective, unless it shall have been sanctioned by an Extraordinary Resolution of the Senior Class A Noteholders or the Security Trustee is of the opinion that it will not be materially prejudicial to the interests of the Senior Class A Noteholders.

An Extraordinary Resolution passed at any meeting of a Class of Noteholders (other than the Senior Class A Noteholders) or, as the case may be, Classes of Noteholders (other than the Senior Class A Noteholders), which is effective in accordance with the paragraph above, shall be binding on all other Classes of Noteholders, irrespective of its effect upon them, except in case of an Extraordinary Resolution to sanction a Basic Terms Change, which shall not take effect unless it shall have been sanctioned by an Extraordinary Resolution of the other Classes of Noteholders or the Security Trustee is of the opinion that it will not be materially prejudicial to the respective interests of the other Classes of Noteholders.

Any Extraordinary Resolution duly passed shall be binding on all Noteholders of the relevant

Class (whether or not they were present at the meeting at which such resolution was passed).

(b) Voting

Each Note carries one vote. The Issuer and its affiliates may not vote on any Notes held by them directly or indirectly. Such Notes will not be taken into account in calculating the aggregate outstanding amount of the Notes.

(c) Modification, authorisation and waiver without consent of Noteholders

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

(d) Indemnification for individual Noteholders

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, the Junior Class B Noteholders and the Subordinated Class C Noteholders each as a Class and shall not have regard to the consequences of such exercise for individual Noteholders and the Security Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders.

15. Replacements of Notes and Coupons

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

16. Governing Law

The Notes and Coupons, and any non-contractual obligations arising out of or in relation to the Notes and Coupons, are governed by, and will be construed in accordance with, the laws of the

Netherlands. In relation to any legal action or proceedings arising out of or in connection with the Notes and Coupons the Issuer irrevocably submits to the jurisdiction of the Court of first instance (*rechtbank*) 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 the Notes shall be initially represented by (i) in the case of the Senior Class A Notes, a Temporary Global Note in bearer form, without coupons attached, in the principal amount of € 4,600,000,000, (ii) in the case of the Junior Class B Notes, a Temporary Global Note in bearer form, without coupons attached, in the principal amount of € 400,000,000 and (iii) in the case of the Subordinated Class C Notes, a Temporary Global Note in bearer form, without coupons attached, in the principal amount of € 175,000,000. The Temporary Global Note representing the Senior Class A Notes will be deposited with Euroclear Belgium (C.I.K. S.A./N.V.) as 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 21 October 2010. The Temporary Global Notes representing the Notes (other than the Senior Class A Notes) will be deposited with BNP Paribas Securities Services S.A., Luxembourg Branch as common safekeeper for Euroclear Bank S.A./N.V., as operator of the Euroclear and Clearstream, Luxembourg on or about 21 October 2010. Upon deposit of each such Temporary Global Note, Euroclear and Clearstream, Luxembourg will credit each purchaser of the Notes represented by such Temporary Global Notes with the amount of the relevant Class of Notes equal to the amount thereof for which it has purchased and paid. Interests in each Temporary Global Note will be exchangeable (provided certification of non-U.S. beneficial ownership by the Noteholders has been received) not earlier than forty (40) days after the issue date of the Notes (the "**Exchange Date**") for interests in a permanent global note (each a "**Permanent Global Note**"), in bearer form, without coupons attached, in the amount of the Notes of the relevant Class (the expression "**Global Notes**" meaning the Temporary Global Notes of each Class and the Permanent Global Notes of each Class and the expression "Global Note" means any of them, as the context may require). On the exchange of a Temporary Global Note for a Permanent Global Note of the relevant Class, the Permanent Global Note will remain deposited with the relevant 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 and/or CSDs that fulfils the minimum standard established by the European Central Bank, 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 Junior Class B Notes and the Subordinated Class C Notes are not intended to be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem.

The Global Notes will be transferable by delivery in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as appropriate. Each Permanent Global Note will be exchangeable for definitive notes to bearer (the "**Definitive Notes**") only in the circumstances described below. 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 as long as such Global Note is outstanding. Each person must give a certificate as to non- U.S. beneficial ownership as of the date on which the Issuer is obliged to exchange a Temporary Global Note for a Permanent Global Note, which date shall be no earlier than the Exchange Date, in order to obtain any payment due on the Notes.

For as 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 of 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 as long as a Class of the Notes 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 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 on the principal amount thereof and interest with respect thereto in accordance with and subject to its terms. Any statement in writing issued by Euroclear or Clearstream, Luxembourg as to the persons shown in its records as being entitled to such Notes and the respective principal amount of such Notes held by them shall be conclusive for all purposes.

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

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

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

The Definitive Notes and the Coupons will bear the following legend: "Any United States Person (as defined in the Internal Revenue Code), who holds this obligation will be subject to the limitations under the United States income tax laws, including limitations provided in Section 165(j) and 1287(a) of the Internal Revenue Code". The Sections referred to in the legend provide that such a United States Person will not, with certain exceptions, be permitted to deduct any loss, and will not be eligible for favourable capital gains treatment with respect to any gain, realised on a sale, exchange or redemption of a Definitive Note or Coupon.

DUTCH TAXATION

The following is a general summary and the tax consequences as described here may not apply to a Holder of Notes (as defined below). Any potential investor should consult his tax adviser for more information about the tax consequences of acquiring, owning and disposing of Notes in his particular circumstances.

This taxation summary solely addresses the principal Dutch tax consequences of the acquisition, ownership and disposal of Notes. It does not consider every aspect of taxation that may be relevant to a particular Holder of Notes under special circumstances or who is subject to special treatment under applicable law. Where in this summary English terms and expressions are used to refer to Dutch concepts, the meaning to be attributed to such terms and expressions shall be the meaning to be attributed to the equivalent Dutch concepts under Dutch tax law. This summary assumes that the Issuer is organised, and that its business will be conducted, in the manner outlined in this Prospectus. A change to such organisational structure or to the manner in which the Issuer conducts its business may invalidate the contents of this summary, which will not be updated to reflect any such change.

This summary is based on the tax law of the Netherlands (unpublished case law not included) as it stands at the date of this Prospectus. The law upon which this summary is based is subject to change, perhaps with retroactive effect. Any such change may invalidate the contents of this summary, which will not be updated to reflect such change. This summary assumes that each transaction with respect to Notes is at arm's length.

Where in this Dutch taxation paragraph reference is made to a "Holder of Notes", that concept includes, without limitation:

1. an owner of one or more Notes who in addition to the title to such Notes has an economic interest in such Notes;
2. a person who or an entity that holds the entire economic interest in one or more Notes;
3. a person who or an entity that holds an interest in an entity, such as a partnership or a mutual fund, that is transparent for Dutch tax purposes, the assets of which comprise one or more Notes, within the meaning of 1. or 2. above; or
4. a person who is deemed to hold an interest in Notes, as referred to under 1. to 3., pursuant to the attribution rules of article 2.14a, of the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*), with respect to property that has been segregated, for instance in a trust or a foundation.

Withholding tax

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

Taxes on income and capital gains

The summary set out in this section "Taxes on income and capital gains" applies only to a Holder of Notes who is neither resident nor deemed to be resident in the Netherlands for the purposes of Dutch income tax or corporation tax, as the case may be, and who, in the case of an individual, has not elected to be treated as a resident of the Netherlands for Dutch income tax purposes (a "Non-Resident Holder of Notes").

Individuals

A Non-Resident Holder of Notes who is an individual will not be subject to any Dutch taxes on income or capital gains in respect of any benefits derived or deemed to be derived from Notes, including any payment under Notes and any gain realised on the disposal of Notes, except if

1. he derives profits from an enterprise, whether as an entrepreneur (*ondernemer*) or pursuant to a co-entitlement to the net value of such enterprise, other than as a shareholder, such enterprise either being managed in the Netherlands or carried on, in whole or in part, through a permanent establishment or a permanent representative in the Netherlands, and his Notes are attributable to such enterprise; or
2. he derives benefits or is deemed to derive benefits from Notes that are taxable as benefits from miscellaneous activities in the Netherlands (*resultaat uit overige werkzaamheden in Nederland*).

If a Holder of Notes is an individual who does not come under exception 1. above, and if he derives or is deemed to derive benefits from Notes, including any payment thereunder and any gain realised on the disposal thereof, such benefits are taxable as benefits from miscellaneous activities in the Netherlands if he, or an individual who is a connected person in relation to him as meant by article 3.91, paragraph 2, letter b, or c, of the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*), has a substantial interest (*aanmerkelijk belang*) in the Issuer.

A person has a substantial interest in the Issuer if such person - either alone or, in the case of an individual, together with his partner (*partner*), if any - owns, or pursuant to article 2.14a, of the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*) is deemed to own, directly or indirectly, either a number of shares representing five per cent. or more of the total issued and outstanding capital (or the issued and outstanding capital of any class of shares) of the Issuer, or rights to acquire, directly or indirectly, shares, whether or not already issued, representing five per cent. or more of the total issued and outstanding capital (or the issued and outstanding capital of any class of shares) of the Issuer, or profit participating certificates (*winstbewijzen*) relating to five per cent. or more of the annual profit of the Issuer or to five per cent. or more of the liquidation proceeds of the Issuer.

A person who is entitled to the benefits from shares or profit participating certificates (for instance a holder of a right of usufruct) is deemed to be a holder of shares or profit participating certificates, as the case may be, and such person's entitlement to such benefits is considered a share or a profit participating certificate, as the case may be.

Furthermore, a Holder of Notes who is an individual and who does not come under exception 1. above may, *inter alia*, derive, or be deemed to derive, benefits from Notes that are taxable as benefits from miscellaneous activities in the following circumstances, if such activities are performed or deemed to be performed in the Netherlands:

- a. if his investment activities go beyond the activities of an active portfolio investor, for instance in the case of use of insider knowledge (*voorkennis*) or comparable forms of special knowledge;
- b. if he makes Notes available or is deemed to make Notes available, legally or in fact, directly or indirectly, to certain parties as meant by articles 3.91 and 3.92 of the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*) under circumstances described there; or
- c. if he holds Notes, whether directly or indirectly, and any benefits to be derived from such Notes are intended, in whole or in part, as remuneration for activities performed or deemed to be performed in the Netherlands by him or by a person who is a connected person in relation to him as meant by article 3.92b, paragraph 5, of the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*).

Attribution rule

Benefits derived or deemed to be derived from certain miscellaneous activities by a child or a foster child who is under eighteen years of age are attributed to the parent who exercises, or the parents who exercise, authority over the child, irrespective of the country of residence of the child.

Entities

A Non-Resident Holder of Notes other than an individual will not be subject to any Dutch taxes on income or capital gains in respect of benefits derived or deemed to be derived from Notes, including any payment under Notes and any gain realised on the disposal of Notes, except if

- (a) such Non-Resident Holder of Notes derives profits from an enterprise, whether as an entrepreneur (*ondernemer*) or pursuant to a co-entitlement to the net value of such enterprise, other than as a holder of securities, such enterprise either being managed in the Netherlands or carried on, in whole or in part, through a permanent establishment or a permanent representative in the Netherlands, and its Notes are attributable to such enterprise; or
- (b) such Non-Resident Holder of Notes has a substantial interest in the Issuer.

A person other than an individual has a substantial interest in the Issuer, (x) if it has a substantial interest in the Issuer (as described above under *Individuals*) or (y) if it has a deemed substantial interest in the Issuer. A deemed substantial interest may be present if its shares, profit participating certificates or rights to acquire shares or profit participating certificates in the Issuer have been acquired by such person or are deemed to have been acquired by such person on a non-recognition basis.

General

Subject to the above, a Non-Resident Holder of Notes will not be subject to income taxation in the Netherlands by reason only of the execution (*ondertekening*), delivery (*overhandiging*) and/or enforcement of the documents relating to the issue of Notes or the performance by the Issuer of its obligations under such documents or under the Notes.

Gift and inheritance taxes

If a Holder of Notes disposes of Notes by way of gift, in form or in substance, or if a Holder of Notes who is an individual, dies, no Dutch gift tax or Dutch inheritance tax, as applicable, will be due, unless:

- (i) the donor is, or the deceased was resident or deemed to be resident in the Netherlands for purposes of Dutch gift tax or Dutch inheritance tax, as applicable; or
- (ii) the donor made a gift of Notes, then became a resident or deemed resident of the Netherlands, and died as a resident or deemed resident of the Netherlands within 180 days of the date of the gift.

Other taxes and duties

No Dutch registration tax, transfer tax, stamp duty or any other similar documentary tax or duty, other than court fees, is payable in the Netherlands in respect of or in connection with (i) the execution, delivery and/or enforcement by legal proceedings (including the enforcement of any foreign judgment in the courts of the Netherlands) of the documents relating to the issue of Notes, (ii) the performance by the Issuer of its obligations under such documents or under the Notes, or (iii) the transfer of Notes, except that Dutch real property transfer tax (*overdrachtsbelasting*) may be due by a Holder of Notes if, in satisfaction of all or part of any of its rights under the Notes, it acquires any asset, or an interest in any asset (*economische eigendom*), that qualifies as real property or as a right over real property situated in the Netherlands, for the purposes of Dutch real property transfer tax (*overdrachtsbelasting*).

PURCHASE AND SALE

The Notes Purchaser has, pursuant to a notes purchase agreement dated 19 October 2010 between the Notes Purchaser, the Issuer and the Seller (the "**Notes Purchase Agreement**") agreed with the Issuer, subject to certain conditions, to purchase the Notes at their issue price. The Issuer has agreed to indemnify and reimburse the Notes Purchaser 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 which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), the Notes Purchaser has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Prospectus to the public in that Relevant Member State other than:

- (a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than € 43,000,000; and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes shall require the Issuer or the Notes Purchaser 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 Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression 'Prospectus Directive' means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

The Netherlands

The Notes Purchaser represents and agrees that (a) it is a PMP and (b) it has offered or sold and will offer or sell, directly or indirectly, as part of the initial distribution or at any time thereafter, the Notes exclusively to PMP's.

France

Any delivery of this Prospectus shall not under any circumstances be deemed to constitute an offer to sell financial instruments to the French public within the meaning of Article L. 411-1 of the French Code monétaire et financier (the "**Code**") nor a solicitation to enter into a transaction involving financial instruments within the meaning of Article L. 341-1 of the Code. With respect to the foregoing, this Prospectus has not been and will not be submitted to the prior approval ("visa") of the French Autorité des Marchés Financiers (Authority of Financial Markets, AMF). In France, the Notes may only be offered, sold or delivered to qualified investors (*investisseurs qualifiés*), acting for their own account, in accordance with, and as defined in, Articles L.411-2 and D.411-2 of the Code.

United Kingdom

The Notes Purchaser has represented, warranted and agreed that (i) it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 (the "**FSMA**") with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom and (ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer.

United States

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or under any state securities laws of the United States. Therefore, the Notes may not be offered or sold within the United States or to, or for the account or benefit of, any U.S. person, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and other applicable state securities laws. Accordingly, the Notes Purchaser has agreed that it will only offer or sell the Notes outside the United States to certain persons other than U.S. persons in reliance upon Regulation S promulgated under the Securities Act (see *Notice to Investors* below). In connection with sales of the Notes outside the United States, the Notes Purchaser has agreed that it will not offer, sell or deliver the Notes to, or for the account or benefit of, any U.S. person, (1) as part of its distribution at any time or (2) otherwise prior to 40 days after the later of the commencement of the offering of the Notes and the closing date of the offering of the Notes. The Notes Purchaser will send to each dealer to whom it sells Notes during such period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, any U.S. person. Terms used above have the meanings given to them in Regulation S promulgated under the Securities Act.

Investment Company Act of 1940.

The Issuer will not be registered under the US Investment Company Act of 1940, as amended (the "**1940 Act**"), and it is not intended that the Issuer will operate as a registered investment company thereunder. As a result, the Issuer will not be subject to regulation under the 1940 Act, which includes rules for the protection of investors that, among other things, (i) require investment companies to have a majority of disinterested directors and (ii) regulate the relationship between an investment adviser and an investment company. Investors in the Notes will, therefore, not have these protections under the 1940 Act.

Service of Process.

The Issuer and its respective officers are not residents of the United States and all or a substantial portion of the assets of such persons are located outside of the United States. As a result, it may not be possible for investors to effect service of process within the United States on such parties or to enforce against them judgments of United States courts. Further, civil liabilities predicated on federal or state securities laws, in original actions or in actions for enforcement of judgments of United States courts, may not be enforceable in jurisdictions located outside of the United States.

Notice to investors

The Notes have not been and will not be registered under the Securities Act or any other applicable securities laws, and may not be offered or sold within the United States or to, or for the account or benefit of, any U.S. person except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and such other securities laws. Accordingly, the Notes (and any interests therein) are only being offered and sold outside the United States in reliance upon Regulation S promulgated under the Securities Act to non-U.S. persons who will be required to make certain representations prior to their investment in the Notes.

Each purchaser (not including the Notes Purchaser who is the initial purchaser) of the Notes will be deemed to have represented, agreed and acknowledged as follows:

1. It is purchasing the Notes for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is outside the United States in compliance with Regulation S, and is not a U.S. person as defined under Regulation S.
2. It acknowledges that the Notes have not been registered under the Securities Act or any other applicable securities laws and that they may not be offered, sold, pledged or otherwise transferred within the United States or to, or for the account or benefit of, any U.S. person except as set forth below.
3. It will not offer, resell, pledge or otherwise transfer any of the Notes except (a) to the Issuer or any of its subsidiaries, (b) pursuant to an effective registration statement under the Securities Act, (c) outside the United States in an offshore transaction in compliance with Regulation S,

or (d) pursuant to any other exemption from the registration requirements of the Securities Act (if available), and in each case, in accordance with any applicable securities laws of any state of the United States.

4. It agrees that it will give to each person to whom it transfers the Notes notice of any restrictions on transfer of such Notes.

The Notes will be represented upon issuance by a temporary global security which is not exchangeable for definitive securities until the expiration of the 40-day distribution compliance period and, in the case of persons other than distributors, until certification of beneficial ownership of the Notes by a non-U.S. person or a U.S. person who purchased the Notes in a transaction that does not require registration under the Securities Act.

The Notes will bear a legend to the following effect:

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

Because of the foregoing restrictions, purchasers of the Notes are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Notes.

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 and the Notes Purchaser to inform themselves about and to observe any such restrictions. This Prospectus does not constitute an offer, or an invitation to subscribe for or purchase, any Notes.

IMPORTANT INFORMATION

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

For the information contained in the following sections of this Prospectus: *Overview of the Dutch Residential Mortgage Market*, *BNP Paribas Personal Finance B.V.*, *Description of Portfolio Mortgage Loans*, *NHG Guarantee Programme*, and *Mortgage Loan Origination, Underwriting and Servicing*, the Issuer has relied on information from the Seller. For the information contained in the section *Issuer Administrator* of this Prospectus, the Issuer has relied on information from Intertrust (Netherlands) B.V. Intertrust (Netherlands) B.V. is responsible solely for the information contained in this section and not for information contained in any other section and consequently, Intertrust (Netherlands) B.V. does not assume any liability in respect of the information contained in any other part of the Prospectus. For the information contained in section *Stater Nederland B.V.* of this Prospectus, the Issuer has relied on information from Stater. Stater is responsible solely for the information contained in section *Stater Nederland B.V.* of this Prospectus and not for information contained in any other section and consequently, Stater does not assume any liability in respect of the information contained in any section other than the section *Stater Nederland B.V.* To the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case), the information contained in the section *Stater Nederland B.V.* is in accordance with the facts and does not omit anything likely to affect the import of such information. Stater accepts responsibility accordingly. For the information contained in section *Novalink B.V.* of this Prospectus, the Issuer has relied on information from Novalink. Novalink is responsible solely for the information contained in section *Novalink B.V.* of this Prospectus and not for information contained in any other section and consequently, Novalink does not assume any liability in respect of the information contained in any section other than the section *Novalink B.V.* To the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case), the information contained in the section *Novalink B.V.* is in accordance with the facts and does not omit anything likely to affect the import of such information. Novalink accepts responsibility accordingly. The information in these sections and any other information from third-parties contained and specified as such in this Prospectus, other than the information set out in the sections *Stater Nederland B.V.* and *Novalink B.V.* of this Prospectus and in the section *Issuer Administrator*, 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.

This Prospectus is to be read in conjunction with the articles of association included in the deed of incorporation of the Issuer dated 25 August 2010 which is deemed to be incorporated herein by reference (see section *General Information* below). This Prospectus shall be read and construed on the basis that such document is incorporated in, and forms part of, this Prospectus.

No person has been authorised to give any information or to make any representation which is not contained in or 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 Notes Purchaser.

This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy Notes in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction. The distribution of this document and the offering of the Notes in certain jurisdictions may be restricted by law.

Persons into whose possession this Prospectus (or any part thereof) comes are required to inform themselves about, and to observe, any such restrictions. A fuller description of the restrictions on offers, sales and deliveries of the Notes and on the distribution of this Prospectus is set out in *Purchase and Sale* above. No one is authorised to give any information or to make any representation concerning the issue of the Notes other than those contained in this 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 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. The Issuer does not have the obligation to update this Prospectus, except when required by the listing and issuing rules of Euronext Amsterdam or any other regulation.

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

The Notes have not been and will not be registered under the Securities Act or the securities laws of any state of the United States and are subject to United States tax law requirements. The Notes may not be offered or sold within the United States, or to or for the account or benefit of any U.S. Person, unless the offer or sale would qualify for a registration exemption from the Securities Act and applicable state securities laws (see *Purchase and Sale* above).

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

All references in this Prospectus to "€" 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).

GENERAL INFORMATION

1. The issue of the Notes has been authorised by a resolution of the managing director of the Issuer passed on 7 October 2010.
2. The Senior Class A Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg and through the Securities Clearing Corporation of Euronext Amsterdam and will bear common code 054401485 and ISIN XS0544014854.
3. The Junior 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 054401639 and ISIN XS0544016396.
4. The Subordinated 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 054401663 and ISIN XS0544016636.
5. Mazars Paardekooper Hoffman Accountants N.V., has given and has not withdrawn its written consent to the issue of this Prospectus with its report included herein in the form and context in which it appears.
6. Copies of the following documents may be inspected at the specified offices of the Security Trustee and the Paying Agents during normal business hours, as long as any Notes are outstanding:
 - (i) this Prospectus;
 - (ii) the deed of incorporation of the Issuer;
 - (iii) the Mortgage Receivables Purchase Agreement;
 - (iv) the Paying Agency Agreement;
 - (v) the Trust Deed;
 - (vi) the Security Beneficiaries Agreement;
 - (vii) the Mortgage Receivables Pledge Agreement;
 - (viii) the Issuer Rights Pledge Agreement;
 - (ix) the GIC Accounts Pledge Agreement;
 - (x) the Irish Charge;
 - (xi) the Servicing Agreement;
 - (xii) the Issuer Administration Agreement;
 - (xiii) the Sub-Participation Agreements;
 - (xiv) the Floating Rate GIC;
 - (xv) the Swap Agreement;
 - (xvi) the Conditional Deed of Novation;

- (xvii) the Beneficiary Waiver Agreement;
- (xviii) the Master Definitions Agreement;
- (xix) the Notes Purchase Agreement; and
- (xx) the articles of association of the Security Trustee.

7. No statutory or non-statutory accounts in respect of any financial year of the Issuer have been prepared. So long as the Notes are listed on Euronext Amsterdam, the most recently published audited annual accounts of the Issuer from time to time will be available at the specified offices of the Security Trustee.
8. The following documents are incorporated herein by reference:

- (a) the deed of incorporation which include the articles of association of the Issuer dated 25 August 2010.

A free copy of the Issuer's deed of incorporation including the articles of association is available at the office of the Issuer whose offices are located Reguliersdwarsstraat 90, 1017 BN Amsterdam, the Netherlands and having the following email address: nl.trust@bnpparibas.com.

9. A quarterly report on the performance, including the arrears and the losses, of the transaction, together with current stratification tables can be obtained at: <https://www.intertrustgroup-fgreporting.com/>.
10. The estimated aggregate cost of the transaction amount to approximately 0.12 per cent. of the proceeds of the Notes. There are no costs deducted by the Issuer from any investment made by any Noteholder in respect of the subscription or purchase of the Notes.
11. This Prospectus constitutes a prospectus for the purpose of the Prospectus Directive. A free copy of this Prospectus is available at the offices of the Issuer, the Arranger and the Paying Agent.

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REGISTERED OFFICES AND ADDRESSES

ISSUER

Phedina Hypotheken 2010 B.V.
Reguliersdwarsstraat 90
1017 BN Amsterdam
the Netherlands

ISSUER ADMINISTRATOR

Intertrust (Netherlands) B.V.
Prins Bernhardplein 200
1097 JB Amsterdam
the Netherlands

SELLER

BNP Paribas Personal Finance B.V.
Marten Meesweg 97
3068 AV Rotterdam
The Netherlands

SERVICER

BNP Paribas Personal Finance B.V.
Marten Meesweg 97
3068 AV Rotterdam
The Netherlands

SECURITY TRUSTEE

Stichting Security Trustee Phedina Hypotheken 2010
Reguliersdwarsstraat 90
1017 BN Amsterdam
the Netherlands

PRINCIPAL PAYING AGENT

BNP Paribas Securities Services S.A., Luxembourg Branch
33 rue de Gasperich
Howald – Hesperange
L-2085 Luxembourg

PAYING AGENT

BNP Paribas S.A., Amsterdam Branch
Herengracht 477
1017 BS Amsterdam
The Netherlands

REFERENCE AGENT

BNP Paribas Securities Services S.A., Luxembourg Branch
33 rue de Gasperich
Howald – Hesperange
L-2085 Luxembourg

COMMON SAFEKEEPER

In respect of the Senior Class A Notes
Euroclear Belgium (C.I.K. S.A./N.V.)
6, Avenue Schiphol
1140 Brussels
Belgium

In respect of the Notes (other than the Senior Class A Notes)

BNP Paribas Securities Services S.A., Luxembourg Branch
33 rue de Gasperich, Howald – Hesperange
L-2085 Luxembourg

LISTING AGENT

BNP Paribas Securities Services S.A.
3 rue d'Antin
75002 Paris
France

SWAP COUNTERPARTY

BNP Paribas Personal Finance B.V.
Marten Meesweg 97
3068 AV Rotterdam
The Netherlands

BACK-UP SWAP COUNTERPARTY

BNP Paribas S.A.
16 boulevard des Italiens
75009 Paris
France

FLOATING RATE GIC PROVIDER

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5 Georges Dock
IFSC
Dublin 1
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AUDITORS

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